Lazard Ltd
Form 10-K
February 26, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018

OR

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

For the transition period from to

001-32492

(Commission File Number)

LAZARD LTD

(Exact name of registrant as specified in its charter)

Bermuda	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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value $0.01 per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

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

The aggregate market value of the common stock held by non-affiliates of the Registrant as of June 30, 2018 was approximately $5,784,416,520.

As of January 30, 2019, there were 129,766,091 shares of the Registrant's Class A common stock outstanding (including 19,763,704 shares held by subsidiaries).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for its 2019 annual general meeting of shareholders are incorporated by reference in this Form 10-K in response to Part III Items 10, 11, 12, 13 and 14.

LAZARD LTD

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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Part I

When we use the terms "Lazard", "we", "us", "our" and "the Company", we mean Lazard Ltd, a company incorporated under t
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 December 31, 2018 of all of the common membership interests in Lazard Group and its controlling interest in Lazard Group.

Item 1. Business

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 43 cities in key business and financial centers across 27 countries throughout North America, Europe, Asia, Australia, the Middle East, and Central and South America.

Principal Business Lines

We focus primarily on two business segments: Financial Advisory and Asset Management. We believe that the mix of our activities across business segments, geographic regions, industries and investment strategies helps to diversify and stabilize our revenue stream.

Financial Advisory

Our Financial Advisory business 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, shareholder advisory, capital raising and various other financial matters. We focus on solving our clients' most complex issues, providing advice to key decision-makers, senior management, boards of directors and business owners, as well as governments and governmental agencies, in transactions that typically are of significant strategic and financial importance to them.

We continue to build our Financial Advisory business by fostering long-term, senior level relationships with existing and new clients as their independent advisor on strategic transactions and other matters. We seek to build and sustain long-term relationships with our clients rather than focusing simply on individual transactions, a practice that we believe enhances our access to senior management of major corporations and institutions around the world. We emphasize providing clients with senior level focus during all phases of transaction analysis and execution.

While we strive to earn repeat business from our clients, we operate in a highly competitive environment in which there are no long-term contracted sources of revenue. Each revenue-generating engagement is separately negotiated and awarded. To develop new client relationships, and to develop new engagements from historical client relationships, we maintain an active dialogue with a large number of clients and potential clients, as well as with their financial and legal advisors, on an ongoing basis. We have gained a significant number of new clients each year through our business development initiatives, through recruiting additional senior investment banking professionals who bring with them client relationships and through referrals from directors, attorneys and other third parties with whom we have relationships. At the same time, we lose clients each year as a result of the sale or merger of a client, a change in a client's senior management, competition from other investment banks and other causes.

We earned $1 million or more from 287 clients, 304 clients and 276 clients for the years ended December 31, 2018, 2017 and 2016, respectively. For the years ended December 31, 2018, 2017 and 2016, the ten largest fee paying clients constituted approximately 19%, 22% and 23%, respectively, of our Financial Advisory segment net revenue, with no client individually contributing more than 10% of segment net revenue during any of these years.

We believe that we have been pioneers in offering financial advisory services on an international basis, with the establishment of our New York, Paris and London offices dating back to the nineteenth century. We maintain a

major local presence in the United States (the "U.S."), the United Kingdom (the "U.K.") and France, including a network of regional branch offices in the U.S., as well as a presence in Argentina, Australia, Belgium, Brazil, Canada, Chile, China, Colombia, Germany, Hong Kong, India, Italy, Japan, Mexico, the Netherlands, Panama, Peru, Singapore, Spain, Sweden, Switzerland and the Middle East region.

In addition to seeking business centered in the regions described above, we historically have focused in particular on advising clients with respect to cross-border transactions. We believe that we are particularly well known for our legacy of offering broad teams of professionals who are indigenous to their respective regions, who have long-term client relationships, capabilities and know-how in their respective regions, and who will coordinate with our professionals who have global sector expertise. We also believe that this positioning affords us insight around the globe into key industry, economic, governmental and regulatory issues and developments, which we can bring to bear on behalf of our clients.

Our Financial Advisory business has made certain business acquisitions and entered into other strategic business relationships. For example, in 2016, we expanded our North American Financial Advisory business through the acquisition of an independent financial advisory firm based in Canada, and we acquired the portion of MBA Lazard that we did not previously own, thereby fully integrating our Latin American operations.

Services Offered

We advise clients on a wide range of strategic and financial issues. When we advise clients on the potential acquisition of another company, business or certain assets, our services include evaluating potential acquisition targets, providing valuation analyses, evaluating and proposing financial and structural alternatives, and rendering, if appropriate, fairness opinions. We also may advise as to the timing, financing and pricing of a proposed acquisition and assist in negotiating and closing the acquisition. In addition, we may assist in executing an acquisition by acting as a dealer-manager in transactions structured as a tender or exchange offer.

When we advise clients that are contemplating the sale of certain businesses, assets or an entire company, our services include advising on the sale process for the situation, providing valuation analyses, assisting in preparing an information memorandum or other appropriate sale materials and rendering, if appropriate, fairness opinions. We also identify and contact selected qualified acquirors and assist in negotiating and closing the proposed sale. As appropriate, we also advise our clients regarding potential financial and strategic alternatives to a sale, including recapitalizations, spin-offs, carve-outs and split-offs. We frequently provide advice with respect to the structure, timing and pricing of these alternatives.

For companies in financial distress, our services may include reviewing and analyzing the business, operations, properties, financial condition and prospects of the company, evaluating debt capacity, assisting in the determination of an appropriate capital structure and evaluating financial and strategic alternatives. If appropriate, we may provide financial advice and assistance in developing and seeking approval of a restructuring or reorganization plan, which may include a plan of reorganization under Chapter 11 of the U.S. Bankruptcy Code or other similar court administered processes in non-U.S. jurisdictions. In such cases, we may assist in certain aspects of the implementation of such a plan, including advising and assisting in structuring and effecting the financial aspects of a sale or recapitalization, structuring new securities, exchange offers, other consideration or other inducements to be offered or issued, as well as assisting and participating in negotiations with affected entities or groups.

When we assist clients in connection with shareholder advisory and corporate preparedness matters, our services may include reviewing and analyzing the business and financial condition of the company, providing insights on the company's shareholders, assisting in the evaluation of corporate governance matters, and advising on defense measures and strategic alternatives potentially available to the company. Our advice may relate to a broad range of matters including M&A, capital markets, corporate governance and data analytics.

When we assist clients in connection with their capital structure, we typically review and analyze structural alternatives, assist in long-term capital planning and advise and assist with respect to rating agency discussions and relationships, among other things.

When we assist clients in raising private or public market financing or capital, our services include assisting clients in connection with securing, refinancing or restructuring bank loans or other debt, originating and executing, or participating in, public underwritings and private placements of securities, and originating and executing private placements of partnership and similar interests in alternative investment funds such as leveraged buyout, mezzanine or real estate focused funds.

We are at the forefront of providing independent advice to governments and governmental agencies in connection with economic developments. Lazard's Sovereign Advisory Group has advised a number of countries and institutions with respect to sovereign debt and other financial matters.

Staffing

We staff each of our assignments with a team of quality professionals who have appropriate product, industry and geographic expertise. We pride ourselves on, and we believe we differentiate ourselves from our competitors by, being able to offer a high level of attention from senior personnel to our clients and organizing ourselves in such a way that managing directors who are responsible for securing and maintaining client relationships also actively participate in providing related advice and services. Our managing directors have significant experience, and many of them are able to use this experience to advise on M&A, financings, restructurings, capital structure, shareholder advisory and other transactions or financial matters, depending on our clients' needs. Many of our managing directors and senior employees come from diverse backgrounds, such as senior leadership positions in corporations, government, law and strategic consulting, which we believe enhances our ability to offer sophisticated advice and customized solutions to our clients. As of December 31, 2018, our Financial Advisory segment had 166 managing directors and 1,312 other professionals and support staff.

Industries Served

We seek to offer our services across most major industry groups, including, in many cases, sub-industry specialties. Managing directors and professionals in our Mergers and Acquisitions practice are organized to provide advice in the following major industry practice areas:

- consumer;
- financial institutions;
- health care and life sciences;
- industrials;
- power and energy/infrastructure;
- real estate; and
- technology, media and telecommunications.

These groups are managed locally in each relevant geographic region and are coordinated globally, which allows us to bring local industry-specific knowledge to bear on behalf of our clients on a global basis. We believe that this enhances the scope and the quality of the advice that we can offer, which improves our ability to market our capabilities to clients.

In addition to our Mergers and Acquisitions and Restructuring practices, we also maintain specialties in the following distinct practice areas within our Financial Advisory business:

- government and sovereign advisory;
- capital structure and debt advisory;
- shareholder and corporate preparedness advisory;
- fund-raising for alternative investment funds; and

- corporate finance and other services, including private placements, underwritten offerings related to our Financial Advisory business and transactions involving the exchange or issuance of securities.

We endeavor to coordinate the activities of the professionals in these areas with our Mergers and Acquisitions industry specialists in order to offer clients customized teams of cross-functional expertise spanning both industry and practice area expertise.

Strategy

Our focus in our Financial Advisory business is on:

- investing in our intellectual capital through senior professionals who we believe have strong client relationships and industry expertise;
- increasing our contacts with existing clients to further enhance our long-term relationships and our efforts in developing new client relationships;
- developing new client relationships;
- expanding the breadth and depth of our industry expertise and selectively adding or reinforcing practice areas, such as our Capital Advisory, Shareholder Advisory and Sovereign Advisory groups;
- coordinating our industry specialty activities on a global basis and increasing the integration of our industry experts in Mergers and Acquisitions with our other professionals;
- selectively bolstering our existing presence in certain local markets;
- broadening our geographic presence by adding new offices;
- investing in our technology infrastructure and data science capabilities to enhance our business; and
- deploying our intellectual capital, strong client relationships and other assets to generate new revenue streams.

In addition to the investments made as part of this strategy, we believe that our Financial Advisory business may benefit from external market factors, including:

- demand for independent, sophisticated financial advice;
- recapitalization and related activities in developed and emerging markets;
- relatively low interest rates and high corporate cash balances;
- favorable levels of cross-border M&A and large capitalization M&A, two of our areas of historical specialization; and
- possible M&A activity that may result from tax, regulatory and similar reform in certain regions, including the U.S.

Going forward, our strategic emphasis in our Financial Advisory business is to leverage the investments we have made to grow our business and drive our productivity. We continue to seek to opportunistically attract outstanding individuals to our business. We routinely reassess our strategic position and may in the future seek opportunities to further enhance our competitive position.

Asset Management

Our Asset Management business 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. Our goal in our Asset Management business is to produce superior risk-adjusted investment returns and provide customized investment solutions for our clients through the active management of their

portfolios. Our investment teams construct and manage portfolios using various techniques and investment philosophies, including traditional fundamental research and analysis and quantitative tools.

Our top ten clients accounted for 26%, 25% and 21% of our total assets under management ("AUM") for the years ended December 31, 2018, 2017 and 2016, respectively, with no client individually contributing more than 10% of our Asset Management segment net revenue during any of the respective years. Approximately 88% of our AUM as of December 31, 2018 was managed on behalf of institutional clients, including corporations, labor unions, public pension funds, insurance companies and banks, and through sub-advisory relationships, mutual fund sponsors, broker-dealers and registered advisors, and approximately 12% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and high-net worth individuals.

The charts below illustrate the mix of our AUM as of December 31, 2018, measured by broad product strategy and by office location.

Our Asset Management business maintains offices in New York, Amsterdam, Bordeaux, Boston, Brussels, Chicago, Dubai, Dublin, Frankfurt, Geneva, Hamburg, Hong Kong, London, Lyon, Madrid, Melbourne, Milan, Montreal, Nantes, Paris, San Francisco, Seoul, Singapore, Sydney, Tokyo, Toronto and Zurich. These operations, with 102 managing directors and 1,014 other professionals and support staff as of December 31, 2018, provide our Asset Management business with both a global presence and a local identity.

Primary distinguishing features of these operations include:

- a global footprint with global research, global mandates and global clients;
- a broad-based team of investment professionals, including focused, in-house investment analysts across all products and platforms, many of whom have substantial industry or sector specific expertise; and
- world-wide brand recognition and multi-channel distribution capabilities.

Our Investment Philosophy, Process and Research

Our investment philosophy is generally based upon a fundamental security selection approach to investing. Across many of our products, we apply three key principles to investment portfolios:

- select securities, not markets;
- evaluate a company's financial position, outlook, opportunities and risks, together with its valuation; and
- manage risk.

In searching for investment opportunities, many of our investment professionals follow an investment process that incorporates several interconnected components that may include:

- fundamental analysis;
- quantitative analysis;

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- accounting analysis;
- security selection and portfolio construction;
- risk management; and
- environmental, social and governance factors.

In our Asset Management business, we conduct investment research on a global basis to develop market, industry and company specific insights and evaluate investment opportunities. Many of our global equity analysts, located in our worldwide offices, are organized around global industry sectors.

Investment Strategies

Our Asset Management business provides equity, fixed income, cash management and alternative investment strategies to our clients, paying close attention to our clients' varying and expanding investment needs. We offer the following product platform of investment strategies:

	Global	Multi-Regional	Local	Emerging Markets
Equity	Global	Pan-European	U.S.	Global
	Large Capitalization	Large Capitalization	Large Capitalization	Large Capitalization
	Small Capitalization	Small Capitalization	Mid Capitalization	Small Capitalization
				Quantitative
	Thematic	Multi-Capitalization Value	Small/Mid Capitalization	Multi Strategies
	Convertibles		Small Capitalization	
		Quantitative		Managed Volatility
	Listed Infrastructure		Multi-Capitalization	
	Quantitative		Real Estate	
				Latin America
	Trend			
		Eurozone		Latin America
	Real Estate		Other	
		Large Capitalization		
	Multi Strategies		U.K. (Large Capitalization)	
		Small Capitalization		Middle East North Africa
	Managed Volatility		U.K. (Small Capitalization)	
	Real Assets		U.K. Quantitative	Middle East North Africa
		Continental European		
	Multi-Factor		Australia	
		Small Capitalization		
			France (Large Capitalization)	
		Multi Capitalization		
	Global Ex		France (Small Capitalization)	
		Eurozone		
	Global Ex-U.K.		Japan	
		Euro-Trend (Thematic)		
	Global Ex-Japan		Korea	

	Global Ex-Australia	Asian		
		Asia Ex-Japan		
		Quantitative		
		Europe, Australasia and Far East		
		Large Capitalization		
		Small Capitalization		
		Multi-Capitalization		
		Quantitative		
Fixed Income and Cash Management	Global	Pan-European	U.S.	Global
	Core Fixed Income	Core Fixed Income	Core Fixed Income	Emerging Debt
	High Yield	High Yield	High Yield	Emerging Corporates
	Short Duration	Cash Management	Short Duration	
		Duration Overlay	Municipals	
			Cash Management	
		Eurozone		
		Fixed Income	Non-U.S.	
		Cash Management	U.K. Fixed Income	
		Corporate Bonds		

	Global	Multi-Regional	Local	Emerging Markets
Alternative	Global Fund of Closed-End Funds (Long and Long/Short) Convertible Arbitrage/Relative Value Multi Asset Commodities	European Long/Short Equity	U.S. U.S. (Long/Short) Market Neutral Non-U.S. Japan (Long/Short)	Global Emerging Income Emerging Debt Fund of Hedge Funds

In addition to the primary investment strategies listed above, we also provide other asset management services to our clients, including asset allocation and other investment advisory services, as well as locally customized investment solutions. In many cases, we also offer both diversified and more concentrated versions of our products. These products are generally offered on a separate account basis, as well as through pooled vehicles.

Distribution. We distribute our products through a broad array of marketing channels on a global basis. Marketing, sales and client service efforts are organized through a global market delivery and service network, with distribution professionals located in cities including New York, Amsterdam, Bordeaux, Boston, Brussels, Chicago, Dubai, Frankfurt, Geneva, Hamburg, Hong Kong, London, Lyon, Madrid, Milan, Melbourne, Montreal, Nantes, Paris, San Francisco, Seoul, Singapore, Sydney, Tokyo, Toronto and Zurich. We have developed a well-established presence in the institutional asset management arena, managing assets for corporations, labor unions, sovereign wealth funds and public pension funds around the world. In addition, we manage assets for insurance companies, savings and trust banks, endowments, foundations and charities.

