Because your family's wealth is irreplaceable.

Bessemer Trust *2007 Annual Report*

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At Bessemer Trust, we provide objective advice that helps preserve and enhance your wealth. We foster personal relationships and deliver superior performance through the collaboration of our experienced professionals.

In three important areas — investment performance, client service, and business vitality — we are building on past achievements to ensure an even brighter future.

To Our Clients, Shareholders, and Employees:

With pride in our heritage, we are entering Bessemer Trust's second century on a very strong note. Our success stems from our multigenerational perspective, singular focus on matters affecting private clients, and consistent personal service, each of which answers the needs of wealthy families.

In three important areas — investment performance, client service, and business vitality — we are building on past achievements to ensure an even brighter future.

All clients demand competitive risk-adjusted investment results, including the Phipps family, the owner of Bessemer Trust and our largest client relationship. This creates a rare alignment of interests. We are therefore pleased to report our Balanced Growth model portfolio delivered a total return of 9.0% in 2007, exceeding the broad markets and the Lipper Balanced Fund average[1]. Over the last three years, an annualized return of 10.1% for this flagship portfolio places us in the top quartile of managers in the Lipper Balanced Fund universe.

In addition to our focus on providing superior investment performance, we strive to provide exceptional client service. The most clear-cut way clients convey their satisfaction is with their investment dollars. With this measure in mind, we are delighted to announce our client asset retention rate of 98.4% over the past 10 years significantly surpasses the 94.5% rate achieved by other top firms in our industry[2]. Nevertheless, it is still shy of our 100% goal. In this spirit, we are actively working to meet and exceed the expectations of the 1,878 clients who have placed $51.9 billion under our supervision.

To fulfill our continued commitment to improve our investment and service capabilities, we must achieve strong financial results. Bolstered by excellent client retention, significant asset additions to new and existing client accounts, and increased fees generated by strong absolute and relative investment returns, total revenues increased 17.6% in 2007 to $333.5 million. Expenses increased 10.3% primarily because of necessary additions to our staff and the extension of our New York office lease. During the year, net income increased to $67.0 million, up from $43.6 million in 2006. Income distributions from 2007 earnings, including the amount paid in February of 2008, totaled $6.27 per share, 45.8% higher than the distributions attributable to 2006 earnings. The Company and its subsidiary banks remain well capitalized by regulatory standards, with total shareholders' equity of $266.9 million.

Strengthening Investment Performance

We manage wealth for families. This makes us think differently than a firm that divides its attention between corporate, institutional, retail, and private investors. We consider all assets under our supervision to be irreplaceable capital. Accordingly, one of our most important objectives is to participate meaningfully in up markets while limiting losses in down markets.

Our investment team succeeded in this effort during the tumultuous market environment of 2007. As world markets fell in the second half of the year, our Balanced Growth portfolio held up well. Benefiting from its global mix of equities, fixed income securities, commodities, and hedge funds, our flagship portfolio outperformed the S&P 500 Index during the year by 3.5 percentage points.

Helping our Balanced Growth results was outperformance in our Real Return Fund (total return of +26.5%), Hedge Fund program (+12.4%), Fixed Income portfolio (+9.1%), Large Cap portfolio (+8.1%), and Global Small Cap Fund (+6.6%). Our Mid Cap (+7.0%) and International (+4.5%) portfolios trailed their respective benchmarks.

A few key strategic decisions helped our performance, including our avoidance of riskier areas of the market. Our research led us away from the banking, homebuilding, and mortgage industries, which performed poorly in 2007. Also contributing positively to our performance was our emphasis on companies and commodities that are benefiting from robust growth outside of the U.S. Conversely, Japan's lagging equity market and our limited direct exposure to China and India detracted from our investment returns.

The long-term success of an investment plan hinges on choosing the right asset allocation. Our approach involves combining complementary asset classes, thinking globally, and making proactive allocation changes to take advantage of an evolving investment landscape. In 2007, an extensive research effort led us to introduce a new portfolio, the Global Opportunities Fund, to our recommended mix. It invests opportunistically in diverse asset classes and currencies around the world. By redeploying the Strategic Cash position we initiated in late 2006, we began capturing opportunities surfacing after the credit crisis sparked more attractive valuations in several areas.

The initiatives we've taken over the past few years—including adding talented professionals, better aligning compensation with performance, and enhancing our disciplined research process and tools—are key contributors to our recent strong performance. Building on this momentum, our professionals are broadening the ways in which they share information and ideas across disciplines. Amid a difficult investment environment in 2008, we will remain committed to protecting and enhancing our clients' wealth.

Enhancing Services

Leveraging knowledge and expertise is something we strive for in every aspect of our business. Bessemer Trust's 100 years of experience in finding solutions to complex wealth-related challenges provides us with a breadth of knowledge second to none in our industry. Of all the lessons we have learned throughout our years of service, perhaps the most important is to challenge convention with innovation.

To create an environment conducive to original and critical thinking, we have built a wide-ranging platform of advisory services, hired experienced and talented professionals, and encouraged collegiality among our professionals by setting one mission.

All of us endeavor to help clients maximize the benefits of their wealth by delivering competitive risk-adjusted returns and unparalleled client service. Bessemer employees have no financial incentive to endorse one strategy or plan over another. We provide comprehensive wealth management advice as an integral part of our investment management services.

We continuously seek to serve clients better. Some of our major initiatives in 2007 included:

Establishing Family Wealth Advisory Services

This organizational change — all advisory groups are now under one umbrella — will help ensure clients continue to receive seamless and comprehensive wealth management advice.

Upgrading Technology Systems

We enhanced our website controls, improved and periodically tested the process for backing up data, and continued the multiyear transition to a state-of-the-art software system. These initiatives reflect our commitment to improve the timely and secure flow of information and services.

Launching Aggregated Reporting

Attentive to the needs of families with multifaceted wealth plans, we can provide a clear, reliable, and "apples to apples" view of a client's wealth, regardless of the plan's complexity.

Creating a Common Trust Fund of Hedge Funds

We pioneered an innovative means for trusts of which Bessemer is trustee to invest in hedge funds. Until recently, some trusts were not qualified for this type of investment. Many trust beneficiaries will likely benefit from including hedge funds as part of a balanced portfolio. Hedge funds can help reduce volatility and enhance overall portfolio returns over time and in a variety of market conditions.

Enhancing Real Estate and Oil and Gas Advisory Services

To broaden and deepen our customized advisory services for private investments in real estate and oil and gas assets, we added two professionals, Todd H. Dubovy and Gail Cotton-Michaud, who have nearly 50 years of combined industry experience. Our focus is on assisting clients in making well-informed decisions throughout all stages of ownership, including acquisition, management, and disposition.

Expanding Our Next Generation Educational Platform

A growing number of clients are engaging us in the preparation of younger generations for the realities of wealth. In response, we have leveraged our ongoing educational workshops into one-on-one sessions that explore the unique factors of multi-generational wealth transfer.

Growing Our Business

Growth is a natural and essential element of any healthy organization. Unlike many public firms, however, our main concern is preserving the quality of our relationships with clients rather than solely increasing profit. To this end, we actively control our business expansion activities and limit the number of clients with which each service team can work.

Because of our commitment to the highest level of personal service, and in light of growing opportunities in New England, we opened an office in Boston in 2007. We also expanded our ability to work closely with wealthy families in Los Angeles, San Francisco, and the Rocky Mountain Region by adding experienced professionals in the western states. In addition, a Latin American business development specialist has joined our Miami team to focus on serving families in Latin America and other regions abroad.

