The Bessemer Group, Incorporated and Subsidiary Companies

MANAGEMENT'S ANALYSIS OF RESULTS

EXECUTIVE OVERVIEW

Client service revenues declined 2%, while net interest income remained flat. Expenses increased slightly. As a result, net income of $49.0 million represented a decline year-over-year, although it remained above 2010 levels. Income distributions from 2012 earnings totaled $4.13 per share. The Company had no debt at year-end, and shareholders' equity was $257.3 million.

CLIENT SERVICE REVENUES

Client service revenues include fees earned from the Company's core business of providing investment management, custody, trust, estate administration, tax, and other personalized financial services to our clients. These revenues declined $8.5 million to $336.6 million in 2012 primarily because 1) our investment management fees were reduced as a result of our decision to use complementary external sub-advisors to manage a portion of the Old Westbury Large Cap Strategies Fund, and 2) average overall market levels were slightly lower than 2011. Excluding the addition of a single, large stock position, new clients added $3.0 billion in assets, which generated 2012 fees of $8.7 million and will provide ongoing annual fees of $19.0 million. Assets under management at December 31, 2012 totaled a record $45.9 billion, with an additional $32 billion under supervision in custody and directed trusts.

NET INTEREST INCOME AND OTHER INCOME

Net interest income, which is comprised of the spread earned on the Company's banking assets less interest expense on money market deposits, remained flat at $19.2 million. The increase in banking assets resulting from higher average overnight deposits was offset by lower average net interest rate spreads and a decrease in higher yielding loan balances. Deposit balances at year-end 2012 totaled $3.0 billion, a $0.5 billion increase over the prior year-end.

Other income increased by $3.4 million over 2011 due to higher performance fees earned as manager of the Company's private equity and hedge fund of funds offerings.

EXPENSES

During 2012, the Company continued to focus on controlling expenses while selectively investing in areas that will better position the Company for the future. Total expenses increased slightly to $305.4 million from $304.0 million in 2011. Employee compensation and benefits decreased $3.7 million to $206.3 million due to slightly lower incentive compensation levels. Occupancy and equipment costs increased $3.1 million as a result of higher information technology expenses and the costs associated with renovations to the New York office. Professional fees and assessments remained flat versus 2011, and other expenses increased $2.0 million due to increased employee travel and advertising costs.

NET INCOME

The Company's net income totaled $49.0 million in 2012, compared to $55.8 million in 2011 and $43.3 million in 2010. The return on average equity in 2012 was 19%.

FINANCIAL CONDITION

The Company ended the year with total corporate assets of $3.5 billion. Our financial condition continues to be strong, characterized by high-quality assets, an appropriate level of liquidity, minimal sensitivity to interest-rate risk, and no debt. Deposits with the Federal Reserve Bank of New York, government agency securities, and loans represent the largest components of interest-earning assets. Loans are fully secured by the borrowers' marketable securities. As a result, no reserve for loan losses is required. The Company also maintains a marketable securities portfolio as permitted by banking regulations. This well-diversified portfolio is invested in securities similar to those of our clients and includes investment-grade, tax-exempt debt and global equities that meet our balanced objectives of safety of principal, liquidity, after-tax yield, and capital appreciation. Net unrealized appreciation, net of taxes, on the Company's available for sale securities totaled $4.6 million at December 31, 2012.

Shareholders' equity decreased by $0.7 million to $257.3 million during 2012. As required by accounting rules, a non-cash charge to capital, related to the Company's pension and post-retirement benefit plans, of $14.0 million was recorded on December 31, 2012. The challenging market environment during the past several years has underscored the importance of maintaining strong capital and liquidity positions, and the Company and its subsidiary banks continue to be classified as "well capitalized" by regulatory standards. Capital ratios are in excess of the minimum capital adequacy requirements mandated by applicable banking regulations. The Company's strong equity position has provided its banking subsidiaries with the ability to accept additional deposits, which generate incremental net interest income. In addition, equity will also be available to provide for future growth and to capitalize on strategic initiatives, which should provide the opportunity to increase the return on shareholders' equity. The Company's equity includes earnings retained to support its banking and trust operations.

DISTRIBUTIONS TO SHAREHOLDERS

The Company made total distributions of $34.6 million attributable to 2012 results. Distributions from 2012 earnings totaled $10.9 million ($4.13 per share) as compared to $11.9 million ($4.48 per share) for 2011. In addition, tax distributions totaling $23.7 million ($8.97 per share) were made in 2012 and early 2013 to provide for our shareholders' estimated tax liability associated with the Company's 2012 flow-through taxable income.

The Bessemer Group, Incorporated and Subsidiary Companies

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

As of December 31, *(In thousands)*	**2012**	2011
ASSETS		
Cash and cash equivalents	**$ 1,615,908**	$ 1,000,757
Securities available for sale	**1,064,424**	1,137,894
Loans, secured by marketable securities	**516,294**	522,083
Receivables	**43,813**	52,316
Premises and equipment	**54,239**	54,281
Goodwill	**76,307**	76,307
Other assets	**111,862**	93,868
Total Assets	**$ 3,482,847**	$ 2,937,506
LIABILITIES		
Deposits	**$ 2,995,865**	$ 2,480,473
Accrued expenses and other liabilities	**229,644**	198,994
Total Liabilities	**3,225,509**	2,679,467
SHAREHOLDERS' EQUITY		
Common stock and surplus	**83,116**	83,126
Retained earnings	**296,595**	281,941
Accumulated other comprehensive loss, net of tax	**(35,799)**	(22,336)
Treasury stock, at cost	**(86,574)**	(84,692)
Total Shareholders' Equity	**257,338**	258,039
Total Liabilities and Shareholders' Equity	**$ 3,482,847**	$ 2,937,506

See Notes to Consolidated Financial Statements.