We also have become a leading firm in managing mutual funds, sub-advisory funds, and separately managed accounts for many of the world’s largest broker-dealers, insurance companies, registered advisors and other financial intermediaries.

Strategy

Our strategic plan in our Asset Management business is to focus on delivering superior investment performance and client service and broadening our product offerings and distribution in selected areas in order to continue to drive improved business results. Over the past several years, in an effort to improve our Asset Management business’ operations and expand our Asset Management business, we have:

- focused on enhancing our investment performance;
- improved our investment management platform by adding a number of senior investment professionals (including portfolio managers and analysts);
- continued to strengthen our marketing and consultant relations capabilities, including by expanding our marketing resources;
- expanded our product platform, including through the addition of long/short equity strategies, quantitative equity strategies, a real asset strategy, a commodities team and an international value equity team;
- invested in our technology infrastructure and data science capabilities to enhance our business; and
- continued to expand the geographic reach of our Asset Management business, including through opening offices in Amsterdam and Melbourne, and expanding in Milan and Zurich.

We believe that our Asset Management business has long maintained an outstanding team of portfolio managers and global research analysts. We intend to maintain and supplement our intellectual capital to achieve our goals. We

routinely reassess our strategic position and may in the future seek acquisitions or other transactions, including the opportunistic hiring of new employees, in order to further enhance our competitive position. We also believe that our specific investment strategies, global reach, unique brand identity and access to multiple distribution channels may allow us to expand into new investment products, strategies and geographic locations. In addition, we

may expand our participation in alternative investment activities through investments in new and successor funds, and through organic growth, acquisitions or otherwise. We may also continue to expand our geographic reach.

Alternative Investments

Since 2005, we have been engaged in selected alternative investments and private equity activities. In 2009, we established a private equity business with The Edgewater Funds (“Edgewater”), a Chicago-based private equity firm, through the acquisition of Edgewater’s management vehicles. As of December 31, 2018, Edgewater had approximately $1 billion of AUM and unfunded fee-earning commitments.

Historically, Lazard also has made selected investments with its own capital, often alongside capital of qualified institutional and individual investors in connection with Lazard’s selected alternative investments and private equity activities. These investments typically have been organized in funds that make substantial or controlling investments in private or public companies, generally through privately negotiated transactions and with a view to divest within two to seven years. While potentially risky and frequently illiquid, such investments, when successful, can yield investors substantial returns on capital and generate attractive management and performance-based incentive fees for the sponsor of such funds.

Employees

We believe that our people are our most important asset, and it is their reputation, talent, integrity and dedication that underpin our success. As of December 31, 2018, we employed 2,996 people, which included 166 managing directors and 1,312 other professionals and support staff in our Financial Advisory segment and 102 managing directors and 1,014 other professionals and support staff in our Asset Management segment. We strive to maintain a work environment that fosters professionalism, excellence, diversity and inclusion, collaboration and cooperation among our employees worldwide. We generally utilize an evaluation process at the end of each year to measure performance, determine compensation and provide guidance on opportunities for improved performance. Generally, our employees are not subject to any collective bargaining agreements, except that our employees in certain of our offices, including France and Italy, are covered by national, industry-wide collective bargaining agreements. We believe that we have good relations with our employees.

Competition

The financial services industry, and all of the businesses in which we compete, are intensely competitive, and we expect them to remain so. Our competitors are other investment banking and financial advisory firms, broker-dealers, commercial and “universal” banks, insurance companies, investment management firms, hedge fund management firms, alternative investment firms and other financial institutions. We compete with some of them globally and with others on a regional, product or niche basis. We compete on the basis of a number of factors, including quality of people, transaction execution skills, investment track record, quality of client service, individual and institutional client relationships, absence of conflicts, range and price of products and services, innovation, brand recognition and business reputation.

While our competitors vary by country in our Financial Advisory business, we believe our primary competitors in securing engagements include Bank of America Merrill Lynch, Barclays, Centerview Partners, Citigroup, Credit Suisse, Deutsche Bank, Evercore Partners, Goldman Sachs, Greenhill, JPMorgan Chase, Morgan Stanley, Rothschild and UBS. In our Restructuring practice, we believe our primary competitors include Centerview Partners, Evercore Partners, Houlihan Lokey, PJT Partners, Moelis & Company and Rothschild.

We believe that our primary global competitors in our Asset Management business include, in the case of Lazard Asset Management LLC (“LAM LLC”) and its subsidiaries (collectively, “LAM”), Aberdeen, Acadian, Alliance Bernstein, Capital Management & Research, Fidelity, Franklin Templeton, Invesco, JP Morgan Asset Management,

Lord Abbett, MFS, Neuberger Berman and Schroders and, in the case of Lazard Frères Gestion SAS ("LFG"), private banks with offices in France as well as large institutional banks and fund managers. We face competition in private equity both in the pursuit of outside investors for our private equity funds and the acquisition

of investments in attractive portfolio companies. We compete with hundreds of other funds, many of which are subsidiaries of, or otherwise affiliated with, large financial service providers.

Competition is also intense in each of our businesses for the attraction and retention of qualified employees, and we compete, among other factors, on the level and nature of compensation and equity-based incentives for key employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees, in each case, at appropriate compensation levels.

Many of our competitors are large, consolidated financial institutions that have the ability to offer a wider range of products than we offer, including loans, deposit taking, insurance and brokerage services. Many of these firms also offer more extensive asset management and investment banking services, which may enhance their competitive position. They also may have the ability to support investment banking and investment management products with commercial banking, insurance and other financial services revenue in an effort to gain market share, which could result in pricing pressure in our businesses. At the same time, demand for independent financial advice has created opportunities for new entrants, including a number of boutique financial advisory firms. These boutique firms frequently compete, among other factors, on the basis of their independent financial advice, and their activities also could result in pricing and other competitive pressure in our businesses. We also face competition from asset management firms that specialize in providing passively managed investment strategies at relatively low costs, which could result in pricing pressure in our Asset Management business.

See Item 1A, "Risk Factors—The financial services industry, and all of the businesses in which we compete, are intensely competitive" below.

Regulation

Our businesses, as well as the financial services industry generally, are subject to extensive regulation throughout the world. As a matter of public policy, regulatory bodies are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets, not with protecting the interests of our stockholders or creditors. Many of our affiliates that participate in securities markets are subject to comprehensive regulations that include some form of minimum capital retention requirements and customer protection rules. In the U.S., certain of our subsidiaries are subject to such regulations promulgated by the United States Securities and Exchange Commission (the "SEC"), and/or the Financial Industry Regulatory Authority ("FINRA"). Standards, requirements and rules implemented throughout the European Union are broadly comparable in scope and purpose to the regulatory capital and customer protection requirements imposed under the SEC and FINRA rules. European Union directives also permit local regulation in each jurisdiction, including those in which we operate, to be more restrictive than the requirements of such European Union-wide directives. These sometimes burdensome local requirements can result in certain competitive disadvantages to us.

In the U.S., the SEC is the federal agency responsible for the administration of the federal securities laws. FINRA is a voluntary, self-regulatory body composed of members, such as our broker-dealer subsidiaries, that have agreed to abide by FINRA's rules and regulations. The SEC, FINRA and other U.S. and non-U.S. regulatory organizations may examine the activities of, and may expel, fine and otherwise discipline us and our employees. The laws, rules and regulations comprising this framework of regulation and the interpretation and enforcement of existing laws, rules and regulations are constantly changing. The effect of any such changes cannot be predicted and may impact the manner of operation and profitability of our businesses.

Our principal U.S. broker-dealer subsidiary, Lazard Frères & Co. LLC ("LFNY"), through which we conduct most of our U.S. Financial Advisory business, is currently registered as a broker-dealer with the SEC and FINRA, and as a broker-dealer in all 50 U.S. states, the District of Columbia and Puerto Rico. As such, LFNY is subject to regulations governing most aspects of the securities business, including regulations regarding minimum capital retention requirements, record-keeping and reporting procedures, relationships with customers, experience and training

requirements for certain employees, and business procedures with firms that are not members of certain regulatory bodies. In addition, LFNY is a member organization of the New York Stock Exchange LLC and the NYSE MKT LLC and is subject to various rules and regulations that have been promulgated by these securities exchanges. Lazard Asset Management Securities LLC ("LAM Securities"), a subsidiary of LAM LLC, is registered

as a broker-dealer with the SEC and FINRA and in all 50 U.S. states, the District of Columbia and Puerto Rico. Lazard Middle Market LLC is registered as a broker-dealer with the SEC and FINRA, and as a broker-dealer in various U.S. states and territories.

Our U.S. broker-dealer subsidiaries, including LFNY, are subject to the SEC's uniform net capital rule, Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the net capital rules of FINRA, which may limit our ability to make withdrawals of capital from our broker-dealer subsidiaries. The uniform net capital rule sets the minimum level of net capital a broker-dealer must maintain and also requires that a portion of its assets be relatively liquid. FINRA may prohibit a member firm from expanding its business or paying cash dividends if it would result in net capital falling below FINRA's requirements. In addition, our broker-dealer subsidiaries are subject to certain notification requirements related to withdrawals of excess net capital. Our broker-dealer subsidiaries are also subject to regulations, including the USA PATRIOT Act of 2001, which impose obligations regarding the prevention and detection of money-laundering activities, including the establishment of customer due diligence and other compliance policies and procedures. Failure to comply with these requirements may result in monetary, regulatory and, in certain cases, criminal penalties.

Certain U.K. subsidiaries of Lazard Group, including Lazard & Co., Limited ("LCL"), Lazard Fund Managers Limited and Lazard Asset Management Limited, which we refer to in this Annual Report on Form 10-K (this "Form 10-K") as the "U.K. subsidiaries," are authorized and regulated by the Financial Conduct Authority (the "FCA"), and are subject to various rules and regulations made by the FCA under the authorities conferred upon it by the Financial Services and Markets Act 2000, as amended by the Financial Services Act 2012.

We also have other subsidiaries that are registered as broker-dealers (or have similar non-U.S. registration) in various jurisdictions.

Certain of our Asset Management subsidiaries are registered as investment advisors with the SEC. As a registered investment advisor, each is subject to the requirements of the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"), and the SEC's regulations thereunder. Such requirements relate to, among other things, the relationship between an advisor and its advisory clients, as well as general anti-fraud prohibitions. LAM LLC serves as an investment advisor to several U.S. mutual funds which are registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Investment Company Act regulates, among other things, the relationship between a mutual fund and its investment advisor (and other service providers) and prohibits or severely restricts principal transactions between an advisor and its advisory clients, imposes record-keeping and reporting requirements, disclosure requirements, limitations on trades where a single broker acts as the agent for both the buyer and seller, and limitations on affiliated transactions and joint transactions. LAM Securities serves as an underwriter or distributor for mutual funds and private funds managed by LAM, and as an introducing broker to Pershing LLC for unmanaged accounts of certain of LAM LLC's private clients.

Compagnie Financière Lazard Frères SAS ("CFLF"), our French subsidiary 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 our Paris-based banking subsidiary, Lazard Frères Banque SA ("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. 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. In 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. 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.

As a result of certain changes effected by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") related to the regulation of over-the-counter swaps and other derivative instruments, LAM and certain of its subsidiaries have registered with the U.S. Commodity Futures Trading Commission (the "CFTC") and the National Futures Association (the "NFA"), and are subject to certain aspects of the U.S. Commodity Exchange Act and the regulations thereunder, and to the rules of the NFA. The CFTC and the NFA have authority over the laws, rules and regulations related to commodities (including the over-the-counter swaps and derivatives markets), and regulate our relationship with clients who trade in these instruments. The U.S. Commodity Exchange Act and the regulations thereunder also impose additional record-keeping and reporting requirements and disclosure requirements on LAM and its subsidiaries.

In addition, the Central Bank of Ireland, the Japanese Ministry of Finance and Financial Services Agency, the Korean Financial Supervisory Commission, the Securities and Futures Commission of Hong Kong, the Monetary Authority of Singapore, the Australian Securities & Investments Commission, the Dubai Financial Services Authority, the Swiss Financial Market Supervisory Authority, the Italian Companies and Stock Exchange Commission and the German Federal Financial Supervisory Authority, among others, regulate relevant operating subsidiaries of the Company and also have capital standards and other requirements broadly comparable to the rules of the SEC. Our business is also subject to regulation by other non-U.S. governmental and regulatory bodies and self-regulatory authorities in other countries in which we operate.

Regulators are empowered to conduct periodic examinations and initiate administrative proceedings that can result, among other things, in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion or other disciplining of a broker-dealer or investment advisor or its directors, officers or employees.

We are also subject to various anti-bribery, anti-money laundering and counter-terrorist financing laws, rules and regulations in the jurisdictions in which we operate. The U.S. Foreign Corrupt Practices Act, for example, generally prohibits offering, promising or giving, or authorizing others to give, anything of value, either directly or indirectly, to a non-U.S. government official in order to influence official action or otherwise gain an unfair business advantage, such as to obtain or retain business. Similar rules and regulations exist in other jurisdictions in which we operate. In addition, we are required to comply with economic sanctions and embargo programs administered by the U.S. Treasury's Office of Foreign Assets Control and by similar governmental agencies and other authorities worldwide. Violations of any of these laws, rules, regulations and programs can give rise to administrative, civil or criminal penalties.

The U.S. and other governments and institutions have taken actions, and may continue to take further actions, that affect the global financial markets. Such further actions could include expanding current or enacting new standards, requirements and rules that may be applicable to us and our subsidiaries. The effect of any such expanded or new standards, requirements and rules is uncertain and could have adverse consequences to our business and results of operations. See Item 1A, "Risk Factors—Other Business Risks—Extensive regulation of our businesses limits our activities and results in ongoing exposure to the potential for significant penalties, including fines or limitations on our ability to conduct our businesses."

Executive Officers of the Registrant

Set forth below are the name, age, present title, principal occupation and certain biographical information for each of our executive officers as of February 19, 2019, all of whom have been appointed by, and serve at the discretion of, our board of directors.

Kenneth M. Jacobs, 60

Mr. Jacobs has served as Chairman of the Board of Directors and Chief Executive Officer of Lazard Ltd and Lazard Group since November 2009. Mr. Jacobs has served as a Managing Director of Lazard since 1991 and had been a Deputy Chairman of Lazard from January 2002 until November 2009. Mr. Jacobs also served as Chief Executive Officer of Lazard North America from January 2002 until November 2009. Mr. Jacobs initially joined Lazard in 1988. Mr. Jacobs is a member of the Board of Trustees of the University of Chicago and the Brookings Institution.

Evan L. Russo, 44

Mr. Russo became Chief Financial Officer of Lazard Ltd and Lazard Group in October 2017. Mr. Russo has served as a Managing Director of Lazard since 2009, and, prior to becoming Chief Financial Officer, was Co-Head of Lazard's Capital Markets and Capital Structure Advisory practice. Mr. Russo joined Lazard as a Director in 2007. Prior to joining Lazard, Mr. Russo worked for Goldman, Sachs & Co. in the Investment Banking Division, and prior to that, for Barclays Capital. Mr. Russo began his career as a corporate attorney with the law firm of Milbank, Tweed, Hadley & McCloy.

Ashish Bhutani, 58

Mr. Bhutani has served as a member of the Board of Directors of Lazard Ltd and Lazard Group since March 2010. Mr. Bhutani is a Vice Chairman and a Managing Director of Lazard and has been the Chief Executive Officer of LAM since March 2004. Mr. Bhutani previously served as Head of New Products and Strategic Planning for LAM from June 2003 to March 2004. Prior to joining Lazard, he was Co-Chief Executive Officer, North America, of Dresdner Kleinwort Wasserstein from 2001 to the end of 2002, and was a member of its Global Corporate and Markets Board, and a member of its Global Executive Committee. Mr. Bhutani worked at Wasserstein Perella Group (the predecessor to Dresdner Kleinwort Wasserstein) from 1989 to 2001, serving as Deputy Chairman of Wasserstein Perella Group and Chief Executive Officer of Wasserstein Perella Securities from 1994 to 2001. Mr. Bhutani began his career at Salomon Brothers in 1985, where he was a Vice President in Fixed Income. Mr. Bhutani is a member of the Board of Directors of four registered investment companies, which are part of the Lazard fund complex. Mr. Bhutani is also a member of the Board of Directors of City Harvest.