Our future success will depend on our ability to cultivate the talents of the individuals steering our investment decisions, attending to clients, and working behind-the-scenes to support our services. We thank our staff for their dedication to providing superior investment management and exceptional client service.

As we begin the next century of our firm's history, we are grounded in our singular focus and excited about providing wealth management services in ever-evolving ways. We are confident we will build on recent momentum to set even higher standards of excellence in our industry. As always, we will continue to maintain the highest level of integrity in the eyes of our clients, shareholders, and employees.

We thank our clients for the trust they have placed in us. It is our privilege to form these strong relationships. In the year ahead, we will strive to deliver the investment performance and expert advice clients have come to expect from us — and more.

Stuart S. Janney, III
Chairman

John A. Hilton, Jr.
President and
Chief Executive Officer

[1] The Balanced Growth Portfolio represents a model portfolio comprised of Large Cap, Mid Cap, International, Global Small Cap, Global Opportunities, Real Return, Fixed Income, Strategic Cash, and three Bessemer hedge funds of funds. Investments cannot be made directly in this model portfolio. Relative weightings in the model portfolios vary over time. Returns for Old Westbury Global Small Cap Fund, Old Westbury Real Return Fund, Old Westbury Global Opportunities Fund, and Bessemer hedge funds of funds are after all fees and expenses. All other returns reflect performance of Bessemer Common Trust Funds and are before fees and expenses. Past returns do not guarantee future performance.

[2] Industry data is based on the VIP Forum 2006 Benchmarking Database.

relationships

2 out of 3 client relationships are multigenerational.

With so much at stake, families need a wealth advisor who acts with integrity, honors commitments, and performs with excellence. At Bessemer, these are natural outgrowths of our governing principle of placing clients' interests at the heart of everything we do. In striving to help clients achieve their goals, we create lasting relationships that often span generations. Our client asset retention rate over the last 10 years is among the best in our industry, yet we won't be satisfied until we exceed all of our clients' expectations.

Raison d'être

Our sole mission is to help clients manage wealth so it has a positive impact on their lives and the lives of generations to come. Investment management is the central element of our service, but our work extends to the multiple layers of wealth-related matters, including minimizing income and estate taxes, passing values to younger generations, and improving the effectiveness of philanthropic endeavors.

We welcome the responsibility to be there for our clients when they need us and to anticipate their needs long before they might otherwise be apparent. Our 3:1 client-to-employee ratio is among the best in our industry and allows us the opportunity to work closely with clients on matters large and small. Recognizing the privilege and duty of confidentiality, we aggressively safeguard the trust clients place in us.

Top to bottom: Steve Watson, Greg Lester, Daphne Bradshaw-Mack, Harry Davison

3:1
client-to-employee
ratio.

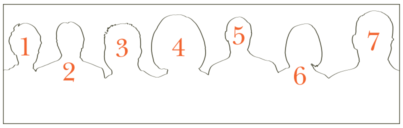
Acting in Clients' Best Interests

All clients have access to the same expert advisors and centralized investment management. Our platform reflects our belief that trustworthy counsel must stem from unbiased research and judgment rather than financial enticement to sell a product. We do not engage in investment banking, brokerage, underwriting, or commercial lending. This singular focus strengthens our relationships. Clients know our attention is undivided and our intentions are transparent.

Forming Personal Ties

One of the most important success factors in a client's experience with us is his or her Client Service team. The team is responsible for understanding clients' circumstances and harnessing the firm's diverse resources for their benefit. Because our Client Account Managers typically remain with Bessemer for many years — if not their entire careers — they develop a deep relationship with each client family.

We are devoted to assisting clients through major transitions in their lives, such as the sale of a business, retirement, marriage, divorce, births, and deaths. In many cases, we work with multiple generations as we help families grow their wealth and create enduring legacies. Trusts are a central component of most legacy plans, and the importance of choosing the right fiduciary cannot be overstated. Nearly two-thirds of our clients have named us trustee or co-trustee for one or more trusts. In what we consider the ultimate affirmation of trust, many clients select us as executor of their estate, exemplifying the full life cycle of services we provide.

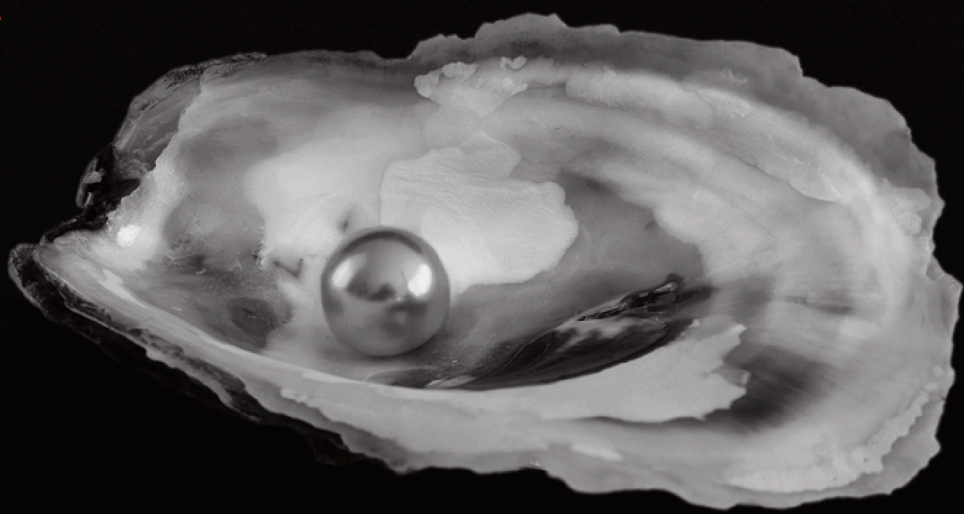


1 Karen H. Putnam / *Director of Philanthropic Advisory and Family Wealth Stewardship Services*
2 William H. Forsyth, Jr. / *Senior Fiduciary Counsel*
3 Stanley Trotta / *Senior Tax Consultant*
4 Susan M. Powers / *Senior Client Account Manager*
5 Clifton A. Foster / *Senior Client Account Manager*
6 Joan C. Brunelle / *Head of Human Resources*
7 Antonio H. V. Perrotta / *Chief Technology Officer*

Our staff's expertise, judgment, and passion compose the backbone of each client relationship.

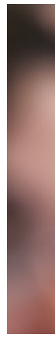
One of our greatest strengths is drawing together professionals with diverse backgrounds, skills, and perspectives in pursuit of one mission: to help clients achieve their wealth goals. We emphasize collaboration across disciplines—from estate planning to information technology—as we develop and implement integrated strategies. Sharing knowledge and perspectives leads to better ideas and superior solutions.

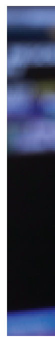
performance



1st Quartile Ranking in the Lipper Balanced Fund universe for our Balanced Growth portfolio.*

The ultimate success of a comprehensive wealth plan depends on investment performance — not of one asset class, but of complementary asset classes assembled in an overall portfolio. For each client, we recommend a thoughtful asset allocation tailored to individual goals and ability to weather periodic market setbacks. We believe a proactively managed, globally diversified portfolio is the best way to achieve solid long-term returns at a controlled level of risk.





*One- and three-year periods ended December 31, 2007.

Managing Assets for Wealthy Families

We do today what we were established to do in 1907: manage assets for high-net-worth families. We understand the particular needs and expectations of our clients as well as the ever-changing market climate. This clarity of vision drives every decision, portfolio strategy, and asset allocation recommendation. We dedicate all of our resources to providing superior long-term investment results net of inflation, taxes, and fees.