The Bessemer Group, Incorporated and Subsidiary Companies

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, *(In thousands, except per share data)*	2012	2011
REVENUES		
Fees from client services	**$ 336,554**	$ 345,076
Net interest income	**19,173**	19,194
Net realized gains on securities available for sale	**775**	1,045
Other income	**5,969**	2,612
Total Revenues	**362,471**	367,927
EXPENSES		
Employee compensation and benefits, including long-term incentives	**206,318**	210,060
Occupancy and equipment	**49,731**	46,615
Professional fees and assessments	**15,110**	15,145
Other expenses	**34,222**	32,176
Total Expenses	**305,381**	303,996
INCOME BEFORE PROVISION FOR INCOME TAXES	**57,090**	63,931
Provision for Income Taxes	**8,125**	8,159
NET INCOME	**$ 48,965**	$ 55,772
Basic and Diluted Earnings per Share	**$ 18.54**	$ 21.06
NET INCOME	**$ 48,965**	$ 55,772
Other Comprehensive Loss, Net of Tax:		
Net change in net unrealized gains on securities available for sale	**577**	(3,731)
Pension and other post-retirement benefit adjustments	**(14,040)**	(7,221)
Other Comprehensive Loss, Net of Tax	**(13,463)**	(10,952)
COMPREHENSIVE INCOME	**$ 35,502**	$ 44,820

See Notes to Consolidated Financial Statements.

The Bessemer Group, Incorporated and Subsidiary Companies

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, *(In thousands)*	2012	2011
COMMON STOCK AND SURPLUS		
Balance, beginning of year	$ 83,126	$ 82,335
Class B non-voting common stock issuance	—	747
Stock option income tax benefits	—	44
Other, net	(10)	—
Balance, end of year	83,116	83,126
RETAINED EARNINGS		
Balance, beginning of year	281,941	263,204
Net income	48,965	55,772
Distributions to shareholders:		
Income tax (per share 2012, $9.31; 2011, $8.75)	(24,595)	(23,185)
Income from earnings (per share 2012, $3.68; 2011, $5.23)	(9,716)	(13,850)
Balance, end of year	296,595	281,941
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX		
Balance, beginning of year	(22,336)	(11,384)
Other comprehensive loss	(13,463)	(10,952)
Balance, end of year	(35,799)	(22,336)
TREASURY STOCK, AT COST		
Balance, beginning of year	(84,692)	(83,367)
Class A non-voting common stock repurchase	(1,002)	—
Class B non-voting common stock repurchase	(880)	(1,325)
Balance, end of year	(86,574)	(84,692)
Total Shareholders' Equity	$ 257,338	$ 258,039

See Notes to Consolidated Financial Statements.

The Bessemer Group, Incorporated and Subsidiary Companies

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, *(In thousands)*	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 48,965**	$ 55,772
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	**1,165**	(465)
Depreciation and amortization on premises and equipment	**10,931**	9,577
Net premium amortization of debt securities available for sale	**13,767**	16,067
Net realized gains on securities available for sale	**(775)**	(1,045)
Impairment charges on securities available for sale	**207**	158
(Increase)/decrease in receivables and other assets	**(9,116)**	20,466
Increase in accrued expenses and other liabilities	**14,972**	1,534
Net Cash Provided by Operating Activities	**80,116**	102,064
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of securities available for sale	**23,926**	26,328
Proceeds from maturities, calls and mandatory redemptions of securities available for sale	**764,335**	680,529
Purchases of securities available for sale	**(727,314)**	(1,061,997)
Net decrease/(increase) in loans	**5,789**	(31,205)
Capitalized computer software	**(3,539)**	(4,629)
Purchases of premises and equipment	**(7,351)**	(8,287)
Net Cash Provided by/(Used in) Investing Activities	**55,846**	(399,261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	**515,392**	737,111
Issuance of Class B non-voting common stock and income tax benefits associated with exercised stock options	**—**	508
Purchases of treasury stock	**(1,882)**	(1,042)
Income tax distributions to shareholders	**(24,595)**	(23,185)
Income distributions from earnings to shareholders	**(9,716)**	(13,850)
Other, net	**(10)**	—
Net Cash Provided by Financing Activities	**479,189**	699,542
Net Increase in Cash and Cash Equivalents	**615,151**	402,345
Cash and Cash Equivalents, beginning of year	**1,000,757**	598,412
Cash and Cash Equivalents, end of year	**$ 1,615,908**	$ 1,000,757
CASH PAYMENTS		
Interest	**$ 212**	$ 1,143
Income taxes	**5,387**	6,523
NON-CASH FINANCING ACTIVITIES		
Acquisition of treasury stock and issuance of Class B non-voting common stock associated with exercised stock options	**$ —**	$ 283

See Notes to Consolidated Financial Statements.

The Bessemer Group, Incorporated and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — The Bessemer Group, Incorporated is a registered bank holding company focused exclusively on providing wealth management services for high net worth individuals and families, as well as their businesses, trusts, and foundations, through certain of its wholly-owned subsidiaries. Shares of The Bessemer Group, Incorporated are owned primarily by trusts for the benefit of the heirs of Henry Phipps, deceased.

The following significant accounting and reporting policies of The Bessemer Group, Incorporated and subsidiary companies (the "Company") are in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation and Use of Estimates — The consolidated financial statements include the accounts of The Bessemer Group, Incorporated and its wholly-owned subsidiaries. All intercompany accounts are eliminated in consolidation. Preparation of the consolidated financial statements requires the use of estimates, where appropriate, by the Company's management. Actual results may differ from those estimates.

Foreign Currency Translation — The functional currency of the Company's foreign operations is the U.S. dollar. Foreign currency translation and transaction gains and losses are included in Other income.

Fees from Client Services — Fees from client services are recorded on the accrual basis of accounting when earned and include fees from investment management, trust, custody, estate administration, client tax, and other services.

Cash Equivalents — Cash equivalents include amounts due from banks, interest-bearing deposits with the Federal Reserve Bank of New York and other banks, federal funds sold and short-term investments, which are readily convertible into cash, have original maturities of three months or less and are recorded at amortized cost.

Securities Available for Sale — Marketable equity securities and debt securities are designated as available for sale and are carried at estimated fair value, with net unrealized gains and losses, net of tax, included in accumulated other comprehensive income. Estimated fair values are based on market quotations, where available. If market quotations are unavailable, estimated fair values are based on quoted market prices of comparable investments. Realized securities gains and losses are computed on the identified-cost basis.

Loans, Secured by Marketable Securities — Loans are carried at their principal amount and interest income on loans is accrued based on the stated interest rates. Interest rates are primarily floating rates tied to the subsidiary banks' prime rate or, in limited cases, the one-month or three-month London Interbank Offered Rate (LIBOR). Since all loans are fully secured, generally due on demand and interest income is on a current accrual basis, no allowance for loan losses is recorded. The Company has no history of experiencing loan losses.