Scott D. Hoffman, 56

Mr. Hoffman has served as Chief Administrative Officer of Lazard Ltd and Lazard Group since July 2017 and as General Counsel of Lazard Ltd since May 2005. Mr. Hoffman has served as a Managing Director of Lazard since January 1999 and General Counsel of Lazard Group since January 2001. Mr. Hoffman previously served as Vice President and Assistant General Counsel from February 1994 to December 1997 and as a Director from January 1998 to December 1998. Prior to joining Lazard, Mr. Hoffman was an attorney at Cravath, Swaine & Moore LLP. Mr. Hoffman is a member of the Board of Trustees of the New York University School of Law and a member of the Board of Directors of the Film Society of Lincoln Center.

Alexander F. Stern, 52

Mr. Stern has served as Chief Operating Officer of Lazard Ltd and Lazard Group since November 2008. Mr. Stern has served as a Managing Director of Lazard since January 2002, as Chief Executive Officer, Financial Advisory, since

April 2015, and as Global Head of Strategy since February 2006. Mr. Stern previously served as a Vice President in Lazard's Financial Advisory business from January 1998 to December 2000 and as a Director from January 2001 to December 2001. Mr. Stern initially joined Lazard in 1994 and previously held various positions with Patricof & Co. Ventures and IBM. Mr. Stern is the chairman of the Board of Directors of LUNGevity Foundation.

Where You Can Find Additional Information

Lazard Ltd files current, annual and quarterly reports, proxy statements and other information required by the Exchange Act with the SEC. The Company's SEC filings are available to the public from the SEC's internet site at http://www.sec.gov.

Our public website is http://www.lazard.com and the investor relations section hosts our SEC filings. We will make available free of charge, on or through the investor relations section of our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website, and available in print upon request of any Lazard Ltd shareholder to the Investor Relations Department, are charters for the Company's Audit Committee, Compensation Committee, Nominating & Governance Committee and Workplace and Culture Committee. Copies of these charters and our Corporate Governance Guidelines and Code of Business Conduct and Ethics governing our directors, officers and employees are also posted on the investor relations section of our website in the corporate governance subsection.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks and all of the other information set forth in this Form 10-K, including our consolidated financial statements and related notes. The following risks comprise the material risks of which we are aware. If any of the events or developments described below actually occurred, our business, financial condition or results of operations would likely suffer.

Difficult market conditions can adversely affect our business in many ways, including by reducing the volume of transactions involving our Financial Advisory business and reducing the value or performance of the assets we manage in our Asset Management business, which, in each case, could materially reduce our revenue or income and adversely affect our financial position.

As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. Unfavorable economic and market conditions can adversely affect our financial performance in both the Financial Advisory and Asset Management businesses. The future market and economic climate may deteriorate because of many factors, such as a general slowing of economic growth globally or regionally, periods of disruption or volatility in securities markets, volatility and tightening of liquidity in credit markets, volatility or significant realignments in currency markets, increases in interest rates, inflation, corporate or sovereign defaults, natural disasters, terrorism or political uncertainty.

For example, revenue generated by our Financial Advisory business is directly related to the volume and value of the transactions in which we are involved. During periods of unfavorable or uncertain market or economic conditions, the volume and value of M&A transactions may decrease, thereby reducing the demand for our Financial Advisory services and increasing price competition among financial services companies seeking such engagements. Our results of operations would be adversely affected by any such reduction in the volume or value of M&A transactions. In addition, our profitability would be adversely affected due to our fixed costs and the possibility that we would be unable to reduce our variable costs without reducing revenue or within a timeframe sufficient to offset any decreases in revenue relating to changes in market and economic conditions.

Within our Financial Advisory business, we have typically seen that, during periods of economic strength and growth, our Mergers and Acquisitions practice historically has been more active and our Restructuring practice has been less active. Conversely, during periods of economic weakness and contraction, we typically have seen that our Restructuring practice has been more active and our Mergers and Acquisitions practice has been less active. As a

result, revenue from our Restructuring practice has tended to correlate negatively to our revenue from our Mergers and Acquisitions practice over the course of business cycles. These trends are cyclical in nature and subject to periodic reversal. However, these trends do not cancel out the impact of economic conditions in our Financial Advisory business, which may be adversely affected by a downturn in economic conditions leading to decreased Mergers and Acquisitions practice activity, notwithstanding improvements in our Restructuring practice. Moreover,

revenue improvements in our Mergers and Acquisitions practice in strong economic conditions could be offset in whole or in part by any related revenue declines in our Restructuring practice. While we generally have experienced a counter-cyclical relationship between our Mergers and Acquisitions practice and our Restructuring practice, this relationship may not continue in the future, and there is no certainty that strength in one practice will offset weakness in the other.

Our Asset Management business also would be expected to generate lower revenue in a market or general economic downturn. Under our Asset Management business's arrangements, investment advisory fees we receive typically are based on the market value of AUM. Accordingly, a decline in the prices of securities, or in specific geographic markets or sectors that constitute a significant portion of our AUM (e.g., our emerging markets strategies), would be expected to cause our revenue and income to decline by causing:

- the value of our AUM to decrease, which would result in lower investment advisory fees;
- some of our clients to withdraw funds from our Asset Management business due to the uncertainty or volatility in the market, or in favor of investments they perceive as offering greater opportunity or lower risk, which would also result in lower investment advisory fees;
- some of our clients or prospective clients to hesitate in allocating assets to our Asset Management business due to the uncertainty or volatility in the market, which would also result in lower investment advisory fees; or
- negative absolute performance returns for some accounts which have performance-based incentive fees, which would result in a reduction of revenue from such fees.

Our AUM has declined from time to time during recent periods. For example, total AUM at December 31, 2018 was $215 billion, a decrease of 14% as compared to total AUM at December 31, 2017. If our Asset Management revenue declines without a commensurate reduction in our expenses, our net income would be reduced. In addition, in the event of a market or general economic downturn, our alternative investment and private equity practices also may be impacted by a difficult fund raising environment and reduced exit opportunities in which to realize the value of their investments. Fluctuations in foreign currency exchange rates may also affect the levels of our AUM and our investment advisory fees. See "Fluctuations in foreign currency exchange rates could reduce our stockholders' equity and net income or negatively impact the portfolios of our Asset Management clients and may affect the levels of our AUM" below.

Due to the nature of our business, financial results could differ significantly from period to period, which may make it difficult for us to achieve steady earnings growth on a quarterly basis.

We experience significant fluctuations in quarterly revenue and profits. These fluctuations generally can be attributed to the fact that we earn a substantial portion of our Financial Advisory revenue upon the successful completion of a transaction or a restructuring, the timing of which is uncertain and is not subject to our control. As a result, our Financial Advisory business is highly dependent on market conditions and the decisions and actions of our clients, interested third parties and governmental authorities. For example, a client or counterparty could delay or terminate an acquisition transaction because of a failure to agree upon final terms, failure to obtain necessary regulatory consents or board of directors, or acquirer's or stockholder approval, failure to secure necessary financing, adverse market conditions or because the seller's business is experiencing unexpected operating or financial problems. Anticipated bidders for assets of a client during a restructuring transaction may not materialize or our client may not be able to restructure its operations or indebtedness, for example, due to a failure to reach agreement with its principal creditors. In addition, a bankruptcy court may deny our right to collect a "success" or "completion" fee. In these circumstances, other than in engagements where we receive monthly retainers, we often do not receive any advisory fees other than the reimbursement of certain expenses, despite the fact that we devote resources to these transactions. Accordingly, the failure of one or more transactions to close either as anticipated or at all could cause significant fluctuations in quarterly revenue and profits and could materially adversely affect our business, financial condition and results of operations. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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In addition, our Asset Management revenue is particularly sensitive to fluctuations in our AUM. Asset Management fees are predominantly based on the daily, monthly or quarterly average AUM. As a result, a reduction in AUM at the end of a day, month or quarter (as a result of market depreciation, withdrawals, fluctuations in foreign currency exchange rates or otherwise) will result in a decrease in management fees. Similarly, the timing of flows, contributions and withdrawals are often out of our control and may be inconsistent from quarter to quarter. Incentive fees are driven by investment performance (either absolute performance or relative to an established benchmark), which is directly impacted by market movements, and may therefore fluctuate from period to period.

As a result of such fluctuations, it may be difficult for us to achieve steady revenue and earnings growth on a quarterly basis.

Our ability to retain our managing directors and other key professional employees is critical to the success of our business, including maintaining compensation levels at an appropriate level of costs, and failure to do so may materially adversely affect our results of operations and financial position.

Our people are our most important asset. We must retain the services of our managing directors and other key professional employees, and strategically recruit and hire new talented employees, to obtain and successfully execute the Financial Advisory and Asset Management engagements that generate substantially all of our revenue.

In general, our industry continues to experience change and be subject to significant competitive pressures with respect to the retention of top talent, which makes it more difficult for us to retain professionals. Loss of key employees may occur due to perceived opportunity for promotion, compensation levels, work environment, retirement or the pursuit of philanthropic, civic or similar service opportunities, or other individual reasons, some of which may be beyond our control. If managing directors and other key professional employees were to retire, join an existing competitor, form a competing company or otherwise leave us, we could need to replace them, and some of our clients could eventually choose to use the services of that competitor or some other competitor instead of our services. In any such event, our investment banking fees, asset management fees or AUM could decline. The employment arrangements, non-competition agreements and retention agreements we have or will enter into with our managing directors and other key professional employees may not sufficiently prevent our managing directors and other key professional employees from resigning from practice or competing against us. In addition, these arrangements and agreements have a limited duration and expire after a certain period of time. We continue to be subject to intense competition in the financial services industry regarding the recruitment and retention of key professionals, and have experienced departures from and added to our professional ranks as a result.

Certain changes to our employee compensation arrangements may result in increased compensation and benefits expense. In addition, any changes to the mix of cash and deferred incentive compensation granted to our employees may affect certain financial measures applicable to our business, including ratios of compensation and benefits expense to revenue, and may result in the issuance of increased levels of Lazard Ltd’s Class A common stock, par value $0.01 per share (“Class A common stock”), to our employees upon vesting of restricted stock units (“RSUs”), performance-based restricted stock units (“PRSUs”), restricted stock awards or other equity-based awards in a particular year. Our compensation levels, results of operations and financial position may be significantly affected by many factors, including general economic and market conditions, our operating and financial performance, staffing levels and competitive pay conditions.

The financial services industry, and all of the businesses in which we compete, are intensely competitive.

The financial services industry is intensely competitive, and we expect it to remain so. We compete on the basis of a number of factors, including the quality of our advice, our employees and transaction execution, the range and price of our products and services, our innovation and our reputation. We have experienced intense fee competition in some of our businesses in recent years, and we believe that we may experience pricing pressures in these and other areas in the future as some of our competitors seek to obtain increased market share by reducing fees.

A number of factors increase the competitive risks of our Financial Advisory and Asset Management businesses:

- there are relatively few barriers to entry impeding the launch of new asset management and financial advisory firms, including a relatively low cost of entering these businesses, and the successful efforts of

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new entrants into our lines of business, including major banks and other financial institutions, have resulted in increased competition;

- other industry participants will from time to time seek to recruit our employees away from us in order to compete in our lines of business; and
- certain of our practices and products are newly established and relatively small.

In addition, many of our competitors have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage, asset management and investment banking services, which may enhance their competitive position. They may also have the ability to support investment banking, including financial advisory services, with commercial banking, insurance and other financial services in an effort to gain market share, which could result in pricing pressure in our businesses.

Competitive pressure could adversely affect our ability to attract new or retain existing clients, make successful investments, retain our people or maintain AUM, any of which would adversely affect our results of operations and financial condition.

A substantial portion of our revenue is derived from Financial Advisory fees, which are not long-term contracted sources of revenue and are subject to intense competition, and declines in our Financial Advisory engagements could have a material adverse effect on our business, financial condition and results of operations.

We historically have earned a substantial portion of our revenue from advisory fees paid to us by our Financial Advisory clients, which usually are payable upon the successful completion of a particular transaction or restructuring. For example, for the year ended December 31, 2018, Financial Advisory services accounted for approximately 55% of our consolidated net revenue. We expect that we will continue to rely on Financial Advisory fees for a substantial portion of our revenue for the foreseeable future, and a decline in our Financial Advisory engagements or the market for financial advisory services would adversely affect our business, financial condition and results of operations.

In addition, we operate in a highly competitive environment where typically there are no long-term contracted sources of revenue. Each revenue-generating engagement typically is separately awarded and negotiated. Furthermore, many businesses do not routinely engage in transactions requiring our services and, as a consequence, our fee paying engagements with many clients are not likely to be predictable. We also lose clients each year, including as a result of the sale or merger of a client, a change in a client’s senior management and competition from other financial advisors and financial institutions. As a result, our engagements with clients are constantly changing and our Financial Advisory fees could decline quickly due to the factors discussed above.

If the number of debt defaults, bankruptcies or other factors affecting demand for our Restructuring services declines, our Restructuring revenue could suffer.

We provide various restructuring and restructuring-related advice to companies in financial distress or to their creditors or other stakeholders. Historically, the fees from restructuring-related services have been a significant part of our Financial Advisory revenue. A number of factors could affect demand for these advisory services, including improving general economic conditions, the availability and cost of debt and equity financing and changes to laws, rules and regulations, including those that protect creditors, and the deregulation or privatization of particular industries. For example, global restructuring activity during 2018, as measured by the number of corporate defaults, decreased significantly as compared to 2017.

Potential underwriting and trading activities may expose us to risk.

In 2014, we took steps that have enabled us to act as an underwriter in public offerings and other distributions of securities in order to buttress our Financial Advisory business. If we act as an underwriter, we may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities we purchased as an underwriter at the anticipated price levels. In addition, if we act as an underwriter, we may also be subject to

liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite. In such cases, any indemnification provisions in the applicable underwriting agreement may not be available to us or may not be sufficient to protect us against losses arising from such liability. Operational risk in connection with any offering we underwrite could arise in the form of errors, deficiencies or noncompliance and also could expose us to risk. In addition, indemnification provisions in our agreement with our clearing organization, customer trading and other activities may expose us to off-balance sheet credit risk. Securities may have to be purchased or sold at prevailing market prices in the event a customer fails to settle a trade on its original terms. We seek to manage the risks associated with underwriting and customer trading activities through screening, internal review and trading procedures and processes, but such procedures and processes may not be effective in all cases.

Our investment style in our Asset Management business, including the mix of asset classes and investment strategies comprising our AUM, may underperform or generate less demand than other investment approaches, which may result in significant client or asset departures, or a reduction in AUM.

Even when securities prices are rising generally, performance can be affected by investment style and mix of asset classes. For example, many of the equity investment strategies in our Asset Management business share a common investment orientation towards relative value investing. We believe this style tends to outperform the market in some market environments and underperform it in others. In particular, a prolonged growth environment may cause some of our investment strategies to go out of favor with some clients, advisors, consultants or third-party intermediaries. In addition, all of our investment strategies are actively managed strategies which seek to outperform relative to a benchmark or generate an absolute return. Management fees for actively managed strategies tend to be higher than those charged for passively managed strategies. The perception that actively managed strategies have, on average, underperformed relative to passively managed strategies over time, combined with greater pressure on clients to acquire asset management services at lower costs, has contributed to increased trends toward passively managed investment strategies. This, in turn, may adversely affect demand for our strategies or result in fee pressure on our business overall. In combination with poor performance relative to peers, changes in personnel, challenging market environments or other difficulties, the underperformance of our investment style may result in significant client or asset departures or a reduction in AUM.

We could lose clients and suffer a decline in our Asset Management revenue and earnings if the investments we choose in our Asset Management business perform poorly, regardless of overall trends in the prices of securities.

Investment performance affects our AUM relating to existing clients and is one of the most important factors in retaining clients and competing for new Asset Management business. Poor investment performance could impair our revenue and growth because:

- existing clients might withdraw funds from our Asset Management business in favor of better performing products, which would result in lower investment advisory fees;
- our incentive fees, which provide us with a set percentage of returns on some alternative investment and private equity funds and other accounts, would decline;
- third-party financial intermediaries, rating services, advisors or consultants may rate our products poorly, which may result in client withdrawals and reduced asset flows; or
- firms with which we have strategic alliances may terminate such relationships with us, and future strategic alliances may be unavailable.