Building a Performance-Driven Platform

Thinking beyond conventional open and closed architecture programs, we have created an investment platform that we think combines the best of both. To do what is right for clients, we believe we must tap into skilled investment professionals regardless of where they work. We layer in-house investment expertise with specialized external managers, sometimes within the same portfolio, to help maximize return potential and achieve top-tier results.

Top to bottom: Marc Stern, Lois Roman, Marc de Saint Phalle

Our Balanced Growth portfolio delivered 124% of the S&P 500 Index's returns over the past 10 years while absorbing just 42% of the downside risk during bear markets.

Our newly created Global Opportunities Fund exemplifies this mindset. A team of Bessemer investment professionals oversees the fund, manages a portion of the assets directly, and selects outside managers for asset classes requiring specialized expertise. Within our investment platform, we utilize carefully selected external managers for global small cap equities, emerging market equities, global fixed income, hedge funds, real estate, and private equity.

Designing Innovative Portfolios

Our private ownership and singular focus allow us to think outside the boxes that often exist at other investment firms. This entrepreneurial spirit is behind our Real Return Fund. Rather than investing in a standard basket of commodities, we rely on our research to select investments we see as attractive within a broad universe that includes traditional and non-traditional commodities, companies exposed to commodity markets, and inflation-linked bonds. Other portfolios, including our Global Small Cap Fund, Global Opportunities Fund, and niche hedge fund programs, reflect our commitment to thinking innovatively as we strive to preserve and enhance our clients' capital.

Managing All-Weather Portfolios

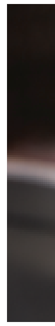
Because different asset classes can behave differently under the same market conditions, we carefully combine them in a balanced portfolio to produce steadier returns in both good and bad markets. The turbulence in 2007 underscores the importance of broad diversification for solid portfolio risk management. Moreover, today's heightened sense of uncertainty highlights the value of having a trusted manager adhere to a disciplined investment process. It brings peace of mind.

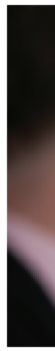
We believe our balanced portfolios are well positioned to withstand potential market choppiness in the period ahead and to capture upside return potential of emerging investment opportunities.

collaboration

The majority of clients engage us beyond investment management.

Each person has distinct plans, a set of values, and strong ideas about wealth. Individual paths may diverge, but the need for good advice is universal. Our goal is to employ our firm’s intellectual capital to advance each client’s wealth plan. This critical asset is the sum of 100 years of experience, the amassed talents of our professionals, and the dedication to ongoing research across a range of disciplines. Collaboration among our specialty teams helps us develop recommendations on complex wealth issues that integrate all aspects of a client’s needs.





Investing in Intellectual Capital

We place a premium on innovative thinking across the entire firm. Clients benefit from the extensive experience of our senior Client Account Managers who have, on average, more than 10 years of experience at Bessemer, over 20 years of experience in the financial industry, and one or more advanced degrees or certifications. Moreover, the firsthand knowledge and insights gathered from our extensive and direct participation in global markets, estate and tax planning, and philanthropy help shape our recommendations.

Ultimately, our greatest asset is our people. In 2007, Joan C. Brunelle joined Bessemer as Head of Human Resources to help us continue to attract and retain top-tier professionals and to cultivate the extraordinary talents of our personnel.

Putting Ideas to Work

It's not enough to be smart. One must have the know-how to apply knowledge efficiently and

Top to bottom: Bryant Seaman, Suzanne DeWitt, Andy Parker

23 years: average experience of senior Client Account Managers.

effectively. An important measure of our firm's performance is our ability to turn ideas into practical solutions for our clients' benefit.

In one case in 2007, we helped save a client several million dollars in state taxes after noticing his trust's diversification strategy would incur sizable capital gains taxes because of the residence of a co-trustee. We recommended he set up a new trust in Delaware, which does not impose state income tax on undistributed gains, and take advantage of laws that allowed the existing trust to distribute all of its assets into the new trust, including its realized capital gains.

As another example, we advised the chief executive officer of a public firm on structuring the parameters of a Rule 10b5-1 trading plan to monetize the corporate stock she accumulated over her career. We worked closely with her outside advisors to help maximize expanded trading opportunities, which significantly reduced the portfolio's risk.

Keeping Clients Informed

We are committed to sharing the firm's best thinking with all clients. We offer several channels of communication so that clients may choose the ones that best fit their needs and lifestyles.

In 2007, we had record attendance at our Wealth Management Conferences in New York and Palm Beach. We also organized an educational Next Generation workshop for clients and children of clients. Each quarter we invite clients to participate in an Investment Management Conference Call, hosted by our Chief Investment Officer, to discuss our latest strategies and investment outlook. An increasingly important source of information for clients is our newly enhanced website, **www.bessemer.com**, where we regularly post our newest articles and publications.

100 years of serving wealthy families.

Celebrating Our Centennial

In 2007, Bessemer Trust reached an important milestone: its centennial year. To celebrate this achievement, we hosted events across the U.S. and in London for the people to whom we owe so much: our clients and our employees.

We commemorated the legacy of our founder, Henry Phipps, in a book, *The Phipps Family and the Bessemer Companies*. Mr. Phipps' rise from humble roots to his place among the great industrialists of the late nineteenth century is a remarkable success story from one of the most fascinating periods in U.S. history. We presented this gift to our clients with the hope that they would enjoy reading an account of the firm's long and distinguished history as a family office.

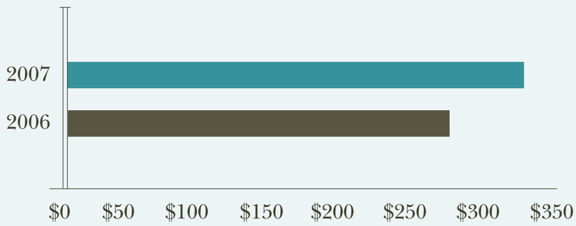
The 100-year mark was an opportunity for our firm to share our vision for the future. It is clear that our mission will not change. Our values will remain the same. Our integrity will not falter. What *will* change is how we deliver investment management and client service. As the needs of clients evolve, we will discover innovative ways to meet those needs and stay at the forefront of the industry. We believe our firm's distinctive characteristics — our private ownership, singular focus, and service culture — position us to continue as a premier provider of wealth management services for the next century.

Financials

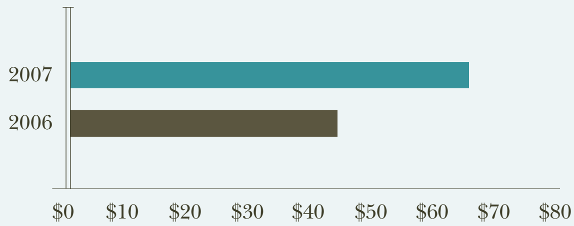
Financial Highlights

As we have been for over 100 years, we remain privately owned and committed to providing comprehensive wealth management services to families of substantial wealth. As a private company, Bessemer Trust is not required to publish an annual report or to comply with the Sarbanes-Oxley Act of 2002. We have voluntarily elected to follow the Sarbanes-Oxley provisions as they relate to financial statement certification for public companies. Accordingly, John A. Hilton, Jr., President and Chief Executive Officer, and John G. MacDonald, Chief Financial Officer, have signed a statement attesting to the fair presentation and completeness of our financial statements as well as the effectiveness of our procedures for internal and disclosure controls. We do so in the interest of transparency and open communication with our clients, shareholders, and employees.