Premises and Equipment — Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets or over the terms of the respective leases, if earlier, for leasehold improvements. The Company capitalizes the cost of computer software developed or obtained for internal use and amortizes such cost over its estimated useful lives not exceeding 10 years.

Goodwill — Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount and thereby requires impairment testing. When necessary, goodwill is tested for impairment at least annually.

Income Taxes — The Company is classified as a Subchapter S corporation under the provisions of the Internal Revenue Code. Accordingly, the Company does not expect to incur federal income tax obligations but will continue to incur corporate income tax at certain state and local levels. The provision for deferred income taxes is made for items reported in the consolidated financial statements in different years than for tax return purposes.

Assets Under Supervision and Assets Under Management — Assets held in fiduciary or agency capacities are not included in the Statements of Financial Condition, as such items are not assets of the Company.

Earnings Per Share — Basic earnings per share is calculated based on the weighted average number of common shares outstanding of 2,641,122 during 2012 and 2,648,476 during 2011. The dilutive effect of stock options was included in the computation of diluted earnings per share. The weighted average number of dilutive potential common stock amounted to none in 2012 and 264 shares in 2011.

Comprehensive Income — Comprehensive income is defined as the change in equity of an entity, excluding transactions with shareholders. Comprehensive income consists of net income and other comprehensive income, which includes net unrealized securities available for sale gains and losses and adjustments for minimum pension liability.

Subsequent Events — The Company evaluated subsequent events through March 22, 2013, the date on which the financial statements were available to be issued.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board issued authoritative guidance requiring entities to present the components of other comprehensive income in either a single continuous statement of comprehensive income or in two separate, but consecutive statements, with the statement of comprehensive income immediately following the statement of income. The Company adopted this guidance in 2012, which did not have a material impact on the Company's financial statements as it only amends the presentation of comprehensive income.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31:

(In thousands)	**2012**	2011
Non-interest bearing — Cash and due from banks	**$ 18,140**	$ 10,377
Interest-bearing:		
Deposit with the Federal Reserve Bank of New York	**1,590,749**	984,026
Deposits with other banks	**7,019**	6,245
Short-term investments	**—**	109
	$ 1,615,908	$ 1,000,757

NOTE 4. SECURITIES AVAILABLE FOR SALE

The cost and estimated fair value of securities available for sale at December 31, 2012 and 2011 were as follows:

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2012:				
Debt obligations of:				
U.S. Treasury and Government Agencies	**$ 933,621**	**$ 538**	**$ 100**	**$ 934,059**
States and political subdivisions	**99,082**	**1,099**	**75**	**100,106**
Marketable equity securities	**26,539**	**3,779**	**59**	**30,259**
	$ 1,059,242	**$ 5,416**	**$ 234**	**$ 1,064,424**
2011:				
Debt obligations of:				
U.S. Treasury and Government Agencies	$ 335,303	$ 22	$ 324	$ 335,001
States and political subdivisions	109,807	2,369	22	112,154
Temporary Liquidity Guarantee Program ("TLGP")-guaranteed bank holding companies	669,071	466	13	669,524
Marketable equity securities	19,207	2,075	67	21,215
	$ 1,133,388	$ 4,932	$ 426	$ 1,137,894

The Company's holdings as of December 31, 2011 included Temporary Liquidity Guarantee Program-guaranteed bank holding company debt. The Federal Deposit Insurance Corporation guarantees eligible senior unsecured debt issued by eligible financial institutions. These guarantees are broad and backed by the full faith and credit of the United States government.

The components of net realized gains on securities available for sale for the years ended December 31, 2012 and 2011 were as follows:

(In thousands)	**2012**	2011
Gross realized gains from sales	**$ 1,071**	$ 2,657
Gross realized losses from sales	**(296)**	(1,612)
Net realized gains on securities available for sale	**$ 775**	$ 1,045

The maturities of debt obligations included in securities available for sale at December 31 were as follows:

	2012		2011	
(In thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
U.S. Treasury and Government Agencies:				
Within one year	**$ 580,567**	**$ 580,999**	$ 76,941	$ 76,949
After one, but within five years	**353,054**	**353,060**	258,362	258,052
Five to ten years	**—**	**—**	—	—
	$ 933,621	**$ 934,059**	$ 335,303	$ 335,001
States and political subdivisions:				
Within one year	**$ 26,558**	**$ 26,770**	$ 25,167	$ 25,465
After one, but within five years	**68,124**	**68,936**	80,240	82,289
Five to ten years	**—**	**—**	—	—
Over ten years	**4,400**	**4,400**	4,400	4,400
	$ 99,082	**$ 100,106**	$ 109,807	$ 112,154
TLGP-guaranteed bank holding companies:				
Within one year	**$ —**	**$ —**	$ 669,071	$ 669,524

There were no securities available for sale at December 31, 2012 and 2011, which had continuous gross unrealized losses for 12 months or more. The estimated fair value for securities available for sale with continuous gross unrealized losses for less than 12 months at December 31 was as follows:

	2012		2011	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Treasury and Government Agencies	**$ 24,010**	**$ 100**	$ 275,351	$ 324
States and political subdivisions	**23,749**	**75**	5,988	22
TLGP-guaranteed bank holding companies	**—**	**—**	101,166	13
Marketable equity securities	**1,364**	**60**	2,311	67

The Company's management views the gross unrealized losses noted above as temporary. Other-than-temporary impairment of securities available for sale is evaluated considering numerous factors, and their relative significance varies case-by-case. Factors considered include the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer of a security, and the intent and ability of the Company's management to retain the security for a period of time sufficient to allow for an anticipated recovery in fair value. If it is determined that the impairment is other-than-temporary, the carrying value of the security is written down to fair value, and a loss is recognized through earnings. During 2012 and 2011, the Company recorded other-than-temporary charges of $207,000 and $158,000, respectively related to marketable equity securities with an estimated fair value of $709,000 and $252,000, respectively.

NOTE 5. SEGREGATED ASSETS

Securities available for sale with an aggregate estimated fair value of $908,402,000 and $1,064,688,000, respectively, were segregated at December 31, 2012 and 2011 as required by law for a portion of deposits of subsidiary banks or for other purposes.

