

Embrace Risk –
What's the Alternative?

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Everyone Manages Risk



What is Risk?

Danger

Injury

Death

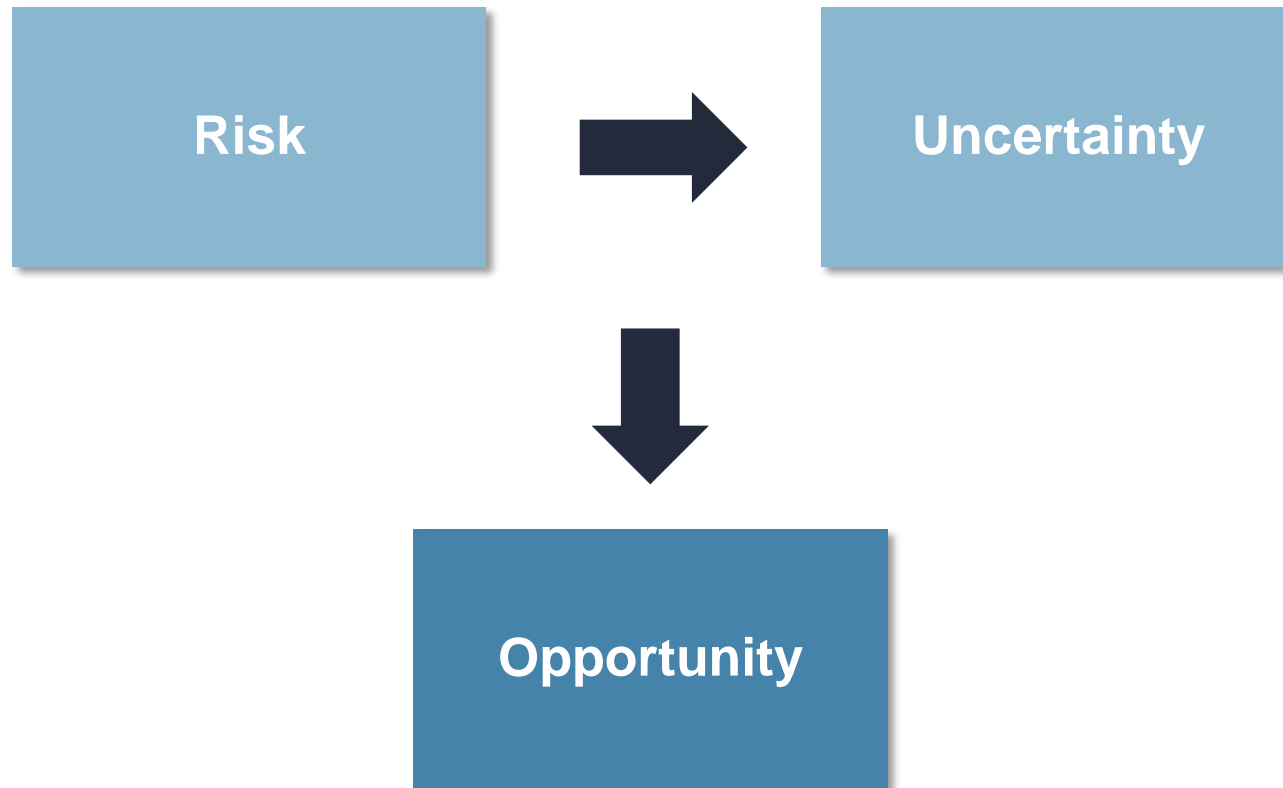
Loss

Shortfall

Bankruptcy