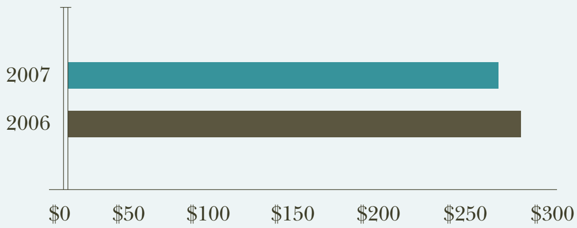
Revenues
(*in millions*)



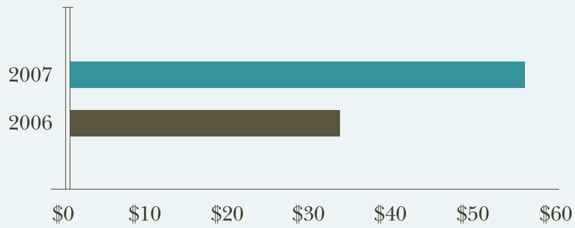
Net Income
(*in millions*)



Shareholders' Equity
(*in millions*)



Dividends
(*in millions*)



(*In thousands, except per share data*)	**2007**	2006
Revenues	**$ 333,487**	$ 283,609
Expenses	**250,313**	226,958
Income Taxes	**16,200**	13,087
Net Income	**66,974**	43,564
Shareholders' Equity	**266,917**	277,749
Dividends	**55,743**	33,245
Basic Earnings per Common Share	**23.01**	15.08
Book Value per Common Share	**91.16**	93.34

Management's Analysis of Results

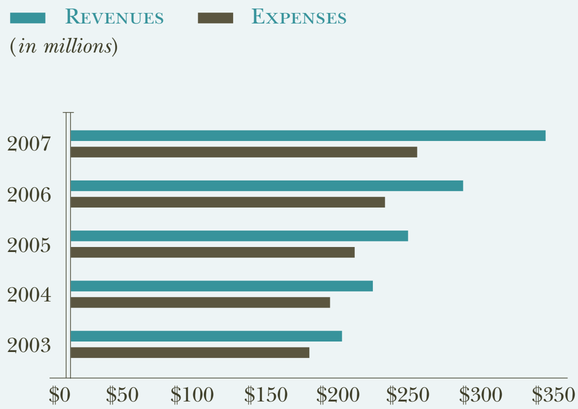
Bolstered by excellent client retention, significant asset additions by new and existing clients, and higher average equity levels, the Company's financial results were strong in 2007. Net income totaled $67.0 million in 2007. Fees from client services increased to $278.2 million. Net interest income rose to $21.2 million due to the incremental net interest spread earned on higher average overnight deposit balances. Total expenses increased to $250.3 million primarily as a result of increased incentive awards, occupancy, information technology, and third-party professional costs. Shareholders' equity, which reflects a required charge of $17.6 million related to the Company's pension and post-retirement plans, declined from $277.7 million at the beginning of 2007 to $266.9 million December 31, 2007. Income distributions from 2007 earnings, including an additional distribution made in February 2008, totaled $6.27 per share. As a Subchapter S corporation, distributions to shareholders are not subject to federal tax.

Client Service Revenues

Client service revenues, which 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, increased $37.4 million over 2006. This increase was due to additional investment management and custody fees, and tax, real estate, and estate administration services fees. The growth in investment management and custody fees resulted from the combination of higher average market levels, a full year of fees earned on new business developed during 2006, and the addition of $2.8 billion in new client assets in 2007, which generated fees of $6.5 million and will provide ongoing annual fees of $15.2 million. The new client assets, together with higher year-end market levels, combined to increase assets under supervision to $51.9 billion at December 31, 2007.

Net Interest Income and Other Income

The Company experienced favorable results from its banking operations as net interest income, which is comprised of the spread earned on the Company's banking assets less interest expense on money market deposits, rose from $19.6 million in 2006 to $21.2 million in 2007. Increased investments in U.S. Government and Agency securities were funded by higher average overnight money market and other deposits.



Other income increased to $28.0 million as a result of strong investment performance.

Expenses

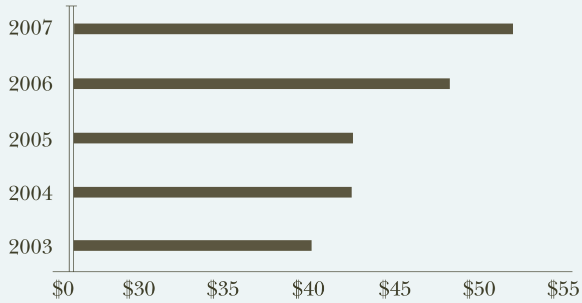
Management continues to focus on controlling expenses while selectively investing in areas that will better position the Company for the future. Total expenses increased by $23.4 million from 2006. Employee compensation and benefits grew by $11.3 million as a result of higher incentive bonus levels commensurate with the strong operating results, selective additions to staff made during 2007, and annual merit and inflationary salary increases.

Occupancy and equipment costs grew $6.3 million in 2007 as a result of higher information technology costs associated with the trust accounting system replacement project and higher current occupancy costs resulting from the recast of our New York office lease. Increased professional fees of $3.6 million reflect higher recruiting and accounting costs as well as higher information technology-related consulting fees.

Financial Condition

The Company ended the year with total assets of $1.5 billion and our financial condition continues to be strong, characterized by assets of the highest quality, an appropriate level of liquidity, and minimal sensitivity to interest rate risk. Cash equivalents, which represent the largest component of interest-earning assets, principally include short-term investments, primarily U.S. Treasury and Government Agency obligations, as well as federal funds sold to institutions having the highest credit standing. Demand loans to clients, which include LIBOR-based facilities for loans in excess of $5 million, 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 consists of investment-grade, tax-exempt debt, and equities that meet our objectives of safety of principal, liquidity, after-tax yield, and capital appreciation. Net unrealized appreciation, net of taxes, in the Company's marketable securities portfolios totaled $8.7 million at December 31, 2007.

Assets Under Supervision
(*in billions*)



As required by accounting rules, a non-cash, net charge to capital of $17.6 million related to the Company's pension and postretirement benefit plans was recorded on December 31, 2007. As a result, shareholders' equity declined by $10.8 million to $266.9 million. The Company and its subsidiary banks continue to maintain strong shareholder equity positions and are classified as "well-capitalized" under regulatory standards. The consolidated capital ratio of 26.5% is in excess of the minimum capital adequacy requirements of 8% mandated by banking regulators. The Company's strong equity position provides its banking subsidiaries with the ability to accept additional deposits, which would 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 and unrealized appreciation on its marketable securities portfolios.

Distributions to Shareholders

The Company made total distributions of $58.0 million attributable to 2007 results, comprised of income distributions and tax-related distributions. Income distributions to shareholders of $18.4 million ($6.27 per share) were made during 2007 and February 2008. In addition, tax distributions totaling $39.6 million ($13.51 per share) were made in 2007 and February 2008 to cover the shareholders' estimated tax liability associated with the Company's 2007 flow-through taxable income as a result of its conversion to a Subchapter S corporation.

Consolidated Statements of Financial Condition

At December 31, (*in thousands*)	**2007**	2006
ASSETS		
Cash and cash equivalents	**$ 762,672**	$ 385,339
Securities available for sale	**152,140**	178,493
Loans, secured by marketable securities	**271,268**	282,603
Receivables	**56,785**	63,873
Premises and equipment	**55,951**	49,820
Goodwill	**76,307**	76,307
Other assets	**75,618**	54,694
Total Assets	**$ 1,450,741**	$ 1,091,129
LIABILITIES		
Deposits	**$ 1,019,615**	$ 687,639
Accrued expenses and other liabilities	**162,179**	122,200
Borrowings	**2,030**	3,541
Total Liabilities	**1,183,824**	813,380
SHAREHOLDERS' EQUITY		
Common stock and surplus	**70,402**	53,680
Retained earnings	**247,826**	236,595
Accumulated other comprehensive (loss)/ income, net of tax	**(8,831)**	9,283
Treasury stock, at cost	**(42,480)**	(21,809)
Total Shareholders' Equity	**266,917**	277,749
Total Liabilities and Shareholders' Equity	**$ 1,450,741**	$ 1,091,129

See notes to consolidated financial statements.