NOTE 6. PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at December 31:

(In thousands)	**2012**	2011
Land	**$ 1,487**	$ 1,487
Building	**5,926**	5,926
Leasehold improvements	**44,635**	39,941
Computer software	**77,242**	73,703
Computer hardware	**20,019**	18,351
Furniture, fixtures and office equipment	**24,025**	23,038
	173,334	162,446
Less — Accumulated depreciation and amortization	**(119,095)**	(108,165)
	$ 54,239	$ 54,281

NOTE 7. DEPOSITS

Deposits in the Company's subsidiary banks consisted of the following at December 31:

(In thousands)	**2012**	2011
Demand deposits	**$ 291,886**	$ 82,381
Money market deposits	**2,703,979**	2,398,092
	$ 2,995,865	$ 2,480,473

Money market deposits relate to funds of trust department clients of the Company's U.S. banking subsidiaries. Such funds are deposited with the Company's subsidiary banks, Bessemer Trust Company, N.A. and Bessemer Trust Company.

NOTE 8. GOODWILL

Goodwill of $76,307,000 relates to the acquisition of all of the interests in Brundage, Story and Rose LLC, a privately held New York City-based investment advisory firm, and the remaining interest in Fifth Avenue Alternative Investments LLC, a consolidated subsidiary engaged in organizing, sponsoring and managing hedge fund investment vehicles. There has been no impairment of goodwill since these acquisitions were completed.

NOTE 9. BORROWINGS

The Company has a secured revolving credit agreement with a commercial bank for a line of credit up to $10,000,000 for general corporate and working capital purposes. The line of credit may be drawn upon as needed with interest at the greater of LIBOR plus 2.5% for interest periods at the Company's option up to three months or 4%. The Company had no drawdowns against the line of credit during 2012 and 2011. The Company pledged certain of its hedge fund investments with a fair value of $3,815,000 as of December 31, 2012, which are recorded in Other assets, to secure the agreement.

NOTE 10. NET INTEREST INCOME

The components of net interest income for the years ended December 31 were as follows:

(In thousands)	**2012**	2011
Interest income:		
Cash equivalents	**$ 1,619**	$ 1,358
Securities available for sale	**5,248**	6,326
Loans	**12,520**	12,541
	19,387	20,225
Interest expense on deposits	**214**	1,031
Net interest income	**$ 19,173**	$ 19,194

The Company uses interest rate swaps to effectively reduce the interest rate risk on fixed-rate term loans to clients. Swaps involve the exchange of fixed and floating interest payments between counterparties without the exchange of the underlying principal amounts. The interest rate spread is recognized over the life of the swap in net interest income and was not material during 2012 and 2011. No swaps were outstanding as of December 31, 2012. At December 31, 2011, the notional principal amounts of swaps amounted to $36,000,000. The related estimated fair value of the swap contracts was approximately $138,000 as of December 31, 2011 and is included in accrued expenses and other liabilities.

Derivative financial instruments are recognized on the statement of financial condition at fair value. Derivatives that are not hedges or are ineffective hedges are adjusted to fair value through earnings. If the derivative is an effective hedge and hedge accounting is applied, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability or firm commitment through earnings or be recognized in other comprehensive income until the hedged item is recognized in earnings.

NOTE 11. OTHER INCOME

Included in Other income are investment performance incentive fees of $2,014,000 and $355,000 earned during 2012 and 2011, respectively, as manager of certain alternative asset fund portfolios.

NOTE 12. RELATED PARTY TRANSACTIONS AND COMMITMENTS

Revenues and expenses for the years ended December 31, 2012 and 2011 include the following transactions with Bessemer Securities LLC and subsidiaries ("BSLLC"), a private investment company with ownership similar to that of the Company:

(In thousands)	**2012**	2011
Revenues — Fees received from BSLLC for investment advisory and custody services	**$ 2,147**	$ 1,964
Expenses reimbursed by BSLLC:		
Occupancy costs	**$ 1,036**	$ 936
Allocated direct costs, reported by the Company as a reduction of other expenses	**1,325**	1,578
Net expense amount reimbursed by BSLLC	**$ 2,361**	$ 2,514

In addition to the above, the Company, as manager of certain venture capital funds, received management fees of which BSLLC's share was $840,000 and $1,050,000 in 2012 and 2011, respectively. These fees are recorded in fees from client services. Included in the statements of financial condition are money market deposit liabilities to BSLLC of $145,904,000 and $121,161,000 at December 31, 2012 and 2011, respectively. Also included in receivables are advances to certain of the Company's trust departments of $3,284,000 and $7,179,000 at December 31, 2012 and 2011, respectively.

The Company and certain of its subsidiaries lease office space under noncancellable leases expiring between 2013 and 2021, which are subject to renewal options for an additional five years. Certain leases contain provisions for periodic escalations. Rent expense, including escalations under certain leases, was $23,039,000 and $22,041,000 in 2012 and 2011, respectively. The approximate minimum total annual rentals (in thousands) under these leases (exclusive of a reduction for subleases aggregating $6,753,000) at December 31, 2012 were as follows:

2013	$ 22,983
2014	22,810
2015	22,702
2016	21,102
2017	20,562
Thereafter	75,719
	$ 185,878

The Company is contingently liable for outstanding standby letters of credit of $5,808,000 at December 31, 2012 issued on behalf of customers. The Company holds customers' marketable securities fully securing such commitments.

NOTE 13. INCOME TAXES

The components of the provision/(benefit) for income taxes for the years ended December 31 were as follows:

(In thousands)	**2012**	2011
Current:		
Federal	$ —	$ —
State and local	**6,822**	8,600
Foreign	**138**	24
	6,960	8,624
Deferred:		
Federal	—	—
State and local	**1,199**	(486)
Foreign	**(34)**	21
	1,165	(465)
	$ 8,125	$ 8,159

The Company, as a Subchapter S corporation, does not expect to incur federal income taxes. The Company will continue to incur corporate income taxes at certain state and local levels. The total income tax provision differs from that which would be computed using the statutory federal rate due to the Company's S corporation election, state, local, and foreign income taxes.

The elements of the net deferred tax assets recorded in other assets at December 31, 2012 and 2011 were as follows:

(In thousands)	**2012**	2011
Deferred tax assets	**$ 28,074**	$ 26,375
Deferred tax liabilities	**(16,496)**	(15,320)
Net deferred tax assets	**$ 11,578**	$ 11,055

The net deferred tax assets relate to state and local income taxes and reflect the tax effects of temporary differences in the recognition of income and expense for income tax and financial reporting purposes. The principal items generating such temporary differences relate to deferred compensation, employee benefit plans, unrealized appreciation/depreciation of securities available for sale, differences between the basis of premises and equipment and goodwill. No valuation allowance was deemed necessary with regard to deferred tax assets.