Over certain time periods, we may have a higher concentration of assets in certain strategies. To the extent that this is the case, underperformance, changes in investment personnel or other changes in these strategies, as well as changes in a variety of macroeconomic and other factors, may result in a withdrawal of assets. If a significant amount of clients withdraw from these strategies for any reason, our revenues would decline and our operating results would be adversely affected.

Because many of our Asset Management clients can remove the assets we manage on short notice, we may experience unexpected declines in revenue and profitability.

Our investment advisory contracts are generally terminable upon very short notice. Institutional and individual clients, and firms with which we have strategic alliances, can terminate their relationship with us, reduce the aggregate amount of AUM or shift their funds to other types of accounts with different rate structures for a number of reasons, including investment performance, departures from or changes to the teams that manage our investment products, or changes in prevailing interest rates and financial market performance. Poor performance relative to other investment management firms tends to result in decreased investments in our investment products, increased redemptions of our investment products, and the loss of institutional or individual accounts or strategic alliances. In addition, the ability to terminate relationships may allow clients to renegotiate for lower fees paid for asset management services.

In addition, in the U.S., as required by the Investment Company Act, each of our investment advisory contracts with the mutual funds we advise or subadvise automatically terminates upon its “assignment.” Each of our other investment advisory contracts subject to the provisions of the Investment Advisers Act provide, as required by the Investment Advisers Act, that the contract may not be “assigned” without the consent of the customer. A sale of a sufficiently large block of shares of our voting securities or other transactions could be deemed an “assignment” in certain circumstances. An assignment, actual or constructive, would trigger these termination provisions and could adversely affect our ability to continue managing client accounts.

Access to clients through intermediaries and consultants is important to our Asset Management business, and reductions in referrals from such intermediaries or consultants or poor reviews of our products or our organization by such intermediaries or consultants could materially reduce our revenue and impair our ability to attract new clients.

Our ability to market our Asset Management services relies in part on receiving mandates from the client base of national and regional securities firms, banks, insurance companies, defined contribution plan administrators, investment consultants and other intermediaries. To an increasing extent, our Asset Management business uses referrals from accountants, lawyers, financial planners and other professional advisors. The inability to have this access could materially adversely affect our Asset Management business. In addition, many of these intermediaries and consultants review and evaluate our products and our organization. Poor reviews or evaluations of either the particular product or of us may result in client withdrawals or an inability to attract new assets through such intermediaries or consultants.

Our Asset Management business relies on non-affiliated third-party service providers.

Our Asset Management business has entered into service agreements with third-party service providers for client order management and the execution and settlement of client securities transactions. This business faces the risk of operational failure of any of our clearing agents, the exchanges, clearing houses or other intermediaries we use to facilitate our securities transactions. We oversee and manage these relationships. Poor oversight and control or inferior performance or service on the part of the service provider could result in loss of customers and violations of applicable rules and regulations. Any such failure could adversely affect our ability to effect transactions and to manage our exposure to risk.

Our results of operations may be affected by fluctuations in the fair value of positions held in our investment portfolios.

We invest capital in various types of equity and debt securities in order to seed equity, debt and alternative investment funds, and for general corporate purposes. Such investments are subject to market fluctuations due to changes in the market prices of securities, interest rates or other market factors, such as liquidity. While we may seek to hedge the market risk for some of these investments, an effective hedge may not be available, and if available, may not be fully effective. These investments are adjusted for accounting purposes to fair value at the end of each quarter regardless of

our intended holding period, with any related gains or losses reflected in our results of operations, and therefore may increase the volatility of our earnings, even though such gains or losses may not be realized.

Fluctuations in foreign currency exchange rates could reduce our stockholders' equity and net income or negatively impact the portfolios of our Asset Management clients and may affect the levels of our AUM.

We are exposed to fluctuations in foreign currencies, including through advisory fees paid to our Financial Advisory business and management fees paid to our Asset Management business. Our financial statements are denominated in U.S. Dollars and, for the year ended December 31, 2018, we received approximately 40% of our consolidated net revenue in other currencies, predominantly in Euros, British Pounds and Australian Dollars. In addition, we pay a significant amount of our expenses in such other currencies. The exchange rates of these currencies versus the U.S. Dollar affect the carrying value of our assets and liabilities as well as our revenues, expenses and net income. We do not generally hedge such foreign currency exchange rate exposure arising in our subsidiaries outside of the U.S. Fluctuations in foreign currency exchange rates may also make period to period comparisons of our results of operations difficult.

Fluctuations in foreign currency exchange rates also can impact the portfolios of our Asset Management clients. Client portfolios are invested in securities across the globe, although most portfolios are funded in a single base currency. Foreign currency exchange rate fluctuations can adversely impact investment performance for a client's portfolio and also may affect the levels of our AUM. As our AUM include significant assets that are denominated in currencies other than U.S. Dollars, an increase in the value of the U.S. Dollar relative to non-U.S. currencies, with all other factors held constant, generally would result in a decrease in the dollar value of our AUM, which, in turn, would result in lower U.S. Dollar-denominated revenue in our Asset Management business. As of December 31, 2018, AUM with foreign currency exposure represented approximately 70% of our total AUM.

See Note 14 of Notes to Consolidated Financial Statements for additional information regarding the impact on stockholders' equity from currency translation adjustments and Note 2 of Notes to Consolidated Financial Statements for additional information regarding the impact on operating results from currency transaction adjustments.

We have investments, primarily through our private equity businesses, in relatively high-risk, illiquid assets, and we may lose some or all of the principal amount of these investments or fail to realize any profits from these investments for a considerable period of time.

We have made, and in the future may make, principal investments in public or private companies or in alternative investments (including private equity funds) established by us, and we continue to hold principal investments directly or through funds managed by certain affiliates of Lazard, including Edgewater, as well as third parties. Making principal investments is risky, and we may lose some or all of the principal amount of our investments. Certain of these types of investments may be in relatively high-risk, illiquid assets. Because it may take several years before attractive alternative investment opportunities are identified, some or all of the capital committed by us to these funds is likely to be invested in government securities, other short-term, highly rated debt securities and money market funds that traditionally have offered investors relatively lower returns. In addition, these investments may be adjusted for accounting purposes to fair value at the end of each quarter, and any related gains or losses would affect our results of operations and could increase the volatility of our earnings, even though such fair value fluctuations may have no cash impact. It takes a substantial period of time to identify attractive alternative investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value of an investment through resale. Even if an alternative investment proves to be profitable, it may be several years or longer before any profits can be realized in cash or other proceeds.

Our revenue from our private equity business is derived primarily from management fees, which are calculated as a percentage of committed capital or invested capital depending on the stage of each respective fund. Transaction and advisory fees may also be earned. Incentive fees are earned if investments are profitable over a specified threshold. Our ability to form new alternative investment funds is subject to a number of uncertainties, including past performance of our funds, market or economic conditions, competition from other fund managers and the ability to negotiate terms with major investors.

Extensive regulation of our businesses limits our activities and results in ongoing exposure to the potential for significant penalties, including fines or limitations on our ability to conduct our businesses.

The financial services industry is subject to extensive regulation. We are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the U.S., are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer from registration or membership. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us and are not designed to protect our stockholders. Consequently, these regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

We face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, we could be fined or be prohibited from engaging in some of our business activities. In addition, the regulatory environment in which we operate is subject to modification and further regulation. Such changes may increase the expenses that we incur without necessarily leading to commensurate increases in revenue and income. Certain laws and regulations within the U.S. and externally include extraterritorial application that may lead to overlapping or conflicting legal and regulatory burdens with additional risks and implementation expenses. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to us and our clients also may adversely affect our business, and our ability to function in this environment will depend on our ability to constantly monitor and react to these changes.

The U.S. and other governments and institutions have taken actions, and may in the future take further actions, in response to disruption and volatility in the global financial markets. Such further actions could include expanding current or enacting new standards, requirements and rules that may be applicable to us and our subsidiaries. The effect of any such expanded or new standards, requirements and rules is uncertain and could have adverse consequences to our business, financial condition and results of operations. While we continue to examine the requirements of new regulations that may become applicable to us in the U.S. and in the European Union (see “Business—Regulation”), and previously announced actual or potential regulations that may be modified, we are not able to predict the ultimate effect on us.

The regulatory environment in which our clients operate may also impact our business. For example, changes in antitrust laws or the enforcement of antitrust laws could affect the level of M&A activity and changes in state laws may limit investment activities of state pension plans. In addition, many tax laws and regulations have been modified, or are otherwise under review, in the U.S. and in many other jurisdictions in which we and our clients operate. Actual and proposed changes to these laws and regulations may affect the level of M&A activity, including cross-border M&A activity.

For asset management businesses in general, there have been a number of highly publicized cases involving fraud or other misconduct by employees of asset management firms, as well as industry-wide regulatory inquiries. These cases and inquiries have resulted in increased scrutiny in the industry and may result in new rules and regulations for mutual funds, hedge funds, private equity funds and their investment managers. This regulatory scrutiny and these rulemaking initiatives may result in an increase in operational and compliance costs or the risk of assessment of significant fines or penalties against our Asset Management business, and may otherwise limit our ability to engage in certain activities.

Specific regulatory changes also may have a direct impact on the revenue of our Asset Management business. In addition to regulatory scrutiny and potential fines and sanctions, regulators continue to examine different aspects of the asset management industry. For example, the use of “soft dollars,” where a portion of commissions paid to

broker-dealers in connection with the execution of client trades also pays for research and other eligible services that are used by investment advisors, is being reexamined by different regulatory bodies and industry participants. Although a substantial portion of the research relied on by our Asset Management business in its investment decision-making processes is generated internally by our investment personnel, external research, including external research and other eligible services traditionally paid for with soft dollars, is also important to the process. This

external research includes materials provided by broker-dealers and research firms, as well as eligible data and analytics services from various sources. In connection with the implementation of the EU Markets in Financial Instruments Directive II ("MiFID II") in 2018, our Asset Management affiliates in Germany and the U.K. decided to pay for broker research services from their own resources. The ultimate impact of MiFID II and potential similar, future regulatory changes on our Asset Management business and on the financial industry as a whole remains uncertain, although it has reduced our ability to utilize commissions to pay for research services and other soft dollar services in certain European jurisdictions. Similar pressures may come from changes in the asset management industry itself, which may further increase our costs related to external research services. For the year ended December 31, 2018, our Asset Management business obtained research and other eligible services through third-party soft dollar arrangements, the total value of which we estimate to be approximately $30 million.

In addition, new regulations affecting the asset management business, including those regarding the management of U.S. mutual funds, hedge funds, UCITs funds and the use of certain investment products may impact our Asset Management business and result in increased costs. For example, the European Union has adopted updated directives on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("UCITS V") with respect to various subjects. Among other things, UCITS V establishes remunerations policies which impact the structure of compensation for certain portfolio managers and other personnel within the Company. UCITS V also establishes certain regulations governing oversight and independence of depository functions. While these rules have already been implemented, they could further impact our personnel or result in changes to our operations, resulting in increased costs to the business. In addition, many regulators around the world, including those in the U.S., continue to adopt disclosure requirements impacting the asset management business, as well as changes to the laws, rules and regulations relating to recordkeeping and reporting obligations.

Legislators and regulators around the world continue to explore changes to, and additional oversight of, the financial industry generally. The impact of the potential changes on us are uncertain and may result in an increase in costs or a reduction of revenue associated with our businesses.

See "Business—Regulation" above for a further discussion of the regulatory environment in which we conduct our businesses.

The financial services industry faces substantial litigation and regulatory risks, and we may face damage to our professional reputation and legal liability if our services are not regarded as satisfactory or if conflicts of interest should arise.

As a financial services firm, we depend to a large extent on our relationships with our clients and our reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with our services, such dissatisfaction may be more damaging to our business than to other types of businesses. Moreover, our role as advisor to our clients on important transactions involves complex analysis and the exercise of professional judgment, including, if appropriate, rendering "fairness opinions" in connection with mergers and other transactions. Our role as advisor to our sovereign and government clients in particular may occasionally result in increased publicity of our involvement with, and our advice to, such clients.

In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against financial advisors has been increasing. The activities of our Financial Advisory business may subject us to the risk of significant legal actions by our clients and third parties, including our clients' stockholders, under securities or other laws. Such legal actions may include allegations relating to aiding and abetting breaches of fiduciary duties and to materially false or misleading statements made in connection with securities and other transactions. We may also be exposed to potential liability for the fairness opinions and other advice provided to participants in corporate transactions. In our Asset Management business, we make investment decisions on behalf of our clients which could result in substantial losses. Many of our business activities may subject us to the risk of legal actions alleging

negligence, misconduct, breach of fiduciary duty or breach of contract.

We increasingly confront actual and potential conflicts of interest relating to our Financial Advisory business, as well as to the fact that we have both a Financial Advisory business and an Asset Management business. It is possible that actual, potential or perceived conflicts of interest could give rise to client dissatisfaction, litigation or regulatory enforcement actions, which could have the effect of limiting our business opportunities. Appropriately

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identifying and managing actual or perceived conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. We have adopted various policies, controls and procedures to address or limit actual or perceived conflicts of interest. However, these policies, controls and procedures may not be adhered to by our employees or be effective in reducing the applicable risks. Any failure of, or failure to adhere to, these policies, controls and procedures may result in regulatory sanctions or client litigation. We may also face competition from time to time from other financial services firms that do not operate under similar policies, controls and procedures.

Our Financial Advisory engagements typically include broad indemnities from our clients and provisions designed to limit our exposure to legal claims relating to our services, but these provisions may not protect us or may not be available or adhered to in all cases. We also are subject to claims arising from disputes with employees for alleged wrongful termination, discrimination or harassment, among other things. These risks often may be difficult to assess or quantify, and their existence and magnitude often remain unknown for substantial periods of time.

We may incur significant legal expenses in defending against litigation or regulatory action against us. Substantial legal liability or significant regulatory action against us could materially adversely affect our business, financial condition or results of operations and cause significant reputational harm to us, which could seriously harm our business.

Employee misconduct, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry generally, and we run the risk that employee misconduct could occur in our business as well. For example, misconduct by employees could involve the improper use or disclosure of confidential information, which could result in legal action, regulatory sanctions and reputational or financial harm. Our Financial Advisory business often requires that we deal with confidences of great significance to our clients or their counterparties, improper use of which may harm our clients or our relationships with our clients. Any breach of confidences as a result of employee misconduct may adversely affect our reputation, impair our ability to attract and retain Financial Advisory clients and subject us to liability. Similarly, in our Asset Management business, we have authority over client assets, and we may, from time to time, have custody of such assets. In addition, we often have discretion to trade client assets on the client’s behalf and must do so acting in the best interests of the client. As a result, we are subject to a number of obligations and standards, and the violation of those obligations or standards may adversely affect our clients and us. It is difficult to detect and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases.

In recent years, the U.S. Department of Justice and the SEC have also devoted greater resources to the enforcement of the Foreign Corrupt Practices Act. In addition, the United Kingdom, France and other jurisdictions have expanded the reach of their anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure compliance with anti-bribery and other laws, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated these laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunction against future conduct, securities litigation and reputational damage, any one of which could adversely affect our business, financial condition and results of operations.

A failure in or breach of our information systems or infrastructure, or those of third parties with which we do business, including as a result of cyber attacks, could disrupt our businesses, lead to reputational harm and legal liability or otherwise impact our ability to operate our business.

Our operations rely on the secure processing, storage and transmission of confidential and other information involving our computer systems, hardware, software and networks, which we refer to as information systems, and involving the

information systems of third parties with which we do business. Such information systems, which frequently include "cloud"-based networks and services, may be subject to unauthorized or fraudulent access, computer viruses or other malicious code or other threats, including "phishing" attempts, that are constantly evolving and that could have a security impact on us. There can be no assurance that we will not suffer material

losses relating to cyber attacks on, or other security breaches involving, our information systems, or the information systems of third parties with which we do business, despite taking protective measures to prevent such breaches. The increased use of mobile technologies can heighten these and other operational risks. If a successful cyber attack or other security breach were to occur, our confidential or proprietary information, or the confidential or proprietary information of our clients or their counterparties, that is stored in, or transmitted through, such information systems could be compromised or misappropriated. Any such cyber attack or other security breach, or any disruption of or failure in the physical or logical infrastructure or operating systems that support such information systems or our businesses, could significantly impact our ability to operate our businesses and could result in reputational damage, legal liability, the loss of clients or business opportunities and financial losses that are either not insured against or not fully covered through any insurance maintained by us. As cyber threats continue to multiply, become more sophisticated and threaten additional aspects of our businesses, we may also be required to expend additional resources on information security and compliance costs in order to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities or other exposures.