Consolidated Statements of Income

For The Years Ended December 31, (*in thousands, except per share data*)	**2007**	2006
REVENUES		
Fees from client services	**$ 278,177**	$ 240,733
Net interest income	**21,241**	19,559
Net realized gains on securities available for sale	**6,066**	5,285
Other income	**28,003**	18,032
Total Revenues	**333,487**	283,609
EXPENSES		
Employee compensation and benefits, including long-term incentives	**166,963**	155,653
Occupancy and equipment	**40,406**	34,094
Professional fees and assessments	**12,397**	8,806
Other expenses	**30,547**	28,405
Total Expenses	**250,313**	226,958
INCOME BEFORE PROVISION FOR INCOME TAXES	**83,174**	56,651
Provision for Income Taxes	**16,200**	13,087
Net Income	**$ 66,974**	$ 43,564
Basic Earnings per Share	**$ 23.01**	$ 15.08
Diluted Earnings per Share	**$ 22.74**	$ 14.73
NET INCOME	**$ 66,974**	$ 43,564
Other Comprehensive (Loss)/Income	**(539)**	7,503
Comprehensive Income	**$ 66,435**	$ 51,067

See notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For The Years Ended December 31, (*in thousands*)	**2007**	2006
COMMON STOCK AND SURPLUS		
Balance, beginning of year	**$ 53,680**	$ 40,901
Class B non-voting common stock issuance	**16,071**	12,486
Stock option income tax benefits	**651**	286
Other, net	**–**	7
Balance, end of year	**70,402**	53,680
RETAINED EARNINGS		
Balance, beginning of year	**236,595**	226,394
Class A non-voting stock retirement	**–**	(118)
Net income	**66,974**	43,564
Dividends paid (per share 2007, $19.01; 2006, $11.40)	**(55,743)**	(33,245)
Balance, end of year	**247,826**	236,595
ACCUMULATED OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX		
Balance, beginning of year	**9,283**	1,780
Other comprehensive (loss)/income	**(539)**	7,503
Pension and other post-retirement benefit adjustments	**(17,575)**	–
Balance, end of year	**(8,831)**	9,283
TREASURY STOCK, AT COST		
Balance, beginning of year	**(21,809)**	(16,799)
Class A non-voting stock retirement	**–**	120
Class B non-voting common stock repurchase	**(20,671)**	(5,130)
Balance, end of year	**(42,480)**	(21,809)
Total Shareholders' Equity	**$ 266,917**	$ 277,749

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For The Years Ended December 31, (*in thousands*)	**2007**	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 66,974**	$ 43,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	**(1,584)**	5,999
Depreciation and amortization	**13,345**	14,220
Net realized gains on securities available for sale	**(6,066)**	(5,285)
Increase in receivables and other assets	**(11,551)**	(28,097)
Increase in accrued expenses and other liabilities	**21,937**	8,164
Net Cash Provided by Operating Activities	**83,055**	38,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of securities available for sale	**42,896**	62,453
Proceeds from maturities, calls and mandatory redemptions of securities available for sale	**107,689**	100,909
Purchases of securities available for sale	**(120,647)**	(158,769)
Net decrease in loans	**11,335**	33,400
Capitalized computer software	**(11,165)**	(5,720)
Purchases of premises and equipment	**(6,498)**	(8,530)
Net Cash Provided by Investing Activities	**23,610**	23,743
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase/(decrease) in deposits	**331,976**	(205,177)
Repayments on borrowings	**(1,616)**	(1,647)
Issuance of Class B non-voting common stock and income tax benefits associated with exercised stock options	**12,039**	12,772
Purchases of treasury stock	**(15,988)**	(5,130)
Dividends paid	**(55,743)**	(33,245)
Other, net	**–**	9
Net Cash Provided by/(Used in) Financing Activities	**270,668**	(232,418)
Net Increase/(Decrease) in Cash and Cash Equivalents	**377,333**	(170,110)
Cash and Cash Equivalents, beginning of year	**385,339**	555,449
Cash and Cash Equivalents, end of year	**$ 762,672**	$ 385,339
CASH PAYMENTS		
Interest	**$ 22,718**	$ 19,164
Income taxes	**18,329**	9,980
NON-CASH FINANCING ACTIVITIES		
Acquisition of treasury stock and issuance of Class B non-voting common stock associated with exercised stock options	**$ 4,683**	–

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For The Years Ended December 31, 2007 and 2006

Note 1. Summary of Significant Accounting Policies

Organization

The Bessemer Group, Incorporated is a registered bank holding company engaged in providing investment management, fiduciary, private banking, and other personal financial services primarily to families and individuals of high-net-worth 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

The consolidated financial statements include the accounts of The Bessemer Group, Incorporated and its wholly-owned subsidiaries. All intercompany accounts are eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation. 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.

Cash Equivalents

Cash equivalents include amounts due from banks, interest-bearing deposits with banks, federal funds sold, and short-term investments, which are readily convertible into cash and have original maturities of three months or less.

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 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.

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 seven years.

Goodwill
Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies. Goodwill is tested for impairment at least annually, and it has been determined that there was no impairment of goodwill.

Income Taxes
Provision for deferred taxes is made for items reported in the consolidated financial statements in different years than for tax return purposes. Effective January 1, 2006, the Company converted to a Subchapter S corporation under the provisions of the Internal Revenue Code. Accordingly, the Company does not expect to incur federal income tax obligations on subsequent transactions. The Company will continue to incur income tax at the state and local level. Refer to Note 12 for additional information.

Trust Department Assets of Subsidiary Banks
Client assets, other than cash deposited with subsidiary banks, are not included in the Statements of Financial Condition, as such items are not assets of the banks.

Earnings Per Share
Basic earnings per share is calculated based on the weighted average number of common shares outstanding of 2,911,028 during 2007 and 2,888,820 during 2006. The dilutive effect of stock options was included in the computation of diluted earnings per share. Dilutive potential common stock amounted to 34,231 shares in 2007 and 69,030 shares in 2006.

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 gains and losses and adjustments for minimum pension liability.

Note 2. New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. In February 2008, the FASB issued Staff Position No. FIN 48-2 "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises," which deferred the effective date of FIN 48 for certain non-public enterprises, as defined. The Company will adopt FIN 48 for the year ending December 31, 2008. The adoption of FIN 48 is not expected to have a material impact on the Company's financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards ("FAS") No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." Implementation includes recognition of the funded status of a defined benefit plan in the statement of financial condition and changes in that funded status in the year in which the changes occur through comprehensive income. As required, the Company prospectively adopted FAS 158 effective December 31, 2007 and used a measurement date of December 31, the fiscal year-end date, which resulted in a charge to accumulated other comprehensive income, net of tax, of $17,575,000.

In September 2006, the FASB issued FAS No. 157, "Fair Value Measurements," which is effective for the Company's fiscal year beginning January 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value based on a three level hierarchy, and expands disclosures about fair value measurements. Management is evaluating the impact that the adoption of FAS 157 will have on the Company's financial statements.