With respect to uncertain income tax positions, management does not expect any material changes during the next 12 months to the estimated amount of unrecognized income tax benefits existing at December 31, 2012. The Company recognizes interest and penalties related to unrecognized income tax benefits within the provision for income taxes. Accrued interest and penalties are included within accrued expenses and other liabilities.

The Company files income tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state, and local jurisdictions, where applicable. The Company resolves examinations each year and does not anticipate that any resolution occurring within the next 12 months would result in a material change to the Company's financial position. As of December 31, 2012, the Company's federal income tax returns that remain subject to examination under the statute of limitations are from 2008 forward. The tax years that remain subject to examination by other major tax jurisdictions including New York and New Jersey under the statute of limitations are from 2007 forward.

NOTE 14. EMPLOYEE BENEFIT PLANS

All eligible employees of the Company are included in qualified, and in some instances non-qualified, defined contribution and non-contributory pension (defined benefit) plans. The total expense for the defined contribution plans was $26,386,000 and $22,027,000 in 2012 and 2011, respectively. The Company provides pension plan benefits based on the participant's years of service and average final compensation, as defined, for employees hired prior to July 1, 2006. The Company provides other defined benefits for post-retirement medical insurance coverage ("Other Benefits"), in excess of Medicare, to employees hired prior to January 20, 2005 and retiring directly from the Company who meet service and other requirements.

The Company recognizes the funded status of a defined benefit plan in the statement of financial condition and the changes in that funded status in the year in which the changes occur through comprehensive income. Unrecognized actuarial gains and losses and prior service costs, net of tax, are recognized in accumulated other comprehensive income and adjusted as they are subsequently recognized as components of net defined benefit expense.

On November 15, 2011, the Company's management notified pension plan participants of a plan amendment effective January 1, 2012 to permanently freeze accruals of defined benefits for future services rendered after 2011. Current participants are fully vested, but increases in their future compensation and years of service after December 31, 2011 will not impact the amount of their benefits. The pension plan will continue to pay benefits, invest assets and receive contributions. Freezing the pension plan required a remeasurement of the pension obligations as of November 15, 2011, which produced a curtailment gain that reduced the pension obligation by $26,873,000 and decreased net periodic pension cost for 2011 by $553,000. An actuarial loss during 2011 of $21,808,000 due to reduced discount rates represented a significant offsetting component of the change in projected benefit obligation for the year. Remaining unrecognized prior service costs, net of tax, included in accumulated other comprehensive income were recognized upon notification of the plan amendment.

The following table reflects key information with respect to the Company's defined benefit plans (dollars in thousands):

	Pension Benefits		Other Benefits	
	2012	2011	**2012**	2011
Benefit expense during the year	**$ 1,854**	$ 7,110	**$ 498**	$ 588
Employer contribution during the year	**7,056**	7,726	**602**	562
Benefits paid during the year	**5,149**	4,554	**691**	645
Projected benefit obligation at December 31,	**$ 150,435**	$ 131,499	**$ 23,259**	$ 22,847
Fair value of qualified plan assets at December 31,	**82,362**	73,533	**—**	—
Funded status at December 31,	**$ (68,073)**	$ (57,966)	**$ (23,259)**	$ (22,847)

The projected benefit obligation for pension benefits includes both qualified plan and non-qualified plan obligations. In addition to qualified plan assets, general corporate assets have been set aside in a grantor trust to cover expected benefits payable under the non-qualified pension plan. The value of these assets amounted to $14,756,000 and $14,786,000 at December 31, 2012 and 2011, respectively.

	Pension Benefits		Other Benefits	
	2012	2011	**2012**	2011
Accumulated benefit obligation at December 31,	**$ 150,435**	$ 131,499		
Amounts recognized in the statement of financial condition at December 31:				
Assets	**$ —**	$ —	**$ —**	$ —
Liabilities	**(68,073)**	(57,966)	**(23,259)**	(22,847)
Net amounts recognized	**$ (68,073)**	$ (57,966)	**$ (23,259)**	$ (22,847)
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate — qualified plan	**4.30%**	5.00%	**—**	—
Discount rate — non-qualified plan	**3.75%**	4.50%	**4.25%**	5.00%
Rate of compensation increase	**—**	3.00%	**—**	—
Weighted-average assumptions used to determine net periodic benefit cost during the year:				
Discount rate — qualified plan	**5.00%**	5.91%	**—**	—
Discount rate — non-qualified plan	**4.50%**	5.19%	**5.00%**	6.00%
Expected long-term return on plan assets	**7.00%**	8.00%	**—**	—
Rate of compensation increase	**—**	3.00%	**—**	—

The assumed healthcare cost trend rate is 8.5% pre-Medicare and 6.5% post-Medicare in 2012 and estimated at 8.0% in 2013 decreasing gradually to 4.5% in 2019 and remaining at that level thereafter.

The expected long-term rate of return assumptions represent the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The assumptions have been determined by reflecting expectations regarding future rates of return for the portfolio considering the asset allocation target and related historical rates of return. The rate of return assumptions are reassessed on an annual basis. The expected long-term rate of return on plan assets is estimated to be 7.0% in 2013.

Benefit expense for 2013 is expected to include the following estimated amounts (in thousands) related to the amortization of net actuarial loss and prior service cost (credit) from accumulated other comprehensive loss:

	Pension Benefits	Other Benefits
Net actuarial loss	$ 971	$ 673
Prior service credit	—	(1,590)

The Company's objective is to achieve a competitive long-term return, consisting of capital appreciation and current income, investing in broadly diversified assets without assuming undue risk. Asset allocation is subject to review by the Company's Retirement Board and is consistent with the standard balanced growth with hedge funds allocation model available to clients. The qualified pension plan's asset allocation at December 31 was as follows:

	Target Allocation	**2012**	2011
Equity securities	40–75%	**44%**	48%
Fixed income securities	20–45%	**42%**	30%
Alternative assets	0–15%	**11%**	12%
Other assets	0–15%	**3%**	10%

The Company uses the framework and techniques described in Note 18 when determining the fair value of its qualified plan investments. The following table presents qualified plan assets carried at fair value as of December 31, 2012 and 2011 by valuation hierarchy:

(In thousands)	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
2012:				
Equity securities	**$ 26,652**	**$ 9,723**	**$ —**	**$ 36,375**
Fixed income securities	**17,982**	**16,209**	**—**	**34,191**
Alternative assets	**—**	**—**	**9,317**	**9,317**
Other assets	**2,479**	**—**	**—**	**2,479**
	$ 47,113	**$ 25,932**	**$ 9,317**	**$ 82,362**
2011:				
Equity securities	$ 22,046	$ 13,010	$ —	$ 35,056
Fixed income securities	7,328	14,778	—	22,106
Alternative assets	—	—	8,616	8,616
Other assets	7,755	—	—	7,755
	$ 37,129	$ 27,788	$ 8,616	$ 73,533

The following table provides a summary of the changes in fair value of Level 3 financial instruments (alternative assets) for 2012 and 2011 as well as the portion of actual return on plan assets attributable to those financial instruments still held at December 31, 2012 and 2011 (in thousands):

		2012		2011
Balance, beginning of year	$	**8,616**	$	9,118
Purchases		**—**		—
Sales		**—**		—
Actual return on plan assets		**701**		(501)
Balance, end of year	$	**9,317**	$	8,616
Actual return on plan assets related to financial instruments still held at December 31,	$	**701**	$	(501)

The projected unit credit method is used to determine both pension cost and funding requirements for the pension plans. The benefit plans are funded with the amounts necessary to meet the legal or contractual minimum funding requirements. For 2013, the Company expects to contribute $3,675,000 and $842,000 to the pension benefit plans and the other benefits plan, respectively.

The following benefit payments, which reflect expected future service, are expected to be paid for the years ending December 31 (in thousands):

		Pension Benefits		Other Benefits
2013	$	5,724	$	842
2014		5,827		844
2015		6,334		862
2016		6,380		917
2017		6,253		973
Years 2018–2022		35,157		5,743

NOTE 15. LONG-TERM INCENTIVE PLANS

In December 1996, the Company's shareholders approved the adoption of the Stock Option Plan (the "Plan"), effective January 1, 1997, and an amendment to the Certificate of Incorporation, which increased the number of authorized shares of Class B non-voting common stock from 440,000 to 1,500,000, with such shares being reserved for issuance under the Plan. The Company granted nonstatutory stock options with a 10-year term to eligible employees and directors at an exercise price equal to the fair value of one share of stock on the date of grant.

The Company accounted for all existing awards granted prior to 2005 under the Plan following the intrinsic value method. No awards were granted after 2004 and the final outstanding vested options were exercised in 2011. There were 9,928 shares outstanding at the beginning of 2011 at a weighted-average exercise price of $75.26. All of these were exercised at that price during 2011. Subsequently, no options remain outstanding.

The Plan was effectively replaced in 2006 by the Earnings Based Plan (“EBP”). Under the EBP, designated senior officers of the Company will earn cash awards based on certain measures of each year’s earnings, as defined. Amounts earned under the EBP are paid over a four-year period. The provision for the EBP was $6,597,000 and $8,927,000 in 2012 and 2011, respectively, and is included in Employee compensation and benefits.

NOTE 16. SHAREHOLDERS’ EQUITY

Common stock and surplus consisted of the following at December 31:

(In thousands)	2012	2011
Common stock, no par value:		
Voting — authorized 477,100 shares, issued and outstanding 477,069 shares	$ **477**	$ 477
Class A non-voting — authorized 1,911,000 shares, issued 1,902,782 shares and outstanding 1,892,507 shares in 2012 and issued and outstanding 1,902,882 shares in 2011	**1,903**	1,903
Class B non-voting — authorized 1,500,000 shares, issued 1,159,609 shares and outstanding 258,018 shares in 2012 and issued 1,159,609 shares and outstanding 265,518 shares in 2011	**1,160**	1,160
	3,540	3,540
Surplus	**79,576**	79,586
	$ **83,116**	$ 83,126

In accordance with banking laws, directors of national banks or trust companies are required to own a minimum interest in such banks’ common stock. In connection with the retirement and election of certain directors of its national bank or trust company subsidiary during 2012, the Company repurchased and issued directors’ qualifying shares of Class A non-voting common stock (no par value) at the Company’s then prevailing book value per share. The Company subsequently retired the repurchased shares, which resumed the status of authorized and unissued shares. During 2012, the Company purchased at fair value and held in treasury 10,275 shares of Class A non-voting common stock (no par value) for $1,002,000 in cash.

During 2012 and 2011, the Company purchased at fair value and held in treasury 7,500 and 9,250 shares of its Class B non-voting common stock (no par value) for $880,000 and $1,042,000 in cash, respectively. Additionally during 2011, the Company acquired and re-issued 2,571 shares of its Class B non-voting common stock (no par value) with a fair value of $283,000 in a non-cash exchange transaction related to the exercise of stock options. The Company issued 7,357 shares of Class B non-voting common stock (no par value) in exchange for cash proceeds of $464,000 generated from the exercise of stock options during 2011. The Company received an income tax benefit of $44,000 for exercised stock options in 2011. Since no compensation cost related to stock options was included in net income, the tax benefit was recorded as an addition to surplus.

Under provisions of applicable banking regulations, approval by the regulatory authorities is required if dividends declared by the Company’s subsidiary banks exceed a defined amount. Approximately $72,278,000 of the Company’s consolidated retained earnings of $296,595,000 at December 31, 2012 relate to retained earnings of the banks, which were not available, without such approval, for the payment of dividends to The Bessemer Group, Incorporated, the sole shareholder. In addition, it is Company policy to retain sufficient earnings in the banks so as to meet capital requirements related to planned growth in banking and fiduciary assets.