Other operational risks may disrupt our businesses, result in regulatory action against us or limit our growth.

Our business is highly dependent on communications and information systems, including those of our vendors. Any failure or interruption of these systems, whether caused by fire, other natural disaster, power or telecommunications failure, act of terrorism or war, system modification or upgrade, or otherwise, could materially adversely affect our business. Although back-up systems are in place, our back-up procedures and capabilities in the event of a failure or interruption may not be adequate.

Particularly in our Asset Management business, we rely heavily on our financial, accounting, trading, compliance and other data processing systems, and those of our third party vendors or service providers who support these functions. We expect that we will need to review whether to continue to upgrade and expand the capabilities of these systems in the future to avoid disruption of, or constraints on, our operations, and any such system upgrades or expansions could result in significant costs to us. Certain investment teams within our Asset Management business employ proprietary systems, including quantitative models, in connection with their investment processes. These systems and models are often designed and, with assistance from technology personnel, maintained by employees who are members of those investment teams. If any of the foregoing systems fail to operate properly or are disabled, including for reasons beyond our control, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. The inability of our systems (or those of our vendors or service providers) to accommodate an increasing volume of transactions also could constrain our ability to expand our businesses. In addition, errors resulting from these issues or from human error when conducting a trade or other transaction could expose us to significant risk.

In addition, if we were to experience a local or regional disaster or other business continuity problem, such as a pandemic or other man-made or natural disaster, our continued success will depend, in part, on the availability of our personnel and office facilities and the proper functioning of our computer, telecommunications, transaction processing and other information systems and operations, as well as those of third parties on whom we rely. Such events could lead us to experience operational challenges, and our inability to successfully recover could materially disrupt our businesses and cause material financial loss, regulatory actions, reputational harm or legal liability.

For additional information regarding operational risks with respect to our businesses, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Operational Risk" below.

The soundness of third parties, including our clients, as well as financial, governmental and other institutions, could adversely affect us.

We have exposure to many different industries, institutions, products and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks,

investment banks, mutual and hedge funds and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit and settlement risk may be exacerbated when the collateral held by us, if any, cannot be fully realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could materially adversely affect our business.

We have documented and tested our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors regarding our internal control over financial reporting. We are in compliance with Section 404 of the Sarbanes-Oxley Act as of December 31, 2018. However, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to maintain an effective internal control environment could materially adversely affect our business.

We may pursue acquisitions, joint ventures, cooperation agreements or other growth or geographic expansion strategies that may result in additional risks and uncertainties in our business and could present unforeseen integration obstacles or costs.

We routinely assess our strategic position and may in the future seek acquisitions or other transactions or growth strategies to further enhance our competitive position. We have in the past pursued joint ventures and other transactions aimed at expanding the geography and scope of our operations. We expect to continue to explore acquisitions, growth strategies and partnership or strategic alliance opportunities that we believe to be attractive.

Acquisitions, growth strategies and joint ventures involve a number of risks and present financial, managerial and operational challenges. These risks and challenges include potential disruption of our ongoing business and distraction of management, difficulty integrating personnel and financial and other systems, difficulty hiring additional management and other critical personnel, and other challenges arising from the increased scope, geographic diversity and complexity of our operations.

To the extent that we pursue business opportunities outside of the United States and our other principal business locations, including through acquisitions, joint ventures or other geographic expansion of our existing businesses, we may become subject to political, economic, legal, operational, regulatory and other risks that are inherent in operating in a foreign country, including risks of potential price, capital and currency exchange controls, licensing requirements and other regulatory restrictions, as well as the risk of hostile actions against or affecting our business or people. Our ability to remain in compliance with local laws in a particular foreign jurisdiction could adversely affect our businesses and our reputation.

In addition, our clients and other stakeholders may react unfavorably to our acquisition, growth and joint venture strategies, we may not realize any anticipated benefits from such strategies, we may be exposed to additional liabilities of any acquired business or joint venture, we may be exposed to litigation in connection with an acquisition, growth or joint venture transaction, and we may not be able to renew on similar terms (or at all) previously successful joint ventures or similar arrangements, any of which could materially adversely affect our revenue, financial position and results of operations.

An inability to access the debt and equity capital markets as a result of our debt obligations, credit ratings or other factors could impair our liquidity, increase our borrowing costs or otherwise adversely affect our financial position or results of operations.

As of December 31, 2018, Lazard Group and its subsidiaries had approximately $1.5 billion in debt outstanding, of which $250 million, $400 million, $300 million and $500 million relate to Lazard Group senior notes that mature in 2020, 2025, 2027 and 2028, respectively. This debt has certain mandated payment obligations, which may constrain our ability to operate our business. If we decide to redeem or retire this debt before maturity, we may be required to pay a significant premium to do so, which may adversely impact our earnings and affect our financial position. In

addition, in the future we may need to incur debt or issue equity in order to fund our working capital requirements or refinance existing indebtedness, as well as to make acquisitions and other investments. The amount of our debt obligations may impair our ability to raise debt or issue equity for financing purposes. Our access to funds also may be impaired if regulatory authorities take significant action against us or for a variety of other possible reasons. In addition, our borrowing costs and our access to the debt capital markets depend

significantly on our credit ratings. These ratings are assigned by rating agencies, which may reduce or withdraw their ratings or place us on “credit watch” with negative implications at any time.

Lazard Ltd is a holding company and, accordingly, depends upon distributions from Lazard Group to pay dividends and taxes and other expenses.

Lazard Ltd is a holding company and has no independent means of generating significant revenue. We control Lazard Group through our indirect control of both of the managing members of Lazard Group. Our subsidiaries incur income taxes on net taxable income of Lazard Group in their respective tax jurisdictions. We intend to continue to cause Lazard Group to make distributions to our subsidiaries in an amount sufficient to cover all applicable taxes payable by us and dividends, if any, declared by us. To the extent that our subsidiaries need funds to pay taxes on their share of Lazard Group’s net taxable income, or if Lazard Ltd needs funds for any other purpose, and Lazard Group is restricted from making such distributions under applicable law or regulation, or is otherwise unable to provide such funds, it could materially adversely affect our business, financial condition or results of operations.

Lazard Group is a holding company and therefore depends on its subsidiaries to make distributions to Lazard Group to enable it to service its obligations under its indebtedness.

Lazard Group depends on its subsidiaries, which conduct the operations of its businesses, for distributions, dividends and other payments to generate the funds necessary to meet its financial obligations, including payments of principal and interest on its indebtedness. However, none of Lazard Group’s subsidiaries is obligated to make funds available to it for servicing such financial obligations, and the group of entities that constitute Lazard Group’s subsidiaries may change over time. The earnings from, or other available assets of, Lazard Group’s subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable Lazard Group to make payments with respect to its financial obligations when such payments are due. In addition, even if such earnings were sufficient, the agreements governing the current and future obligations of Lazard Group’s subsidiaries, regulatory requirements with respect to our broker-dealer and other regulated subsidiaries, foreign exchange controls and a variety of other factors may impede our subsidiaries’ ability to provide Lazard Group with sufficient dividends, distributions or loans to fund its financial obligations, when due.

In the event of a change or adverse interpretation of relevant income tax law, regulation or treaty, or a failure to qualify for treaty benefits, our overall tax rate may be substantially higher than the rate used for purposes of our consolidated financial statements.

Our effective tax rate is based upon the application of currently applicable income tax laws, regulations and treaties, and current judicial and administrative interpretations of those income tax laws, regulations and treaties, and upon our non-U.S. subsidiaries’ ability to qualify for benefits, including reduced withholding tax rates, among other things, under those treaties, and that a portion of their income is not subject to U.S. tax as effectively connected income. Those income tax laws, regulations and treaties, and the administrative and judicial interpretations of them, are subject to change at any time, and any such change may be retroactive.

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

The international tax provisions of the Tax Act are complex and the ultimate impact on us of the international provisions, such as the base erosion and anti-abuse tax (“BEAT”), the tax on global intangible low-taxed income (“GILTI”) and the other provisions of the Tax Act is uncertain. Although clarifying guidance and proposed regulations were issued by the U.S. Internal Revenue Service (“IRS”) in 2018, further guidance and the finalization of those

regulations is expected in the near term and any changes to our understanding of the Tax Act could adversely affect us. In addition, if we were to convert into a U.S. corporation, we could be subject to additional U.S.

taxes, and future payments required under our tax receivable agreement could be accelerated, both of which could reduce the amount of our cash available for distribution or reinvestment.

In addition, the eligibility of our non-U.S. subsidiaries for treaty benefits generally depends upon, among other things, at least 50% of the principal class of shares in such subsidiaries being "ultimately owned" by U.S. citizens and persons who are "qualified residents" for purposes of the treaty. It is possible that this requirement may not be met, and even if it is met, we may not be able to document that fact to the satisfaction of the IRS. If our non-U.S. subsidiaries are not treated as eligible for treaty benefits, such subsidiaries will be subject to additional U.S. taxes, including "branch profits tax" on their "effectively connected earnings and profits" (as determined for U.S. federal income tax purposes) at a rate of 30% rather than a treaty rate of 5%.

U.S. and foreign governments, institutions (including the European Union and the Organization of Economically Developed Countries) and tax officials have produced and continue to implement many laws, regulations, and treaties that currently govern the taxation of multinational companies. Any implementation of, or changes to, any such laws, regulations and treaties that impact us could materially adversely affect our business, financial condition or results of operations.

Tax authorities may challenge our tax computations and classifications, our transfer pricing methods, and our application of related policies and methods.

Our tax returns are subject to audit by federal, local and foreign tax authorities. These authorities may successfully challenge certain tax positions or deductions taken by our subsidiaries. For example, tax authorities may contest intercompany allocations of fee income, management charges or interest charges among affiliates in different tax jurisdictions. While we believe that we have provided the appropriate required reserves (see Note 2 of Notes to Consolidated Financial Statements), it is possible that a tax authority may disagree with all, or a portion, of the tax benefits claimed. If a tax authority were to successfully challenge our positions, it could result in significant additional tax costs or payments under the tax receivable agreement described below.

In addition, there are additional transfer pricing and standardized country by country reporting requirements being implemented. Additional information from country by country reporting, certain local information sharing arrangements, and other documentation held by tax authorities is expected to be subject to greater information sharing arrangements and any challenges from tax authorities reviewing such information could adversely impact our overall tax obligations or our business, financial condition or results of operations.

Uncertainty regarding the outcome of future arrangements between the European Union and the United Kingdom may adversely affect our business.

The Company has a significant presence in many European Union countries, including the United Kingdom. The U.K. is scheduled to depart the European Union on March 29, 2019. The U.K. Government and the European Union are discussing a draft withdrawal agreement that would include transitional arrangements to apply following the U.K.'s departure. If the withdrawal agreement is approved, the U.K. Government and the European Union would then negotiate the details of future trading arrangements that would apply after the expiration of the transitional arrangements. At the time that the U.K. leaves the European Union, the commercial, regulatory and legal environment that would exist, and to which the Company's U.K. operations would be subject, will be impacted by the nature of the arrangements that are under negotiation and yet to be determined between the U.K and the European Union. The details of these arrangements are hard to predict, and uncertainty regarding their outcome may continue. The Company currently does not believe that any of the potential arrangements that are likely to be agreed will have a material adverse impact on the Company's business. These potential arrangements may, however, result in certain changes in the way that we conduct our businesses, which could result in increased costs. In addition, the fact that the U.K. is scheduled to leave the European Union and the uncertainty it has produced has impacted, and may continue to impact, geopolitical perspectives and macroeconomic factors including interest rates, foreign currency exchange rates

and equity markets, and it has increased volatility in certain markets in which we operate. If these conditions continue or if current conditions worsen, our businesses may be adversely affected, which may impact our financial position and results of operations. See “Difficult market conditions can adversely affect our business in many ways, including by reducing the volume of transactions involving our Financial Advisory business

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and reducing the value or performance of the assets we manage in our Asset Management business, which, in each case, could materially reduce our revenue or income and adversely affect our financial position" above.

Our subsidiaries may be required to make payments under the Amended and Restated Tax Receivable Agreement. The IRS may challenge the tax benefits that give rise to such payments and, under certain circumstances, our subsidiaries may have made or could make payments under the Amended and Restated Tax Receivable Agreement in excess of our subsidiaries' cash tax savings.

As further discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Income Taxes" and Note 19 of Notes to Consolidated Financial Statements, 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 a significant portion of the 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 tax benefits that are subject to the Amended and Restated Tax Receivable Agreement. Any amount paid by our subsidiaries to the Trust will generally be distributed to the owners of the Trust, including certain of our executive officers, in proportion to their beneficial interests in the Trust. If the IRS successfully challenges the tax benefits described above, under certain circumstances, our subsidiaries may have made or could make payments under the Amended and Restated Tax Receivable Agreement in excess of our subsidiaries' cash tax savings.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions "Business," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in other sections of this Form 10-K that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "may," "might," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "target," "goal" or "co 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, the numerous risks and uncertainties outlined in "Risk Factors," including the following:

- a decline in general economic conditions or the global or regional financial markets;
- a decline in our revenues, for example due to a decline in overall M&A activity, our share of the M&A market or our 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 this Form 10-K 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-K to conform our prior statements to actual results or revised expectations and we do not intend to do so.

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

- financial goals, including ratios of compensation and benefits expense to operating revenue;
- ability to deploy surplus cash through 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;

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

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

Item 1B.Unresolved Staff Comments

There are no unresolved written comments that were received from the SEC staff 180 days or more before December 31, 2018 relating to our periodic or current reports under the Exchange Act.

Item 2. Properties

The following table lists the properties used for the entire Lazard organization as of December 31, 2018. As a general matter, one or both of our Financial Advisory and Asset Management segments (as well as our Corporate segment) uses the following properties. Our London and other offices sublease 71,207 and 7,071 square feet, respectively, to third parties. We remain fully liable for the subleased space to the extent that the subtenants fail to perform their obligations under the subleases for any reason.

Location	Square Footage	Offices
New York City	446,524 square feet of leased space	Principal office located at 30 Rockefeller Plaza
Other Americas	191,314 square feet of leased space	Bogota, Boston, Buenos Aires, Charlotte, Chicago, Houston, Lima, Los Angeles, Mexico City, Minneapolis, Montreal, Panama City, San Francisco, Santiago, São Paulo and Toronto
Paris	148,502 square feet of owned and leased space	Principal office located at 121 Boulevard Haussmann
London	144,448 square feet of leased space	Principal office located at 50 Stratton Street
Other EMEA	124,229 square feet of leased space	Amsterdam, Bordeaux, Brussels, Dubai, Dublin, Frankfurt, Geneva, Hamburg, Lyon, Madrid, Milan, Nantes, Riyadh, Stockholm and Zurich
Asia Pacific	68,331 square feet of leased space	Beijing, Hong Kong, Melbourne, Mumbai, Perth, Seoul, Singapore, Sydney and Tokyo

Item 3. Legal Proceedings

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.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock is traded on The New York Stock Exchange under the symbol "LAZ."

As of February 1, 2019, there were approximately 24 holders of record of our Class A common stock. This does not include the number of shareholders that hold shares in "street-name" through banks or broker-dealers.

On February 1, 2019, the last reported sales price for our Class A common stock on the New York Stock Exchange was $40.40 per share.