Note 2. New Accounting Pronouncements (*continued*)

In February 2007, the FASB issued FAS No. 159, "The Fair Value Option for Financial Assets and Liabilities," which is effective for the Company's fiscal year beginning January 1, 2008. FAS No. 159 provides the option to elect fair value as an alternative measurement for selected financial assets and financial liabilities with the changes in fair value included in earnings. Management is evaluating the impact that the adoption of FAS 159 will have on the Company's financial statements.

Note 3. Cash and Cash Equivalents

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

(*in thousands*)	**2007**	2006
Non-interest bearing – Cash and due from banks	**$ 39,846**	$ 15,872
Interest-bearing:		
Deposits with banks	**33,884**	13,714
Federal funds sold	**99,000**	100,000
Short-term investments	**589,942**	255,753
	$ 762,672	$ 385,339

Note 4. Securities Available for Sale

The cost and estimated fair value of securities available for sale at December 31, 2007 and 2006 were:

(*in thousands*)	*Cost*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Estimated Fair Value*
2007				
Debt obligations of:				
U.S. Treasury and Government Agencies	**$ 3,000**	**$ 46**	**$ –**	**$ 3,046**
States and political subdivisions	**97,018**	**1,564**	**3**	**98,579**
Marketable equity securities	**41,918**	**9,080**	**483**	**50,515**
	$ 141,936	**$ 10,690**	**$ 486**	**$ 152,140**
2006				
Debt obligations of:				
U.S. Treasury and Government Agencies	$ 6,713	$ 2	$ 2	$ 6,713
States and political subdivisions	107,223	108	137	107,194
Marketable equity securities	52,198	12,873	485	64,586
	$ 166,134	$ 12,983	$ 624	$ 178,493

The components of net realized gains on securities available for sale for the years ended December 31, 2007 and 2006 were as follows:

(*in thousands*)	**2007**	2006
Gross realized gains from sales	**$ 7,537**	$ 7,644
Gross realized losses from sales	**(1,471)**	(2,359)
Net realized gains on securities available for sale	**$ 6,066**	$ 5,285

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

(*in thousands*)	**2007**		2006	
	Amortized Cost	*Estimated Fair Value*	*Amortized Cost*	*Estimated Fair Value*
U.S. Treasury and Government Agencies:				
Within one year	**$ 1,852**	**$ 1,856**	$ 6,613	$ 6,613
After one, but within five years	**1,148**	**1,190**	100	100
	$ 3,000	**$ 3,046**	$ 6,713	$ 6,713
States and political subdivisions:				
Within one year	**$ 19,348**	**$ 19,414**	$ 89,913	$ 89,810
After one, but within five years	**46,752**	**47,719**	6,660	6,734
Five to ten years	**24,718**	**25,246**	350	350
Over ten years	**6,200**	**6,200**	10,300	10,300
	$ 97,018	**$ 98,579**	$ 107,223	$ 107,194

Note 5. Segregated Assets

Short-term investments and securities available for sale with an aggregate estimated fair value of $433,868,000 and $96,877,000, respectively, were segregated at December 31, 2007 as required by law for a portion of deposits of subsidiary banks or for other purposes. At December 31, 2006, the aggregate estimated fair value of such segregated assets amounted to $153,714,000 and $100,331,000 of short-term investments and securities available for sale, respectively.

Note 6. Premises and Equipment

Premises and equipment consisted of the following at December 31:

(*in thousands*)	**2007**	2006
Land	**$ 1,487**	$ 1,487
Building	**5,926**	5,926
Leasehold improvements	**35,055**	32,138
Computer software	**55,631**	44,466
Computer hardware	**13,336**	12,325
Furniture, fixtures and office equipment	**19,663**	17,570
	131,098	113,912
Less – Accumulated depreciation and amortization	**(75,147)**	(64,092)
	$ 55,951	$ 49,820

Note 7. Deposits

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

(*in thousands*)	**2007**	2006
Demand deposits	**$ 74,387**	$ 49,797
Money market deposits	**945,228**	637,842
	$ 1,019,615	$ 687,639

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, Bessemer Trust Company, N.A. and Bessemer Trust Company (Cayman) Limited.

Note 8. Goodwill and Borrowings

In October 2000, the Company acquired all of the interests in Brundage, Story and Rose LLC ("BSR"), a privately-held New York City-based investment advisory firm primarily serving high-net-worth individuals. In connection with the acquisition, the Company recorded goodwill amounting to $74,289,000.

During 1999, the Company acquired the remaining 49% minority interest in Fifth Avenue Alternative Investments LLC, a consolidated subsidiary engaged in organizing, sponsoring and managing hedge fund investment vehicles, in exchange for $1,000,000 in cash and a non-interest-bearing installment note of $9,000,000 due May 1, 2009. In connection with the acquisition, the Company recorded goodwill amounting to $7,911,000. The note is repayable in quarterly installments of $250,000, which commenced August 1, 2000 with an implied interest rate of 5.7%. The note is reflected at the discounted present value of the installment payments. The discount is amortized over the life of the note using the interest method. Discount amortization is included in interest expense.

Prior to the Company's adoption of FAS No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002, accumulated amortization of goodwill amounted to $5,893,000. Subsequent to adoption of this statement, there has been no impairment of goodwill.

In December 2004, the Company acquired mainframe computer hardware and software under a four-year capital lease recorded at the present value of the minimum lease payments of $2,390,000. Scheduled monthly lease payments of $54,000 commenced January 1, 2005. The assets included under premises and equipment are amortizable over the lease term.

Note 9. Net Interest Income

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

(in thousands)	**2007**	2006
Interest income:		
Cash equivalents	**$ 20,307**	$ 15,784
Securities available for sale	**4,375**	3,413
Loans	**19,292**	20,283
	43,974	39,480
Interest expense:		
Deposits	**22,591**	19,705
Borrowings	**142**	216
	22,733	19,921
Net interest income	**$ 21,241**	$ 19,559

FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, requires the recognition of all derivatives on the statement of financial condition at fair value. Derivatives that are not hedges or are ineffective hedges must be 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.

The Company uses interest rate swaps as hedging instruments 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 counter-parties 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 2007 and 2006. The notional principal amounts of these swaps amounted to $47,510,000 and $48,230,000 at December 31, 2007 and 2006, respectively. The related estimated fair value of the swap contracts was not material.

Note 10. Other Income

Included in other income are investment performance incentive fees of $18,302,000 and $10,827,000 earned during 2007 and 2006, respectively, as manager of certain alternative asset fund portfolios.

Note 11. Service Fees and Commitments

Revenues and expenses for the years ended December 31, 2007 and 2006 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*)	**2007**	2006
Revenues – Fees received from BSLLC for investment advisory and custody services	**$ 5,573**	$ 5,421
Expenses reimbursed by/(paid to) BSLLC:		
Occupancy costs	**$ 828**	$ (5,781)
Allocated direct costs, reported by the Company as a reduction of other expenses	**1,179**	1,022
Net expense amount reimbursed by/(paid to) BSLLC	**$ 2,007**	$ (4,759)

In addition to the above, the Company, as manager of certain venture capital funds, received management fees of which BSLLC's share was $1,300,000 in both 2007 and 2006. Included in the statements of financial condition are money market deposit liabilities to BSLLC of $129,359,000 and $43,638,000 at December 31, 2007 and 2006, respectively. Also included in receivables are advances to certain of the Company's trust departments of $3,640,000 and $20,718,000 at December 31, 2007 and 2006, respectively.