NOTE 17. OTHER COMPREHENSIVE LOSS

Other comprehensive loss consisted of the following activity:

(In thousands)	Amount Before Taxes	Income Tax Effect	Amount Net of Taxes
2012:			
Net unrealized gains on securities available for sale:			
Change in net unrealized gains	**$ 1,451**	**$ (166)**	**$ 1,285**
Less — net realized gains included in net income	**(775)**	**67**	**(708)**
Pension and other post-retirement benefit adjustments:			
Change in net actuarial loss	**(14,236)**	**1,614**	**(12,622)**
Change in prior service credit	**(1,590)**	**172**	**(1,418)**
Other comprehensive loss	**$ (15,150)**	**$ 1,687**	**$ (13,463)**
2011:			
Net unrealized gains on securities available for sale:			
Change in net unrealized gains	$ (3,076)	$ 337	$ (2,739)
Less — net realized gains included in net income	(1,045)	53	(992)
Pension and other post-retirement benefit adjustments:			
Change in net actuarial loss	(7,884)	907	(6,937)
Change in prior service credit	(318)	34	(284)
Other comprehensive loss	$ (12,283)	$ 1,331	$ (10,952)

The components of accumulated other comprehensive loss, net of taxes, at December 31 were as follows:

(In thousands)	**2012**	2011
Net unrealized gains on securities available for sale	**$ 4,564**	$ 3,987
Pension and other post-retirement benefit adjustments:		
Net actuarial loss	**(58,256)**	(44,020)
Tax benefit on net actuarial loss	**6,554**	4,940
Prior service credit	**12,716**	14,306
Tax provision on prior service credit	**(1,377)**	(1,549)
	$ (35,799)	$ (22,336)

NOTE 18. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Fair value measurement is achieved using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

Level 1 — Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company can access at the measurement date.

Level 2 — Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the financial instrument that a market participant may use.

The following table presents financial instruments measured at fair value on a recurring basis as of December 31, 2012 and 2011 by valuation hierarchy:

(In thousands)	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
2012:				
Securities available for sale:				
Debt obligations of:				
U.S. Treasury and Government Agencies	**$ 101,467**	**$ 832,592**	**$ —**	**$ 934,059**
States and political subdivisions	**—**	**100,106**	**—**	**100,106**
Marketable equity securities	**30,259**	**—**	**—**	**30,259**
	131,726	**932,698**	**—**	**1,064,424**
Other assets — trading assets:				
Debt obligations of:				
U.S. Treasury and Government Agencies	**2,793**	**17,657**	**—**	**20,450**
Corporations and other entities	**—**	**2,014**	**—**	**2,014**
Marketable equity securities	**50,644**	**—**	**—**	**50,644**
Alternative investment funds	**—**	**—**	**9,791**	**9,791**
	53,437	**19,671**	**9,791**	**82,899**
Total assets at fair value	**$ 185,163**	**$ 952,369**	**$ 9,791**	**$ 1,147,323**
2011:				
Securities available for sale:				
Debt obligations of:				
U.S. Treasury and Government Agencies	$ 4,072	$ 330,929	$ —	$ 335,001
States and political subdivisions	—	112,154	—	112,154
TLGP-guaranteed bank holding companies	—	669,524	—	669,524
Marketable equity securities	21,215	—	—	21,215
	25,287	1,112,607	—	1,137,894
Other assets — trading assets:				
Debt obligations of:				
U.S. Treasury and Government Agencies	5,040	9,912	—	14,952
Corporations and other entities	—	4,050	—	4,050
Marketable equity securities	34,369	—	—	34,369
Alternative investment funds	—	—	11,541	11,541
	39,409	13,962	11,541	64,912
Total assets at fair value	$ 64,696	$ 1,126,569	$ 11,541	$ 1,202,806
Other liabilities — derivative liabilities other than trading	$ —	$ 138	$ —	$ 138

Trading assets represent corporate assets that are available to fund future obligations under certain of the Company's retirement and incentive compensation plans.

Following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted prices are available in an active market, securities are classified in Level 1 of the valuation hierarchy. Level 1 securities included highly liquid U.S. Treasury securities, exchange-traded equities, open-ended mutual funds, and index funds.

If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Such securities are classified within Level 2 of the valuation hierarchy. If listed prices or quotes are not available, fair value is based upon models that primarily use, as inputs, market-based or independently sourced market parameters, including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates, and credit curves. In addition to market information, models also incorporate transaction details, such as maturity. Examples of such instruments generally classified within Level 2 of the valuation hierarchy are discounted government agency notes with remaining maturities under one year, government-sponsored agency bonds, municipal bonds, TLGP-guaranteed bank holding company obligations, and derivative liabilities other than trading (interest rate swaps). Also classified within Level 2 are collective employee benefit funds (held within the qualified plan for pension benefits), which are valued at the funds' net asset values. The collective employee benefit funds can be redeemed monthly with a redemption notice of three business days and principally invest in a diversified portfolio of large-capitalization equities of U.S. and non-U.S. companies as well as investment-grade bonds and notes.

There were no transfers from Level 1 to Level 2 of the valuation hierarchy during 2012 or 2011.

In certain cases where there is limited activity or less transparency around inputs to the valuation, investments are classified within Level 3 of the valuation hierarchy. Included within Level 3 are alternative investment funds. The valuation of alternative investment funds requires significant management judgment due to the absence of quoted market prices, inherent lack of liquidity and the long-term nature of such assets. The fair value of alternative investment funds included within other assets was determined based upon information provided monthly by each of the underlying alternative investment fund managers. Due to the inherent uncertainty as to valuations for alternative investment funds, the fair values determined by management may differ from the fair values that would have been used had a ready market for these investments existed, and the differences could be material.

The fair values of alternative investment funds have been estimated using the net asset values of the Company's ownership interest in the funds, where it is probable that the Company will sell an investment at a price other than net asset value at the measurement date. Such investments and their related redemption restrictions consist of the following at December 31:

(In thousands)	**2012**	2011	Post-Investment Lockup Period	Redemption Frequency (if currently eligible)	Redemption Notice Period
Fifth Avenue Global Equity Fund	$ **3,839**	$ 3,593	12 months	Semi-annually	60 days
Fifth Avenue Special Situations Fund	**3,016**	2,887	12 months	Semi-annually	60 days
Fifth Avenue Value Creation Fund	**1,889**	2,607	37 months	Annually	120 days
Fifth Avenue Technology Growth Fund	**1,047**	989	12 months	Semi-annually	60 days
Bessemer World Equities Fund	**—**	1,465	12 months	Quarterly	90 days
	$ **9,791**	$ 11,541			

The Company has no unfunded commitments outstanding in any of the alternative investment funds above. Additional information on the investment objectives and strategies follows.