Share Repurchases in the Fourth Quarter of 2018

The following table sets forth information regarding Lazard's purchases of its Class A common stock on a monthly basis during the fourth quarter of 2018. Share repurchases are recorded on a trade date basis.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 – October 31, 2018				
Share Repurchase Program (1)	655,000	$ 42.52	655,000	$ 513.9 million
Employee Transactions (2)	8,012	$ 47.83		
November 1 – November 30, 2018				
Share Repurchase Program (1)	2,850,000	$ 39.75	2,850,000	$ 400.7 million
Employee Transactions (2)	4,692	$ 40.01		
December 1 – December 31, 2018				
Share Repurchase Program (1)	2,903,863	$ 36.21	2,903,863	$ 295.5 million
Employee Transactions (2)	7,863	$ 38.97		
Total				
Share Repurchase Program (1)	6,408,863	$ 38.43	6,408,863	$ 295.5 million
Employee Transactions (2)	20,567	$ 42.66		

(1) During the year ended December 31, 2018 and since 2015, the Board of Directors of Lazard authorized the repurchase of Class A common stock as set forth in the table below.

Date	Repurchase Authorization	Expiration
February 2015	$ 150,000	December 31, 2016
January 2016	$ 200,000	December 31, 2017
April 2016	$ 113,182	December 31, 2017
November 2016	$ 236,000	December 31, 2018
October 2017	$ 200,000	December 31, 2019
April 2018	$ 300,000	December 31, 2020
October 2018	$ 300,000	December 31, 2020

In addition, on February 4, 2019, the Board of Directors of Lazard authorized the repurchase of up to $300 million of additional shares of Class A common stock, which authorization will expire on December 31, 2020, bringing the total available share repurchase authorization as of February 4, 2019 to approximately $510 million.

A significant portion of the Company's purchases under the share repurchase program are used to offset a portion of the shares that have been or will be issued under Lazard Ltd's 2008 Incentive Compensation Plan (the" 2008 Plan") and 2018 Incentive Compensation Plan (the "2018 Plan"). Purchases under the share repurchase program may be 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. Amounts shown in this line item include repurchases of Class A common stock and exclude the shares of Class A common stock withheld by the Company to meet the minimum statutory tax withholding requirements as described below.

(2) Under the terms of the 2008 Plan and the 2018 Plan, upon the vesting of RSUs, PRSUs, deferred stock units ("DSUs") and delivery of restricted or other Class A common stock, shares of Class A common stock may be withheld by the Company to meet the minimum statutory tax withholding requirements. During the three month period ended December 31, 2018, the Company satisfied such obligations in lieu of issuing (i) 10,616 shares of Class A common stock upon the vesting or settlement of 102,859 RSUs and PRSUs and (ii) 9,951 shares of Class A common stock upon the vesting of 21,809 shares of restricted Class A common stock.

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

Equity Compensation Plan Information

See Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters—Equity Compensation Plan Information."

Stock Performance

The stock performance graph below compares the performance of an investment in our Class A common stock, from December 31, 2013 through December 31, 2018, with that of the S&P 500 Index and the S&P Financial Index. The graph assumes $100 was invested at the close of business on December 31, 2013 in each of our Class A common stock, the S&P 500 Index and the S&P Financial Index. It also assumes that dividends were reinvested on the date of payment without payment of any commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance.

Other Matters

None.

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial data for the Company for all years presented.

The consolidated statements of financial condition and operations data as of and for each of the years in the five-year period ended December 31, 2018 have been derived from Lazard Ltd's consolidated financial statements. The audited consolidated statements of financial condition as of December 31, 2018 and 2017 and audited consolidated statements of operations for each of the years in the three year period ended December 31, 2018 are included in this Form 10-K. The audited consolidated statements of financial condition as of December 31, 2016, 2015 and 2014, and the audited consolidated statements of operations for the years ended December 31, 2015 and 2014, are not included in this Form 10-K. Historical results should not be considered an indication of results for any future period.

The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Company's consolidated financial statements and related notes included elsewhere in this Form 10-K.

Selected Consolidated Financial Data

	As Of Or For The Year Ended December 31,				
	2018	2017	2016	2015	2014
	(dollars in thousands, except for per share amounts)				
Consolidated Statements of Operations Data (a)					
Net Revenue:					
Financial Advisory	$1,555,526	$1,387,682	$1,301,044	$1,279,628	$1,206,734
Asset Management (b)	1,331,801	1,255,820	1,051,316	1,111,105	1,134,595
Corporate (c)	(60,975)	809	(18,989)	(37,125)	(40,882)
Net Revenue	2,826,352	2,644,311	2,333,371	2,353,608	2,300,447
Compensation and Benefits	1,514,735	1,512,873	1,340,543	1,319,746	1,313,606
Other Operating Expenses (d)	630,851	305,992	475,367	1,050,482	467,376
Total Operating Expenses	2,145,586	1,818,865	1,815,910	2,370,228	1,780,982
Operating Income (Loss)	$680,766	$825,446	$517,461	$(16,620)	$519,465
Net Income	$532,449	$259,847	$393,692	$992,932	$434,063
Net Income Attributable to Lazard Ltd	$527,125	$253,583	$387,698	$986,373	$427,277
Net Income Per Share of Class A Common Stock:					
Basic	$4.43	$2.09	$3.11	$7.87	$3.49
Diluted	$4.06	$1.91	$2.92	$7.40	$3.20
Dividends Declared Per Share of Class A Common Stock	$3.03	$2.81	$2.69	$2.35	$1.20
Consolidated Statements of Financial Condition Data					
Total Assets	$4,997,241	$4,928,677	$4,556,508	$4,477,774	$3,325,329
Total Debt (e)	$1,434,260	$1,190,444	$1,195,805	$998,386	$1,053,458
Total Lazard Ltd Stockholders' Equity	$916,851	$1,199,803	$1,235,987	$1,313,455	$706,744
Total Stockholders' Equity	$970,093	$1,258,905	$1,293,813	$1,367,306	$770,057
Other Data					
Assets Under Management:					
As of December 31	$214,734,000	$249,459,000	$197,910,000	$186,380,000	$197,103,000
Average During Year	$241,247,000	$226,525,000	$194,808,000	$195,987,000	$196,037,000
Total Headcount, As of December 31	2,996	2,843	2,781	2,610	2,523

Notes (in thousands of dollars):

(a) Net revenue and other operating expenses data for the year ended December 31, 2018 are not comparable to the prior periods due to the adoption of the new revenue recognition guidance on January 1, 2018 (see Note 3 of Notes to Consolidated Financial Statements).

(b) Asset Management net revenue consists of the following:

	For The Year Ended December 31,				
	2018	2017	2016	2015	2014
Management Fees and Other	$1,311,286	$1,210,016	$1,035,726	$1,086,030	$1,082,729

Incentive Fees	20,515	45,804	15,590	25,075	51,866
Asset Management Net Revenue	$1,331,801	$1,255,820	$1,051,316	$1,111,105	$1,134,595

(c) "Corporate" includes interest expense (net of interest income) and investment income (losses) from certain investments.

(d) Includes (i) in 2018, non-compensation costs of $27,495 relating to expenses associated with the Enterprise Resource Planning system implementation; $2,345 of incremental rent expense relating to office space reorganization; $120,995 of certain distribution fees and reimbursable deal costs paid to third parties and bad debt expense, which represents fees that are deemed uncollectible; $10,000 relating to expenses associated with an unconditional commitment to the Lazard Foundation (see Note 19 of Notes to Consolidated Financial Statements); $6,495 relating to the benefit pursuant to the tax receivable agreement (see Note 19 of Notes to Consolidated Financial Statements); and $6,523 relating to the partial redemption of the Company's 4.25% senior notes maturing on November 14, 2020 (see Note 12 of Notes to Consolidated Financial Statements), (ii) in 2017, non-compensation costs of $25,308 relating to expenses associated with the Enterprise Resource

Planning system implementation; $11,354 of incremental rent expense and lease abandonment costs relating to office space reorganization; and $202,546 relating to the benefit pursuant to the tax receivable agreement (see Note 19 of Notes to Consolidated Financial Statements), (iii) in 2016, non-compensation costs of $30,067 due to the change in fair value of the contingent consideration associated with the Edgewater business acquisition, (iv) in 2015, non-compensation costs of $547,691 relating to the provision pursuant to the tax receivable agreement; $60,219 relating to the redemption of a significant portion of the Company's 6.85% senior notes maturing on June 15, 2017 and $1,114 of expenses relating to the partial extinguishment of the tax receivable obligation and (v) in 2014, non-compensation costs of $18,307 relating to the provision pursuant to tax receivable agreement.

(e) Represents the aggregate amount reflected in the Company's consolidated statements of financial condition relating to senior debt and capital lease obligations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Lazard Ltd's consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K (this "Form 10-K"). This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the sections entitled "Risk Factors" and "Special Note Regarding Forward-Looking Statements" and elsewhere in this Form 10-K.

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 43 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.

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

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

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

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

Our consolidated net revenue was derived from the following segments:

	Year Ended December 31,		
	2018	2017	2016
Financial Advisory	55 %	52 %	56 %
Asset Management	47	48	45
Corporate	(2)	-	(1)

Total	100 %	100 %	100 %

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

Business Environment and Outlook

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

On an ongoing basis, regional, macroeconomic and geopolitical factors, including trade policy and regional tax and regulatory reform, may impact our business. The U.S. economy remains healthy. The European economy's growth rate has slowed, but it is still growing. Emerging markets as a group have experienced significant capital markets volatility. Global borrowing costs remain low.

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. We believe our Financial Advisory business is in a strong competitive position as demand continues for expert, independent strategic advice that can be levered across geographies and our range of capabilities. The global scale and breadth of our Financial Advisory business allows us to advise on large, complex cross-border transactions and restructuring 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. We continue to invest for growth in our Financial Advisory business and to hire talented senior professionals selectively.
- 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, and depending upon local market conditions, we would expect an increasing share of our AUM to come from the developing economies around the globe, as their retirement systems evolve and individual wealth is increasingly deployed in the financial markets. Given our diversified investment platform and our ability to provide investment solutions for a global mix of clients, we believe we are positioned to benefit from growth that may occur in the asset management industry. We are continually developing and seeding new investment strategies that extend our existing platforms and assessing potential product acquisitions or other inorganic growth opportunities. Recent examples of growth initiatives include the following investment strategies: various Quantitative Equity strategies, various Multi-Asset strategies, an International Value strategy, a Global Equity Franchise strategy, and a Market Neutral Quantitative Equity strategy.

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

Overall, we continue to focus on the development of our business, including the generation of stable revenue growth, earnings growth and shareholder returns, the evaluation of potential growth opportunities, the investment in new

technology to support the development of existing and new business opportunities, the prudent management of our costs and expenses, the efficient use of our assets and the return of 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 of all completed transactions, including the subset of completed transactions involving values greater than $500 million, increased in 2018 as compared to 2017, whereas the number of completed transactions decreased in 2018 as compared to 2017. With respect to announced M&A transactions, the value of all transactions, including the subset of announced transactions involving values greater than $500 million, increased in 2018 as compared to 2017. Additionally, with respect to announced M&A transactions, the number of all announced transactions decreased in 2018 as compared to 2017, while the number of announced transactions involving values greater than $500 million increased in 2018 as compared to 2017.

	Year Ended December 31,		%
	2018	2017	Incr / (Decr)
	($ in billions)		
Completed M&A Transactions:			
All deals:			
Value	$4,117	$3,648	13 %
Number	33,244	40,597	(18)%
Deals Greater than $500 million:			
Value	$3,297	$2,719	21 %
Number	1,249	1,254	(0)%
Announced M&A Transactions:			
All deals:			
Value	$4,144	$3,576	16 %
Number	34,276	40,413	(15)%
Deals Greater than $500 million:			
Value	$3,243	$2,659	22 %
Number	1,347	1,245	8 %

Source: Dealogic as of January 4, 2019.

Global restructuring activity during 2018, as measured by the number of corporate defaults, decreased as compared to 2017. The number of defaulting issuers decreased to 77 in 2018, according to Moody's Investors Service, Inc., as compared to 104 in 2017.

Net revenue trends in Financial Advisory are generally correlated to the level of completed industry-wide M&A transactions and restructuring transactions occurring subsequent to corporate debt defaults, respectively. However, deviations from this relationship can occur in any given year for a number of reasons. For instance, our results can diverge from industry-wide activity where there are material variances from the level of industry-wide M&A activity in a particular market where Lazard has significant market share, or regarding the relative number of our advisory engagements with respect to larger-sized transactions, and where we are involved in non-public or sovereign advisory assignments. Beginning in the first quarter of 2018, we ceased separately reporting Restructuring revenue within our Financial Advisory segment, because our Financial Advisory practices have become highly integrated, and our assignments with clients often incorporate several disciplines. We believe that presenting unified Financial Advisory revenue is a more accurate representation of our Financial Advisory business.

Asset Management

Equity market indices for major markets at December 31, 2018 generally decreased as compared to such indices at December 31, 2017. Equity market indices for major markets at December 31, 2017 generally increased as compared to such indices at December 31, 2016.

The percentage change in major equity market indices (i) at December 31, 2018, as compared to such indices at December 31, 2017, and (ii) at December 31, 2017, as compared to such indices at December 31, 2016, is shown in the table below.

	Percentage Changes	
	December 31,	
	2018 vs. 2017	2017 vs. 2016
MSCI World Index	(8)%	23 %
Euro Stoxx	(11)%	10 %
MSCI Emerging Market	(14)%	38 %
S&P 500	(4)%	22 %

The fees that we receive for providing investment management and advisory services are primarily driven by the level of AUM and the nature of the AUM product mix. Accordingly, market movements, foreign currency exchange rate volatility and changes in our AUM product mix will impact the level of revenues we receive from our Asset Management business when comparing periodic results. A substantial portion of our AUM is invested in equities. Movements in AUM during the period generally reflect the changes in equity market indices. Our AUM at December 31, 2018 decreased 14% versus AUM at December 31, 2017, primarily due to market and foreign exchange depreciation and net outflows. Average AUM for 2018 increased 6% as compared to average AUM in 2017.

Financial Statement Overview

Net Revenue

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

Lazard’s Asset Management segment principally includes LAM, LFG and Edgewater. Asset Management net revenue is derived from fees for investment management and advisory services provided to clients. As noted above, the main driver of Asset Management net revenue is the level and product mix of AUM, which is generally influenced by the performance of the global equity markets and, to a lesser extent, fixed income markets as well as Lazard’s investment performance, which impacts its ability to successfully attract and retain assets. As a result, fluctuations (including timing thereof) in financial markets and client asset inflows and outflows have a direct effect on Asset Management net revenue and operating income. Asset Management fees are generally based on the level of AUM measured daily, monthly or quarterly, and an increase or reduction in AUM, due to market price fluctuations, currency fluctuations, changes in product mix, or net client asset flows will result in a corresponding increase or decrease in management

fees. The majority of our investment advisory contracts are generally terminable at any time or on notice of 30 days or less. Institutional and individual clients, and firms with which we have strategic alliances, can terminate their relationship with us, reduce the aggregate amount of AUM or shift their funds to other types of accounts with different rate structures for a number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. In addition, as Lazard's AUM includes significant amounts of assets that are denominated in currencies other than U.S. Dollars, changes in the value of the U.S. Dollar relative to foreign currencies will impact the value of Lazard's AUM and the overall amount of management fees generated by the AUM. Fees vary with the type of assets managed and the vehicle in which they are managed, with

higher fees earned on equity assets and alternative investment funds, such as hedge funds and private equity funds, and lower fees earned on fixed income and cash management products.

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

For hedge funds, incentive fees are calculated based on a specified percentage of a fund's net appreciation, in some cases in excess of established benchmarks or thresholds. The Company records incentive fees on traditional products and hedge funds at the end of the relevant performance measurement period, when potential uncertainties regarding the ultimate realizable amounts have been determined. The incentive fee measurement period is generally an annual period (unless an account terminates or redemption occurs during the year). The incentive fees received at the end of the measurement period are not subject to reversal or payback. Incentive fees on hedge funds are often subject to loss carryforward provisions in which losses incurred by the hedge funds in any year are applied against certain gains realized by the hedge funds in future periods before any incentive fees can be earned.

For private equity funds, incentive fees may be earned in the form of a "carried interest" if profits arising from realized investments exceed a specified threshold. Typically, such carried interest is ultimately calculated on a whole-fund basis and, therefore, clawback of carried interest during the life of the fund can occur. As a result, incentive fees earned on our private equity funds are not recognized until potential uncertainties regarding the ultimate realizable amounts have been determined, including any potential for clawback.