The potential for an Unfavourable Outcome, resulting from Uncertainty

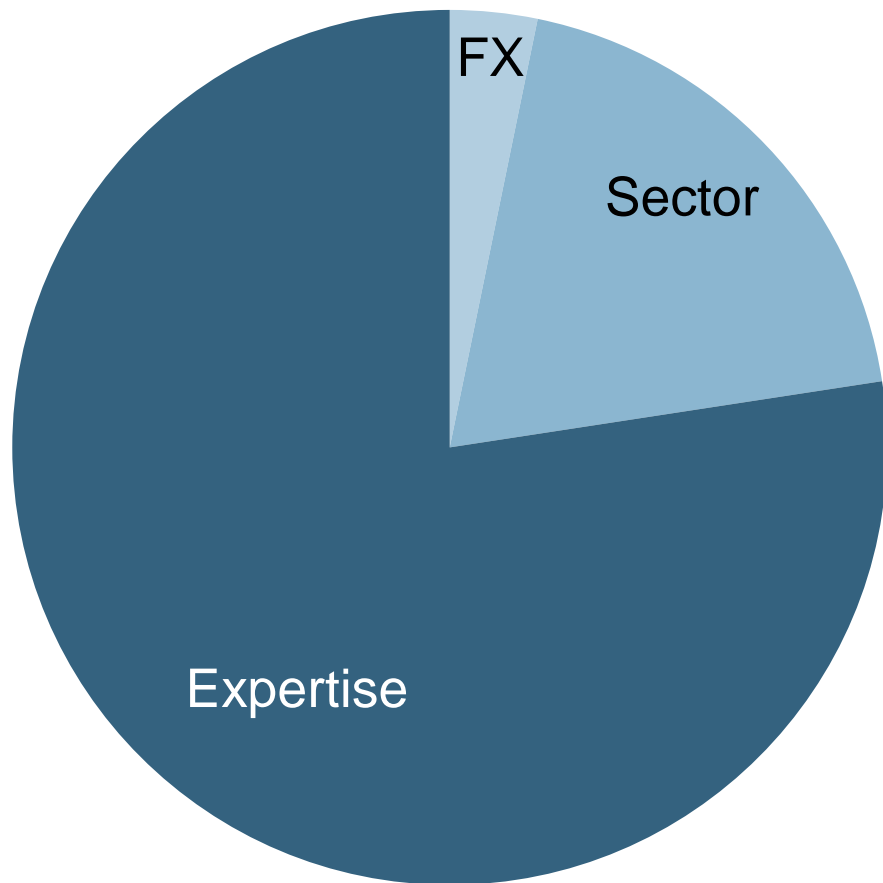
Risk is Opportunity



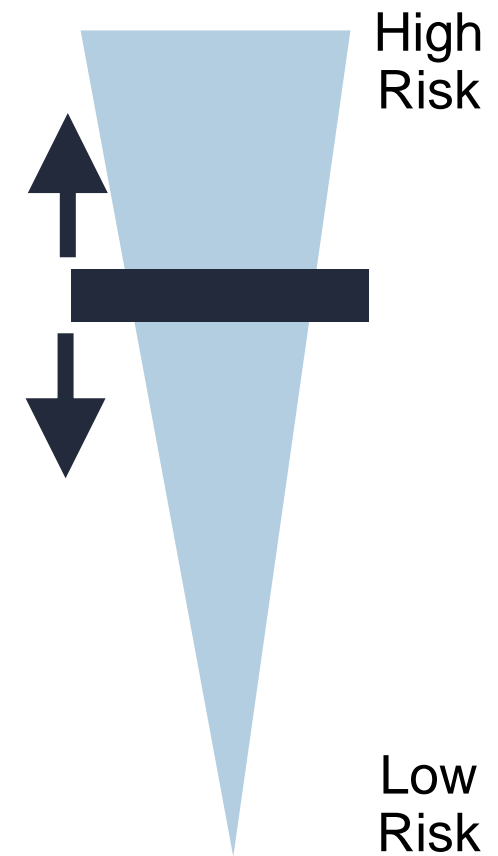
Embrace the Uncertainty

The Need for Risk Management

Which Risks?



How Much Risk?