Fifth Avenue Global Equity Fund is a diversified global equity long/short hedge fund-of-funds seeking to generate equity-like returns with less volatility than the broad equity indices over a market cycle. Fifth Avenue Special Situations Fund is a global hedge fund-of-funds structured to achieve long-term moderate rates of return over a market cycle while also focusing on preservation of capital. This fund seeks to achieve this by investing in a broad range of absolute return and relative value strategies, including debt and equity. Fifth Avenue Value Creation Fund is a global, long-biased, hedge fund-of-funds dedicated to a corporate governance strategy. This is a long-term-oriented investment strategy seeking superior absolute returns with potential for equity-like volatility over a market cycle. Fifth Avenue Technology Growth Fund is a growth-oriented hedge fund-of-funds structured to achieve higher, risk-adjusted absolute rates of return over the long-term and provide lower volatility and less correlation to the broader equity markets. This fund is focused on the broad-based technology and healthcare/biotechnology sectors, employing long and short equity strategies to dampen volatility and provide downside protection. Bessemer World Equities Fund was a global equity alternative investment fund seeking to outperform the Standard & Poor's 500 Index by providing high-alpha exposure by investing in attractive asset classes/markets/sectors/styles through a small set of well-regarded, hard-to-access managers, each of which may have relatively concentrated positions.

The following table provides a summary of the changes in fair value of Level 3 financial instruments for 2012 and 2011 as well as the portion of gains or losses included in income attributable to unrealized gains or losses to those financial instruments still held at December 31, 2012 and 2011:

	2012	2011
(In thousands)	Alternative Investment Funds	Alternative Investment Funds
Balance, beginning of year	**$ 11,541**	$ 12,757
Purchases	**124**	939
Sales	**(2,637)**	(1,537)
Total realized/unrealized gains/(losses)	**763**	(618)
Transfers in and/or out of Level 3	**—**	—
Balance, end of year	**$ 9,791**	$ 11,541
Net changes in unrealized gains included in earnings related to financial instruments still held at December 31,	**$ 580**	$ (951)

Realized/unrealized gains/(losses) in the above table are reported in Other income.

The Company's other financial instruments include cash and cash equivalents, loans, receivables, and deposits. The fair value of these other financial instruments has been determined to approximate their carrying amount since these instruments are short-term in nature and, to the extent they bear interest, are floating rate and are repriced to market interest rates on a quarterly or more frequent basis. The estimated fair value amounts have been determined by the Company's management, using available market information and appropriate valuation methodologies. The difference between estimated fair value and carrying amount was not material. However, considerable judgment is required in interpreting market data to develop estimates of fair value and, therefore, the estimates included above are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

NOTE 19. CAPITAL REQUIREMENTS

The Company and its subsidiary banks are subject to the capital adequacy rules of U.S. and foreign regulators. As of December 31, 2012, management believes that the Company and its subsidiary banks meet all capital adequacy requirements to which they are subject. The primary regulators of the Company and its subsidiary banks in the U.S. categorized each respective institution as well capitalized under the regulatory framework for prompt corrective action. There have been no subsequent conditions or events since December 31, 2012 that would change the well-capitalized categorization.

Quantitative measures established by regulation to ensure capital adequacy require the Company and its subsidiary banks to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets and Tier I capital to average assets, as defined by regulation. In the event of future noncompliance, the regulators are empowered to initiate actions that, if undertaken, could have a direct material effect on the Company's financial statements. The actual measures (in thousands) for the Company and its subsidiary banks at December 31, 2012 and 2011 and the regulatory minimum ratios follow:

			Ratios		
	Total Capital Amount	Tier 1 Capital Amount	Total Capital to Risk-Weighted Assets	Tier 1 Capital to Risk-Weighted Assets	Tier 1 Capital to Average Assets
Regulatory Minimum Ratios:					
For Capital Adequacy Purposes			8%	4%	4%
To Be Well Capitalized			10%	6%	5%
2012:					
Consolidated	**$ 221,213**	**$ 219,539**	**24.1%**	**23.9%**	**8.0%**
Bessemer Trust Company	**51,332**	**51,012**	**14.6%**	**14.5%**	**7.2%**
Bessemer Trust Company, N.A.	**109,088**	**109,088**	**24.7%**	**24.7%**	**5.9%**
2011:					
Consolidated	$ 206,972	$ 206,068	27.4%	27.3%	8.5%
Bessemer Trust Company	48,807	48,744	16.4%	16.3%	6.6%
Bessemer Trust Company, N.A.	91,986	91,986	26.4%	26.4%	6.0%

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of The Bessemer Group, Incorporated

We have audited the accompanying consolidated financial statements of The Bessemer Group, Incorporated and subsidiary companies (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 22, 2013
New York, New York

FIVE-YEAR COMPARATIVE SUMMARY

RESULTS OF OPERATIONS *(In thousands, except per share data)*	**2012**	2011	2010	2009	2008
REVENUES					
Fees from client services	**$ 336,554**	$ 345,076	$ 300,759	$ 261,882	$ 282,374
Net interest income	**19,173**	19,194	16,564	17,834	18,586
Other income/(loss)	**6,744**	3,657	13,313	11,515	(187)
Total Revenues	**362,471**	367,927	330,636	291,231	300,773
EXPENSES					
Employee compensation and benefits	**206,318**	210,060	192,131	173,397	176,396
Other expenses	**99,063**	93,936	89,070	91,400	91,349
Total Expenses	**305,381**	303,996	281,201	264,797	267,745
INCOME					
Income before Provision for Income Taxes	**57,090**	63,931	49,435	26,434	33,028
Provision for Income Taxes	**8,125**	8,159	6,150	4,042	4,862
Net Income	**$ 48,965**	$ 55,772	$ 43,285	$ 22,392	$ 28,166
Basic Earnings per Share	**$ 18.54**	$ 21.06	$ 16.21	$ 8.12	$ 9.55
Dividends per Share	**$ 12.99**	$ 13.98	$ 10.74	$ 5.78	$ 11.45
FINANCIAL CONDITION					
At December 31					
Assets	**$ 3,482,847**	$ 2,937,506	$ 2,183,335	$ 1,701,302	$ 1,793,126
Liabilities	**3,225,509**	2,679,467	1,932,547	1,469,894	1,552,789
Shareholders' Equity	**$ 257,338**	$ 258,039	$ 250,788	$ 231,408	$ 240,337
Book Value per Share	**$ 97.94**	$ 97.54	$ 94.66	$ 86.44	$ 81.36

DIRECTORS OF THE BESSEMER GROUP, INCORPORATED AND THE BESSEMER TRUST COMPANIES

Stuart S. Janney, III ^Ω
Chairman of the Board

George D. Phipps ^§
Vice Chairman of the Board
Bessemer Trust Company, and
Bessemer Trust Company, N.A.
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