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

Although Corporate segment net revenue during 2018 is not significant compared to Lazard's net revenue, total assets in the Corporate segment represented 68% of Lazard's consolidated total assets as of December 31, 2018, which are attributable to cash and cash equivalents, investments in debt and equity securities, interests in alternative investment, debt, equity and private equity funds, deferred tax assets and certain assets associated with LFB.

Operating Expenses

The majority of Lazard's operating expenses relate to compensation and benefits for managing directors and employees. Our compensation and benefits expense includes (i) salaries and benefits, (ii) amortization of the relevant portion of previously granted deferred incentive compensation awards, including (a) share-based incentive compensation under the Lazard Ltd 2018 Incentive Compensation Plan (the "2018 Plan") and the Lazard Ltd 2008 Incentive Compensation Plan (the "2008 Plan"), and (b) LFI and other similar deferred compensation arrangements (see Note 15 of Notes to Consolidated Financial Statements), (iii) a provision for discretionary or guaranteed cash bonuses and profit pools and (iv) when applicable, severance payments. Compensation expense in any given period is dependent on many factors, including general economic and market conditions, our actual and forecasted operating and financial performance, staffing levels, estimated forfeiture rates, competitive pay conditions and the nature of revenues earned, as well as the mix between current and deferred compensation.

We believe that "awarded compensation and benefits expense" and the ratio of "awarded compensation and benefits expense" to "operating revenue," both non-GAAP measures, are the most appropriate measures to assess the annual cost of compensation and provide the most meaningful basis for comparison of compensation and benefits expense between present, historical and future years. "Awarded compensation and benefits expense" for a given year is calculated using "adjusted compensation and benefits expense," also a non-GAAP measure, as modified by the following items:

- we deduct amortization expense recorded for accounting principles generally accepted in the United States of America ("U.S. GAAP") purposes in the fiscal year associated with deferred incentive compensation awards;
- we add incentive compensation with respect to the fiscal year, which is comprised of:
  (i) the deferred incentive compensation awards granted in the year-end compensation process with respect to the fiscal year (e.g., deferred incentive compensation awards granted in 2019 related to the 2018 year-end compensation process), including performance-based restricted stock unit ("PRSU") and performance-based profits interest participation right ("Performance PIPR") awards (based on the target payout level);
  (ii) the portion of investments in people (e.g., "sign-on" bonuses or retention awards) and other special deferred incentive compensation awards that is applicable to the fiscal year the award becomes effective; and
  (iii) amounts in excess of the target payout level for PRSU and Performance PIPR awards at the end of their respective performance periods; and
- we reduce the amounts in (i), (ii) and (iii) above by an estimate of future forfeitures with respect to such awards.

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

Compensation and benefits expense is the largest component of our operating expenses. We seek to maintain discipline with respect to compensation, including the rate at which we award deferred compensation. Our goal is to maintain a ratio of awarded compensation and benefits expense to operating revenue and a ratio of adjusted compensation and benefits expense to operating revenue over the cycle in the mid- to high-50s percentage range, which compares to 55.8% and 55.1%, respectively, for the year ended December 31, 2018. While we have implemented policies and initiatives that we believe will assist us in maintaining ratios within this range, there can be no guarantee that we will continue to maintain such ratios, or that our policies or initiatives will not change in the future. We may benefit from pressure on compensation costs within the financial services industry in future periods; however, increased competition for senior professionals, changes in the macroeconomic environment or the financial markets generally, lower operating revenue resulting from, for example, a decrease in M&A activity, our

share of the M&A market or our AUM levels, changes in the mix of revenues from our businesses, investments in our businesses or various other factors could prevent us from achieving this goal.

Our operating expenses also include "non-compensation expense", which includes costs for occupancy and equipment, marketing and business development, technology and information services, professional services, fund administration and outsourced services and other expenses. Our occupancy costs represent a significant portion of our aggregate operating expenses and are subject to change from time to time, particularly as leases for real property expire and are renewed or replaced with new, long-term leases for the same or other real property. In 2018, non-compensation expense included expenses related to a partial redemption of the Company's 4.25% senior notes due 2020 (the "2020 Notes") and, in 2016, non-compensation expense included expenses related to the redemption of the Company's 6.85% senior notes due 2017 (the "2017 Notes") (see Note 12 of Notes to Consolidated Financial Statements).

We believe that "adjusted non-compensation expense", a non-GAAP measure, provides a more meaningful basis for our investors to assess our operating results. For calculations with respect to "adjusted non-compensation expense", see the table under "Consolidated Results of Operations" below.

Our operating expenses also include our "benefit pursuant to the tax receivable agreement" (which, in 2017, was offset by the charges described below relating to the Tax Act) and "amortization and other acquisition-related (benefits) costs", which includes the change in fair value of the contingent consideration associated with business acquisitions and, in 2016, pertain primarily to the acquisition of Edgewater.

Provision for Income Taxes

Lazard Ltd, through its subsidiaries, is subject to U.S. federal income taxes on all of its U.S. operating income, as well as on the portion of non-U.S. income attributable to its U.S. subsidiaries. In addition, Lazard Ltd, through its subsidiaries, is subject to state and local taxes on its income apportioned to various state and local jurisdictions. Outside the U.S., Lazard Group operates principally through subsidiary corporations that are subject to local income taxes in foreign jurisdictions. Lazard Group is also subject to Unincorporated Business Tax ("UBT") attributable to its operations apportioned to New York City (see Note 17 of Notes to Consolidated Financial Statements for additional information).

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted. The Tax Act significantly revised the U.S. corporate income tax system by, among other changes, lowering the corporate income tax rate from 35% to 21%, implementing a partial territorial tax system and imposing a one-time repatriation tax on the deemed repatriated earnings of foreign subsidiaries. The Tax Act also included several provisions that limited the benefit of the tax rate reduction, such as restricting the deductibility of interest expense and other corporate business expenses. The Tax Act further included anti-base erosion provisions such as the BEAT and tax on GILTI. The GILTI provisions impose a tax on certain income from foreign operations and we have elected to account for the tax on GILTI as a current period expense.

See "Critical Accounting Policies and Estimates—Income Taxes" below and Notes 17 and 19 of Notes to Consolidated Financial Statements for additional information regarding income taxes, the impact of the Tax Act on us, our deferred tax assets and the tax receivable agreement obligation.

Noncontrolling Interests

Noncontrolling interests primarily consist of amounts related to Edgewater's management vehicles that the Company is deemed to control but not own. See Note 14 of Notes to Consolidated Financial Statements for information regarding the Company's noncontrolling interests.

Consolidated Results of Operations

Lazard's consolidated financial statements are presented in U.S. Dollars. Many of our non-U.S. subsidiaries have a functional currency (i.e., the currency in which operational activities are primarily conducted) that is other

than the U.S. Dollar, generally the currency of the country in which the subsidiaries are domiciled. Such subsidiaries' assets and liabilities are translated into U.S. Dollars using exchange rates as of the respective balance sheet date, while revenue and expenses are translated at average exchange rates during the respective periods based on the daily closing exchange rates. Adjustments that result from translating amounts from a subsidiary's functional currency are reported as a component of stockholders' equity. Foreign currency remeasurement gains and losses on transactions in non-functional currencies are included in the consolidated statements of operations.

A portion of our net revenue is derived from transactions that are denominated in currencies other than the U.S. Dollar. Net revenue for the years ended December 31, 2018 and 2017 was positively impacted by exchange rate movements, in each case in comparison to the relevant prior year period. The majority of the impact to net revenue, in both periods, was offset by the impact of the exchange rate movements on our operating expenses during the years denominated in currencies other than the U.S. Dollar.

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

	Year Ended December 31,		
	2018	2017	2016
	($ in thousands)		
Net Revenue	$2,826,352	$2,644,311	$2,333,371
Operating Expenses:			
Compensation and benefits	1,514,735	1,512,873	1,340,543
Non-compensation	653,243	499,024	440,120
Amortization and other acquisition-related (benefits) costs	(15,897)	9,514	35,247
Benefit pursuant to tax receivable agreement	(6,495)	(202,546)	-
Total operating expenses	2,145,586	1,818,865	1,815,910
Operating Income	680,766	825,446	517,461
Provision for income taxes	148,317	565,599	123,769
Net Income	532,449	259,847	393,692
Less - Net Income Attributable to Noncontrolling Interests	5,324	6,264	5,994
Net Income Attributable to Lazard Ltd	$527,125	$253,583	$387,698
Operating Income, as a % of net revenue	24.1 %	31.2 %	22.2 %

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

	Year Ended December 31,		
	2018	2017	2016
	($ in thousands)		
Operating Revenue:			
Net revenue	$2,826,352	$2,644,311	$2,333,371
Adjustments:			
Interest expense (a)	54,126	49,983	47,568
Distribution fees, reimbursable deal costs and bad debt	(120,995)	-	-

expense (b)			
Revenue related to noncontrolling interests (c)	(18,787)	(16,228)	(20,614)
Gain on acquisition of MBA Lazard (d)	-	-	(12,668)
(Gains) losses on investments pertaining to LFI (e)	14,086	(23,526)	(3,318)
Operating revenue	$2,754,782	$2,654,540	$2,344,339

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(a) Interest expense (excluding interest expense incurred by LFB) is added back in determining operating revenue because such expense relates to corporate financing activities and is not considered to be a cost directly related to the revenue of our business.
(b) Represents certain distribution fees and reimbursable deal costs paid to third parties for which an equal amount is excluded from both operating revenue and non-compensation expense, respectively, and excludes bad debt expense, which represents fees that are deemed uncollectible.
(c) Revenue related to the consolidation of noncontrolling interests is excluded from operating revenue because the Company has no economic interest in such amount.
(d) Represents a gain on the acquisition of MBA Lazard (which resulted from the increase in the fair value of the Company's investment in MBA Lazard prior to the acquisition).
(e) Represents changes in the fair value of investments held in connection with LFI and other similar deferred compensation arrangements for which a corresponding equal amount is excluded from compensation and benefits expense.

	Year Ended December 31,		
	2018	2017	2016
	($ in thousands)		
Compensation and Benefits Expense:			
Total compensation and benefits expense	$1,514,735	$1,512,873	$1,340,543
Adjustments:			
Noncontrolling interests (a)	(10,999)	(8,285)	(11,900)
(Charges) credits pertaining to LFI (b)	14,086	(23,526)	(3,318)
Expenses associated with ERP system implementation (c)	(1,190)	-	-
Adjusted compensation and benefits expense	1,516,632	1,481,062	1,325,325
Deduct - amortization of deferred incentive compensation awards	(375,772)	(367,350)	(352,403)
Total adjusted cash compensation and benefits expense (d)	1,140,860	1,113,712	972,922
Add:			
Year-end deferred incentive compensation awards (e)	377,901	350,975	342,449
Sign-on and other special incentive awards (f)	45,726	36,201	29,779
Deduct - adjustments for estimated forfeitures (g)	(27,534)	(25,166)	(27,917)
Awarded compensation and benefits expense	$1,536,953	$1,475,722	$1,317,233
Adjusted compensation and benefits expense, as a % of operating revenue	55.1%	55.8%	56.5%
Awarded compensation and benefits expense, as a % of operating revenue	55.8%	55.6%	56.2%

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

Includes base salaries and benefits of $695,398, $648,130 and $574,566 for 2018, 2017 and 2016, respectively, and cash incentive compensation of $445,462, $465,582 and $398,356 for the respective years.

(e) Deferred incentive compensation awards applicable to the relevant year-end compensation process (e.g., deferred incentive compensation awards granted in 2019, 2018 and 2017 related to the 2018, 2017 and 2016 year-end compensation processes, respectively).

(f) Represents special deferred incentive awards that are granted outside the year-end compensation process, and includes grants to new hires, retention awards and performance units earned under PRSU grants.

(g) An estimate, based on historical experience and future expectations, for future forfeitures of the deferred portion of such awards in order to present awarded compensation and benefits expense on a similar basis to that under U.S. GAAP, which also considers estimated forfeitures.

	Year Ended December 31,		
	2018	2017	2016
	($ in thousands)		
Adjusted Non-Compensation Expense:			
Total non-compensation expense	$653,243	$499,024	$440,120
Adjustments:			
Expenses associated with ERP system implementation (a)	(27,495)	(25,308)	-
Expenses relating to office space reorganization (b)	(2,345)	(11,354)	-
Distribution fees, reimbursable deal costs and bad debt expense (c)	(120,995)	-	-
Charges pertaining to senior debt refinancing (d)	(6,523)	-	(3,148)
Noncontrolling interests (e)	(1,754)	(1,684)	(1,892)
Expenses associated with the Lazard Foundation (f)	(10,000)	-	-
Professional fees related to acquisitions	-	-	(1,367)
Adjusted non-compensation expense	$484,131	$460,678	$433,713
Adjusted non-compensation expense, as a % of operating revenue	17.6 %	17.4 %	18.5 %

(a) Represents expenses associated with the Enterprise Resource Planning (“ERP”) system implementation.
(b) Represents incremental rent expense and lease abandonment costs related to office space reorganization.
(c) Represents certain distribution fees and reimbursable deal costs paid to third parties for which an equal amount is excluded from both operating revenue and non-compensation expense, respectively, and excludes bad debt expense, which represents fees that are deemed uncollectible.
(d) Represents excluded charges pertaining to (i) in 2018, the partial redemption of the Company’s 2020 Notes, due to the non-operating nature of such transaction and (ii) in 2016, the redemption of the remaining balance of the Company’s 2017 Notes, due to the non-operating nature of such transaction. See “—Liquidity and Capital Resources—Financing Activities.”
(e) Expenses related to the consolidation of noncontrolling interests are excluded because the Company has no economic interest in such amounts.
(f) Represents expenses associated with the unconditional commitment to the Lazard Foundation.

	Year Ended December 31,		
	2018	2017	2016
	($ in thousands)		
Earnings From Operations:			
Operating revenue	$2,754,782	$2,654,540	$2,344,339
Deduct:			
Adjusted compensation and benefits expense	(1,516,632)	(1,481,062)	(1,325,325)
Adjusted non-compensation expense	(484,131)	(460,678)	(433,713)
Earnings from operations	$754,019	$712,800	$585,301
Earnings from operations, as a % of operating revenue	27.4 %	26.8 %	25.0 %

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Headcount information is set forth below:

	As of December 31,		
	2018	2017	2016
Headcount:			
Managing Directors:			
Financial Advisory	166	152	149
Asset Management	102	96	92
Corporate (a)	17	22	20
Total Managing Directors	285	270	261
Other Business Segment Professionals and Support Staff:			
Financial Advisory	1,312	1,180	1,161
Asset Management	1,014	806	804
Corporate (a)	385	587	555
Total	2,996	2,843	2,781

(a) Reduction in 2018 relates to a realignment of certain headcount from Corporate to the Financial Advisory and Asset Management segments.

Operating Results

Year Ended December 31, 2018 versus December 31, 2017

The Company reported net income attributable to Lazard Ltd of $527 million, as compared to net income attributable to Lazard Ltd of $254 million in 2017. The changes in the Company's operating results during these years are described below.

Net revenue increased $182 million, or 7%, with operating revenue increasing $100 million, or 4%, as compared to 2017. Net revenue in the 2018 period reflects the adoption of the new revenue recognition guidance (see Notes 3 and 4 of Notes to Consolidated Financial Statements). Fee revenue from investment banking and other advisory activities increased $169 million, or 12%, as compared to 2017, primarily due to an increase in M&A Advisory revenue, partially offset by a decrease in Restructuring revenue. Asset management fees, including incentive fees, increased $73 million, or 6%, as compared to 2017, primarily due to an increase in average AUM, as well as the impact of the new revenue recognition guidance. In the aggregate, interest income, other revenue and interest expense decreased $60 million as compared to 2017, primarily due to lower income attributable to investments held in connection with LFI.

Compensation and benefits expense increased $2 million as compared to 2017.

Adjusted compensation and benefits expense was $1,517 million, an increase of $36 million, or 2%, as compared to $1,481 million in 2017. The ratio of adjusted compensation and benefits expense to operating revenue was 55.1% for 2018, as compared to 55.8% for 2017. Awarded compensation and benefits expense in 2018 was $1,537 million, an increase of $61 million, or 4%, when compared to $1,476 million in 2017. The ratio of awarded compensation and benefits expense to operating revenue was 55.8%, as compared to 55.6% for 2017. The year-end deferred incentive compensation awarded for 2018 was $378 million, representing an increase of $27 million, or 8%, as compared to 2017. As described above, when analyzing compensation and benefits expense on a full-year basis, we believe that awarded compensation and benefits expense provides the most meaningful basis for comparison of compensation and benefits expense between present, historical and future years.