How we do it at Lazard

Risk Team:
think & act
independently

**Reporting
Lines**

**Collaborative
2-way**

**Convince
not police**

Lazard's Global Risk Management Team

New York (12)

Yury Dubrovsky

Frankfurt (2)

London (2)

Seoul (1)

Singapore (1)

How we Measure Risk

Beta

Duration

VAR

Volatility

Vega

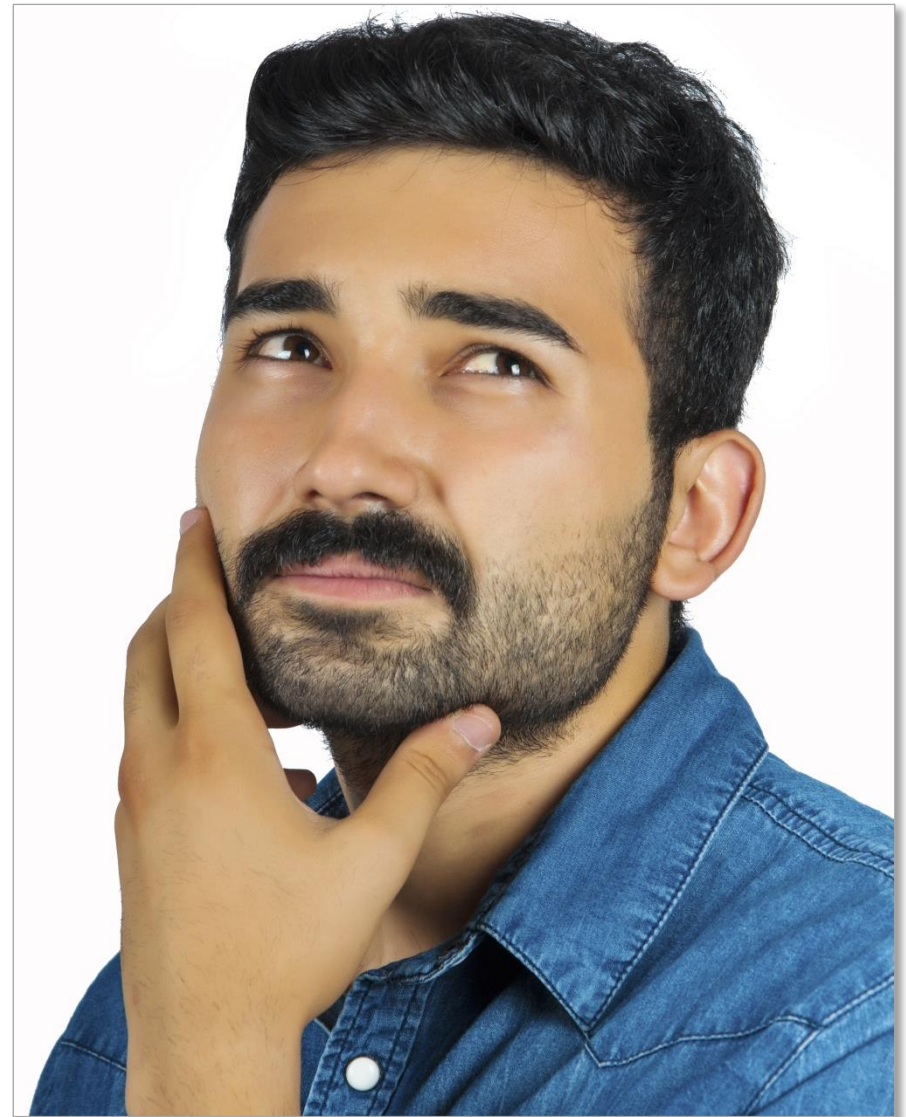
**Active
Share**

**Tracking
Error**

Numbers

vs.

Judgement



Convince & Influence



Conclusion

The Structure

Independent

Integrated

The Process

Appropriate (not zero)

Collaboration (not policing)

No recipe (ingredients exist)