During 2006 two subsidiaries of the Company leased its New York office space from BSLLC under a lease expiring September 30, 2010. Effective January 1, 2007, a new recast lease expiring December 31, 2021 for that office space was executed between a subsidiary of the Company and the landlord, and the Company sublet a part of that space to BSLLC. In addition, the Company and certain of its subsidiaries lease other office space under noncancellable leases expiring between 2010 and 2017, 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 $20,739,000 and $13,141,000 in 2007 and 2006, respectively. The approximate minimum total annual rentals (in thousands) under these leases (net of subleases aggregating $17,763,000) at December 31, 2007 were as follows:

2008	$ 19,837
2009	18,866
2010	19,844
2011	19,265
2012	20,542
Thereafter	160,046
	$ 258,400

The Company is contingently liable for outstanding standby letters of credit of $54,732,000 at December 31, 2007 issued on behalf of customers. The Company holds customers' marketable securities fully securing such commitments.

Note 12. Income Taxes

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

(in thousands)	**2007**	2006
Current:		
Federal	**$ 1,279**	$ (1,380)
State and other	**16,505**	8,468
	17,784	7,088
Deferred:		
Federal	**–**	6,213
State and other	**(1,584)**	(214)
	(1,584)	5,999
	$ 16,200	$ 13,087

The total tax provision differs from that which would be computed using statutory rates principally because of interest income from debt obligations of state and political subdivisions which is partially exempt from federal income taxes. The Company changed its tax status to a Subchapter S corporation for federal income tax purposes effective January 1, 2006. The current federal tax provision in 2007 of $1,279,000 relates to gains realized during 2007 on securities available for sale acquired prior to 2006. Prior to being realized in 2007, the unrealized portion of such gains, net of tax, was recorded in accumulated other comprehensive income. The federal deferred tax expense in 2006 of $6,213,000 represents the write-off of net deferred tax assets at the date that the election was effective as well as recognition of various items that were previously recorded in accumulated other comprehensive income. The Company will continue to incur taxes at the state and local level.

The elements of the net deferred tax assets at December 31, 2007 and 2006 were:

(in thousands)	**2007**	2006
Deferred tax assets	**$ 20,750**	$ 16,874
Deferred tax liabilities	**(14,097)**	(14,281)
Net deferred tax assets	**$ 6,653**	$ 2,593

Deferred income taxes 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 related to deferred compensation, unrealized appreciation/depreciation of securities available for sale and differences between the basis of premises and equipment for financial and income tax reporting purposes. No valuation allowance was deemed necessary with regard to deferred tax assets.

The Company, as a Subchapter S corporation, does not expect to pay federal taxes in future periods. However, under the federal tax law that applies to such an election, any unrealized gains as of January 1, 2006, the election date, can still be subject to a corporate tax, but only to the extent that those gains are realized and recognized (under tax law) within the first 10 years subsequent to making an S election. No deferred taxes have been retained related to such “built-in gains” taxes as the Company does not expect to realize and recognize such gains in the applicable 10-year period.

Note 13. 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 $17,027,000 and $14,495,000 in 2007 and 2006, 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.

Effective December 31, 2007, the Company adopted FAS 158, which requires recognition of 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. Upon adoption, previously 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. The following table presents the incremental effect on statement of financial condition balances of applying FAS 158:

(in thousands)	*Before Application*	*FAS 158 Adjustments*	*After Application*
Other assets	$ 73,231	$ 2,387	$ 75,618
Accrued expenses and other liabilities	142,217	19,962	162,179
Accumulated other comprehensive income/(loss), net of tax	8,744	(17,575)	(8,831)

The following table reflects key information with respect to the Company's defined benefit plans:

	Pension Benefits		*Other Benefits*	
(in thousands)	**2007**	2006	**2007**	2006
Benefit expense during the year	**$ 7,754**	$ 7,748	**$ 2,225**	$ 2,232
Employer contribution during the year	**6,281**	12,929	**612**	599
Benefits paid during the year	**3,026**	2,623	**664**	644
Projected benefit obligation at December 31,	**$ 102,309**	$ 95,965	**$ 20,936**	$ 20,438
Fair value of qualified plan assets at December 31,	**68,159**	59,388	–	–
Funded status at December 31,	**$ (34,150)**	$ (36,577)	**$ (20,936)**	$ (20,438)

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 replacement benefit pension plan. The value of these assets approximated $13,298,000 and $11,957,000 at December 31, 2007 and 2006, respectively.

	Pension Benefits		*Other Benefits*	
Accumulated benefit obligation at December 31,	**$ 80,623**	$ 75,251		
Amounts recognized in the statement of financial condition at December 31:				
Accrued benefit liability	**$ (19,135)**	$ (20,642)	**$ (15,868)**	$ (14,159)
Intangible asset	–	2,618	–	–
Minimum pension liability adjustment	–	362	–	–
Gross amount in accumulated other comprehensive loss:				
Net actuarial loss	**(13,872)**	–	**(5,795)**	–
Prior service cost	**(1,143)**	–	**727**	–
Net amounts recognized	**$ (34,150)**	$ (17,662)	**$ (20,936)**	$ (14,159)

	Pension Benefits		*Other Benefits*	
	2007	2006	**2007**	2006
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate	**6.25%**	5.875%	**6.25%**	5.875%
Rate of compensation increase	**3.75%**	3.75%	**–**	–
Weighted-average assumptions used to determine net periodic benefit cost during the year:				
Discount rate	**5.875%**	5.75%	**5.875%**	5.75%
Expected long-term return on plan assets	**8.00%**	8.00%	**–**	–
Rate of compensation increase	**3.75%**	3.75%	**–**	–

The assumed health care cost trend rate is 10.0% in 2007 and estimated at 10.0% in 2008 decreasing gradually to 5.0% in 2014 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.

Benefit expense for 2008 is expected to include the following estimated amounts related to the amortization of net actuarial loss and prior service cost from accumulated other comprehensive loss:

(*in thousands*)	*Pension Benefits*	*Other Benefits*
Net actuarial loss	$ 212	$ 185
Prior service cost (credit)	73	(56)

The Company's objective is to achieve a superior long-term return, consisting of capital appreciation and current income, without assuming undue risk. Asset allocation is subject to review by the Company's Retirement Board. The plan's asset allocation at December 31 was as follows:

	Target Allocation	**2007**	2006
Equity securities	50-80%	**59%**	58%
Fixed income securities	20-35%	**25%**	25%
Alternative assets	0-15%	**10%**	10%
Other assets	0-15%	**6%**	7%

The projected unit credit method is used to determine both pension cost and funding requirements for the pension plans. The benefit plans are generally funded with the amounts necessary to meet the legal or contractual minimum funding requirements. For 2008, the Company expects to contribute $640,000 and $692,000 to the pension benefit plans and the other benefits plan, respectively.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the years ending December 31:

(in thousands)	*Pension Benefits*	*Other Benefits*
2008	$ 3,225	$ 692
2009	3,373	721
2010	3,671	787
2011	4,095	839
2012	4,433	842
Years 2013-2017	28,414	4,782

Note 14. 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.

Options vest in two equal components. The time-based component vests ratably on the third, fourth and fifth anniversaries of the grant date. The performance-based component vests on the third anniversary to the extent certain performance goals are met. The performance-based component of the options that do not vest in year three will vest on the sixth anniversary of the grant date.

The following is a summary of the Company's stock option activity and related information:

	2007		2006	
	Number	*Weighted-Average Exercise Price*	*Number*	*Weighted-Average Exercise Price*
Options outstanding, beginning of year	**384,316**	**$ 74.55**	566,650	$ 74.64
Granted	**–**	**–**	–	–
Exercised	**(218,794)**	**73.45**	(166,872)	74.83
Forfeited	**(1,570)**	**77.32**	(15,462)	74.84
Options outstanding, end of year	**163,952**	**75.98**	384,316	74.55
Options exercisable, end of year	**92,779**	**73.31**	155,494	67.45

The range of exercise prices for options outstanding at December 31, 2007 was $37.51 to $81.03. The weighted-average remaining contractual life of options outstanding at December 31, 2007 was 4.7 years. There were no options granted to eligible employees and directors in 2006 or 2007 nor are any future options expected to be granted under the Plan.