Non-compensation expense increased $154 million, or 31%, as compared to 2017, primarily due to the impact of the new revenue recognition guidance discussed above, expenses associated with the unconditional commitment to the Lazard Foundation and a charge relating to the redemption of a portion of the 2020 Notes in 2018. Adjusted non-compensation expense, which excludes such items, as well as expenses associated with the ERP implementation, costs related to office space reorganization and noncontrolling interests, increased $23 million, or 5%, as compared to 2017, reflecting our increased investments in the business, principally in our technology

infrastructure. The ratio of adjusted non-compensation expense to operating revenue was 17.6% for 2018, as compared to 17.4% in 2017.

Amortization and other acquisition-related (benefits) costs reflect a benefit of $16 million in the 2018 period, as compared to costs of $10 million in the 2017 period, primarily due to the change in fair market value of the contingent consideration.

In 2017, the Tax Act reduced the U.S. corporate tax rate from 35% to 21%, which required us to remeasure the tax receivable agreement obligation. As a result of the change in the U.S. corporate tax rate, we reduced the tax receivable agreement obligation by $203 million in the fourth quarter of 2017 and recorded a $203 million benefit pursuant to the tax receivable agreement (see Note 19 of Notes to Consolidated Financial Statements for additional information).

Operating income decreased $145 million, or 18%, as compared to 2017. In 2017, operating income included the significant benefit pursuant to the tax receivable agreement described above.

Earnings from operations increased $41 million, or 6%, as compared to 2017. Earnings from operations, as a percentage of operating revenue, was 27.4%, as compared to 26.8% in 2017.

The provision for income taxes reflects an effective tax rate of 21.8%, as compared to 68.5% in 2017. The decrease in the effective tax rate is primarily due to (i) the impact of the Tax Act and (ii) an increase in excess net tax benefits related to share-based incentive compensation. As a result of the Tax Act in 2017, the Company incurred a charge of approximately $420 million primarily relating to a reduction in deferred tax assets, which was partially offset by the benefit pursuant to the tax receivable agreement described above. See Notes 17 and 19 of Notes to Consolidated Financial Statements and "Critical Accounting Policies—Income Taxes" below.

Net income attributable to noncontrolling interests remained substantially unchanged as compared to 2017.

Year Ended December 31, 2017 versus December 31, 2016

The Company reported net income attributable to Lazard Ltd of $254 million, as compared to net income attributable to Lazard Ltd of $388 million in 2016. The changes in the Company's operating results during these years are described below.

Net revenue increased $311 million, or 13%, with operating revenue increasing $310 million, or 13%, as compared to 2016. Fee revenue from investment banking and other advisory activities increased $87 million, or 7%, as compared to 2016, due to an increase in M&A Advisory and Restructuring revenue. Asset management fees, including incentive fees, increased $197 million, or 20%, as compared to 2016, primarily due to an increase in average AUM. In the aggregate, interest income, other revenue and interest expense increased $27 million, or 75%, as compared to 2016, primarily due to gains in 2017 attributable to investments held in connection with LFI.

Compensation and benefits expense increased $172 million, or 13%, as compared to 2016, primarily associated with increased operating revenue, charges pertaining to LFI and an increase in social charges.

Adjusted compensation and benefits expense (which excludes certain items and which we believe allows for improved comparability between periods, as described above) was $1,481 million, an increase of $156 million, or 12%, as compared to $1,325 million in 2016. The ratio of adjusted compensation and benefits expense to operating revenue was 55.8% for 2017, as compared to 56.5% for 2016. Awarded compensation and benefits expense in 2017 was $1,476 million, an increase of $159 million, or 12%, when compared to $1,317 million in 2016. The ratio of awarded compensation and benefits expense to operating revenue was 55.6% and 56.2% for 2017 and 2016, respectively. The year-end deferred incentive compensation awarded for 2017 was $351 million, representing an increase of $9 million, or 2%, as compared to 2016. As described above, when analyzing compensation and benefits expense on a full-year

basis, we believe that awarded compensation and benefits expense provides the most meaningful basis for comparison of compensation and benefits expense between present, historical and future years.

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Non-compensation expense increased $59 million, or 13%, as compared to 2016, primarily due to expenses associated with the ERP system implementation and expenses related to office space reorganization, as well as higher mutual fund service fees related to growth in AUM and higher marketing and business development expenses. Adjusted non-compensation expense, which excludes non-compensation costs related to the ERP system implementation, office space reorganization and noncontrolling interests, increased $27 million, or 6%, as compared to 2016. The ratio of adjusted non-compensation expense to operating revenue was 17.4% for 2017, as compared to 18.5% in 2016.

Amortization and other acquisition-related costs decreased $26 million as compared to 2016, primarily due to the change in fair value of the contingent consideration in 2016 associated with the Edgewater business acquisition. The contingent consideration associated with the Edgewater business acquisition was settled during 2016.

The Tax Act reduced the U.S. corporate tax rate from 35% to 21%, which required us to remeasure the tax receivable agreement obligation. As a result of the change in the U.S. corporate tax rate, we reduced the tax receivable agreement obligation by $203 million in the fourth quarter of 2017 and recorded a $203 million benefit pursuant to the tax receivable agreement (see Note 19 of Notes to Consolidated Financial Statements for additional information).

Operating income increased $308 million, or 60%, as compared to 2016. In 2017, operating income included the benefit pursuant to the tax receivable agreement described above.

Earnings from operations increased $127 million, or 22%, as compared to 2016. Earnings from operations, as a percentage of operating revenue, was 26.8%, as compared to 25.0% in 2016.

As a result of the Tax Act, the Company incurred a charge of approximately $420 million primarily relating to the reduction in deferred tax assets, which was partially offset by the benefit pursuant to the tax receivable agreement described above. Accordingly, the provision for income taxes reflects an effective tax rate of 68.5%, as compared to 23.9% for 2016. The increase in the effective tax rate in 2017 reflects the impact of the Tax Act. See Notes 17 and 19 of Notes to Consolidated Financial Statements and “Critical Accounting Policies—Income Taxes” below.

Net income attributable to noncontrolling interests remained substantially unchanged as compared to 2016.

Business Segments

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

Financial Advisory

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

	Year Ended December 31,		
	2018	2017	2016
	($ in thousands)		
Net Revenue	$1,555,526	$1,387,682	$1,301,044
Operating Expenses	1,198,807	1,143,586	1,017,055
Operating Income	$356,719	$244,096	$283,989
Operating Income, as a % of net revenue	22.9 %	17.6 %	21.8 %

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

	Year Ended December 31,		
	2018	2017	2016
Lazard Statistics:			
Number of clients with fees greater than $1 million:			
Financial Advisory	287	304	276
Percentage of total Financial Advisory net revenue from top 10 clients (a)	19 %	22 %	23 %
Number of M&A transactions completed with values greater than $500 million (b)	86	84	92

(a) No individual client constituted more than 10% of our Financial Advisory segment net revenue in the years ended December 31, 2018, 2017 and 2016.
(b) Source: Dealogic as of January 4, 2019.

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

	Year Ended December 31,		
	2018	2017	2016
Americas	60 %	60 %	60 %
EMEA	36	36	37
Asia Pacific	4	4	3
Total	100 %	100 %	100 %

The Company’s managing directors and many of its professionals have significant experience, and many of them are able to use this experience to advise on M&A, restructuring and other strategic advisory matters, depending on clients’ needs. This flexibility allows Lazard to better match its professionals with the counter-cyclical business cycles of

mergers and acquisitions and restructurings. While Lazard measures revenue by practice area, Lazard does not separately measure the costs or profitability of M&A services as compared to restructuring or other services. Accordingly, Lazard measures performance in its Financial Advisory segment based on overall segment operating revenue and operating income margins.

Financial Advisory Results of Operations

Year Ended December 31, 2018 versus December 31, 2017

Financial Advisory net revenue increased $168 million, or 12%, as compared to 2017, which reflected an increase in M&A Advisory revenue, partially offset by a decrease in Restructuring revenue. The increase in

Financial Advisory net revenue was primarily due to an increase in the number of completed transactions involving fees greater than $5 million as compared to 2017.

Operating expenses increased $55 million, or 5%, as compared to 2017, primarily due to an increase in compensation associated with increased revenue and the impact of the new revenue recognition guidance.

Financial Advisory operating income was $357 million, an increase of $113 million, or 46%, as compared to operating income of $244 million in 2017 and, as a percentage of net revenue, was 22.9%, as compared to 17.6% in 2017.

Year Ended December 31, 2017 versus December 31, 2016

Financial Advisory net revenue increased $87 million, or 7%, as compared to 2016, which reflected an increase in M&A Advisory revenue and Restructuring revenue. The increase in Financial Advisory net revenue was primarily due to an increase in the number of completed transactions involving fees greater than $1 million as compared to 2016.

Operating expenses increased $127 million, or 12%, as compared to 2016, primarily due to an increase in compensation associated with increased revenue.

Financial Advisory operating income was $244 million, a decrease of $40 million, or 14%, as compared to operating income of $284 million in 2016 and, as a percentage of net revenue, was 17.6%, as compared to 21.8% in 2016.

Asset Management

The following table shows the composition of AUM for the Asset Management segment (see Item 1, "Business—Principal Business Lines—Asset Management—Investment Strategies"):

	As of December 31,		
	2018	2017	2016
	($ in millions)		
AUM by Asset Class:			
Equity:			
Emerging Markets	$41,899	$52,349	$41,363
Global	41,490	43,663	30,567
Local	36,020	42,650	36,243
Multi-Regional	57,589	70,696	54,668
Total Equity	176,998	209,358	162,841
Fixed Income:			
Emerging Markets	14,980	17,320	15,580
Global	4,851	4,109	3,483
Local	6,113	4,497	4,245
Multi-Regional	6,994	9,154	7,847
Total Fixed Income	32,938	35,080	31,155
Alternative Investments	2,430	2,846	2,422
Private Equity	1,469	1,478	1,253
Cash Management	899	697	239
Total AUM	$214,734	$249,459	$197,910

Total AUM at December 31, 2018 was $215 billion, a decrease of $34 billion, or 14%, as compared to total AUM of $249 billion at December 31, 2017, due to market depreciation, foreign exchange depreciation and net outflows.

Average AUM for the year ended December 31, 2018 increased $15 billion, or 6%, as compared to 2017.

As of both December 31, 2018 and 2017, approximately 88% of our AUM was managed on behalf of institutional clients, including corporations, labor unions, public pension funds, insurance companies and banks, and through sub-advisory relationships, mutual fund sponsors, broker-dealers and registered advisors. As of both December 31, 2018 and 2017, approximately 12% of our AUM was managed on behalf of individual client relationships, which are principally with family offices and individuals.

As of December 31, 2018, AUM with foreign currency exposure represented approximately 70% of our total AUM, as compared to 74% at December 31, 2017. AUM with foreign currency exposure generally declines in value with the strengthening of the U.S. Dollar and increases in value as the U.S. Dollar weakens, with all other factors held constant.

The following is a summary of changes in AUM by asset class for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31, 2018						
	AUM Beginning Balance	Inflows	Outflows	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	($ in millions)						
Equity	$209,358	$31,657	$(37,211)	$(5,554)	$ (19,967)	$ (6,839)	$176,998
Fixed Income	35,080	7,720	(6,725)	995	(1,475)	(1,662)	32,938
Other	5,021	563	(902)	(339)	144	(28)	4,798
Total	$249,459	$39,940	$(44,838)	$(4,898)	$ (21,298)	$ (8,529)	$214,734

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

	Year Ended December 31, 2017						
	AUM Beginning Balance	Inflows	Outflows	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	($ in millions)						
Equity	$162,841	$37,158	$(33,778)	$3,380	$ 34,556	$ 8,581	$209,358
Fixed Income	31,155	5,558	(6,080)	(522)	2,615	1,832	35,080
Other	3,914	1,088	(856)	232	693	182	5,021
Total	$197,910	$43,804	$(40,714)	$3,090	$ 37,864	$ 10,595	$249,459

Year Ended December 31, 2016

	AUM Beginning Balance	Inflows	Outflows	Net Flows	Market Value Appreciation/ (Depreciation)	Foreign Exchange Appreciation/ (Depreciation)	AUM Ending Balance
	($ in millions)						
Equity	$151,495	$31,722	$(30,931)	$791	$ 13,568	$ (3,013)	$162,841
Fixed Income	30,387	6,354	(6,522)	(168)	1,396	(460)	31,155
Other	4,498	1,150	(1,613)	(463)	22	(143)	3,914
Total	$186,380	$39,226	$(39,066)	$160	$ 14,986	$ (3,616)	$197,910

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As of February 19, 2019, AUM was $232.2 billion, a $17.5 billion increase since December 31, 2018. The increase in AUM was due to market appreciation of $16.2 billion and net inflows of $1.4 billion, offset by foreign exchange depreciation of $0.1 billion.

Average AUM for the years ended December 31, 2018, 2017 and 2016 for each significant asset class is set forth below. Average AUM generally represents the average of the monthly ending AUM balances for the period.

	Year Ended December 31,		
	2018	2017	2016
	($ in millions)		
Average AUM by Asset Class:			
Equity	$201,404	$188,796	$158,747
Fixed Income	34,883	33,187	31,516
Alternative Investments	2,846	2,774	3,273
Private Equity	1,459	1,373	948
Cash Management	655	395	324
Total Average AUM	$241,247	$226,525	$194,808

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

	Year Ended December 31,		
	2018	2017	2016
	($ in thousands)		
Net Revenue	$1,331,801	$1,255,820	$1,051,316
Operating Expenses	912,110	810,870	769,737
Operating Income	$419,691	$444,950	$281,579
Operating Income, as a % of net revenue	31.5 %	35.4 %	26.8 %

Our top ten clients accounted for 26%, 25% and 21% of our total AUM at December 31, 2018, 2017 and 2016, respectively, and no individual client constituted more than 10% of our Asset Management segment net revenue during any of the respective years.

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

	Year Ended December 31,		
	2018	2017	2016
Americas	56 %	58 %	60 %
EMEA	34	32	29
Asia Pacific	10	10	11
Total	100 %	100 %	100 %

Asset Management Results of Operations

Year Ended December 31, 2018 versus December 31, 2017

Asset Management net revenue increased $76 million, or 6%, as compared to 2017. Management fees and other revenue was $1,311 million, an increase of $101 million, or 8%, as compared to $1,210 million in 2017, primarily due to an increase in average AUM, as well as the impact of the new revenue recognition guidance. Incentive fees were $21 million, a decrease of $25 million as compared to $46 million in 2017.

Operating expenses increased $101 million, or 12%, as compared to 2017, primarily due to the impact of the new revenue recognition guidance.

Asset Management operating income was $420 million, a decrease of $25 million, or 6%, as compared to operating income of $445 million in 2017 and, as a percentage of net revenue, was 31.5%, as compared to 35.4% in 2017.

Year Ended December 31, 2017 versus December 31, 2016

Asset Management net revenue increased $205 million, or 20%, as compared to 2016. Management fees and other revenue was $1,210 million, an increase of $175 million, or 17%, as compared to $1,035 million in 2016, primarily due to an increase in average AUM. Incentive fees were $46 million, an increase of $30 million as compared to $16 million in 2016.

Operating expenses increased $41 million, or 5%, as compared to 2016, primarily due to increases in compensation associated with increased revenue.

Asset Management operating income was $445 million, an increase of $163 million, or 58%, as compared to operating income of $282 million in 2016 and, as a percentage of net revenue, was 35.4%, as compared to 26.8% in 2016.

Corporate

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

	Year Ended December 31,		
	2018	2017	2016
	($ in thousands)		
Interest Income	$11,152	$5,538	$3,384
Interest Expense	(55,021)	(51,452)	(49,458)
Net Interest (Expense)	(43,869)	(45,914)	(46,074)
Other Revenue (Expense)	(17,106)	46,723	27,085
Net Revenue (Expense)	(60,975)	809	(18,989)
Operating Expenses (Benefit) (a)	34,669	(135,591)	29,118
Operating Income (Loss)			