The Company accounts for existing awards previously granted under the Plan following the intrinsic value method previously allowable under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Effective January 1, 2006, the Company adopted the provisions of FAS No. 123(R), "Share-Based Payment," a revision of FAS No. 123, "Accounting for Stock-Based Compensation," which establishes accounting for share-based awards exchanged for employee services. Accordingly, share-based compensation received in exchange for services is measured at grant date, based on the fair value of the award and is recognized over the employee's requisite service period. FAS 123(R), as adopted, applies to all awards granted, modified, repurchased or cancelled after January 1, 2006. The impact of adopting FAS 123(R) on the Company's financial statements was not material.

Note 14. Long-Term Incentive Plans (*continued*)

Effective January 1, 2006, the Company's shareholders approved the adoption of the 2006 Stock Appreciation Rights Plan (the "STARs plan") to replace the Plan, which is being phased out and will terminate after the final outstanding vested options are exercised or forfeited in 2011. The STARs plan was subsequently replaced, retroactive to January 1, 2006, by the Earnings Based Plan ("EBP"). All outstanding rights granted under the STARs plan were terminated without any payments to participants. Under the EBP, designated senior officers of the Company will earn 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 $7,913,000 and $3,164,000 in 2007 and 2006, respectively, and is included in employee compensation and benefits.

Note 15. Shareholders' Equity

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

(*in thousands*)		**2007**		2006
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 and outstanding 1,902,682 shares		**1,903**		1,903
Class B non-voting – authorized 1,500,000 shares, issued 999,201 shares and outstanding 520,794 shares in 2007 and issued 780,407 shares and outstanding 518,584 shares in 2006		**999**		780
		3,379		3,160
Surplus		**67,023**		50,520
	$	**70,402**	$	53,680

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 2007 and 2006, 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.

The Company issued 169,579 and 166,872 shares of Class B non-voting common stock (no par value) in exchange for cash proceeds of $11,388,000 and $12,486,000 generated from the exercise of stock options during 2007 and 2006, respectively. The Company received an income tax benefit of $651,000 and $286,000 for exercised stock options in 2007 and 2006, respectively. Since no compensation cost related to stock options was included in net income, the tax benefit was recorded as an addition to surplus. During 2007 and 2006, the Company purchased at fair value and held in treasury 167,369 and 58,303 shares of its Class B non-voting common stock (no par value) for $15,988,000 and $5,130,000 in cash, respectively. Additionally during 2007, the Company issued and acquired 49,215 shares of its Class B non-voting common stock (no par value) with a fair value of $4,683,000 generated from the exercise of stock options as a non-cash transaction.

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 $57,201,000 of the Company's consolidated retained earnings of $247,826,000 at December 31, 2007 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 16. Other Comprehensive (Loss)/Income

Other comprehensive (loss)/income consisted of the following activity:

(in thousands)	*Amount Before Taxes*	*Income Tax Effect*	*Amount Net of Taxes*
2007			
Net unrealized gains on securities available for sale:			
Change in net unrealized gains	**$ 3,911**	**$ (799)**	**$ 3,112**
Less – net realized gains included in net income	**(6,066)**	**2,102**	**(3,964)**
Minimum pension liability adjustment	**362**	**(49)**	**313**
Other comprehensive (loss)/income	**$ (1,793)**	**$ 1,254**	**$ (539)**
2006			
Net unrealized gains on securities available for sale:			
Change in net unrealized gains	**$ 8,488**	**$ (1,178)**	**$ 7,310**
Less – net realized gains included in net income	**(5,285)**	**2,014**	**(3,271)**
Minimum pension liability adjustment	**6,387**	**(2,923)**	**(3,464)**
Other comprehensive (loss)/income	**$ 9,590**	**$ (2,087)**	**$ 7,503**

The components of accumulated other comprehensive (loss)/income, net of taxes, at December 31 were:

(in thousands)	**2007**	2006
Net unrealized gains on securities available for sale	**$ 8,744**	$ 9,596
Minimum pension liability adjustment	**–**	(313)
Pension and other post-retirement benefit adjustments:		
Net actuarial loss (net of $2,444 tax benefit)	**(17,223)**	–
Prior service cost (net of $64 tax benefit)	**(352)**	–
	$ (8,831)	$ 9,283

Note 17. Fair Value of Financial Instruments

FAS No. 107 requires "Disclosures about Fair Values of Financial Instruments." Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Accordingly, the estimated fair value amounts have been determined by the Company's management, using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value and, therefore, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The Company's financial instruments include cash and cash equivalents, securities, loans, receivables, deposits, borrowings, and certain other liabilities. Estimated fair value for all securities is based upon current market quotations. The estimated fair value of borrowings is calculated based on the discounted value of contractual cash flows. The discount rate used was the current rate for borrowings with similar terms. The difference between estimated fair value and carrying amount was not material. The fair value of all 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.

Note 18. 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, 2007, 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, 2007 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 for the Company and its subsidiary banks at December 31, 2007 and 2006 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*
(*in thousands*)					
Regulatory Minimum Ratios:					
For Capital Adequacy Purposes			8%	4%	4%
To Be Well Capitalized			10%	6%	5%
2007					
Consolidated	**$ 203,209**	**$ 199,341**	**26.5%**	**26.0%**	**18.9%**
Bessemer Trust Company	**52,797**	**51,945**	**17.9%**	**17.6%**	**9.2%**
Bessemer Trust Company, N.A.	**63,749**	**63,749**	**18.6%**	**18.6%**	**17.1%**
2006					
Consolidated	$ 197,322	$ 191,747	27.5%	26.7%	19.6%
Bessemer Trust Company	53,885	52,981	19.2%	18.9%	10.3%
Bessemer Trust Company, N.A.	59,900	59,900	20.1%	20.1%	23.8%

Independent Auditors' Report

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

We have audited the accompanying consolidated statements of financial condition of The Bessemer Group, Incorporated and subsidiary companies (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Bessemer Group, Incorporated and subsidiary companies at December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R),* as of December 31, 2007.

Deloitte & Touche LLP

March 24, 2008
New York, New York

Five-Year Comparative Summary

RESULTS OF OPERATIONS *(in thousands, except per share data)*	**2007**	2006	2005	2004	2003
REVENUES					
Fees from client services	**$ 278,177**	$ 240,733	$ 212,561	$ 198,821	$ 176,608
Net interest income	**21,241**	19,559	17,412	12,318	10,188
Other income	**34,069**	23,317	14,703	8,289	10,700
Total Revenues	**333,487**	283,609	244,676	219,428	197,496
EXPENSES					
Employee compensation and benefits	**166,963**	153,685	135,038	121,529	112,397
Other expenses	**83,350**	73,273	70,487	66,364	61,172
Total Expenses	**250,313**	226,958	205,525	187,893	173,569
INCOME					
Income before Provision for Income Taxes	**83,174**	56,651	39,151	31,535	23,927
Provision for Income Taxes	**16,200**	13,087	17,633	12,538	9,822
Net Income	**$ 66,974**	$ 43,564	$ 21,518	$ 18,997	$ 14,105
Basic Earnings per Share	**$ 23.01**	$ 15.08	$ 7.56	$ 6.93	$ 5.38
Dividends per Share	**$ 19.01**	$ 11.40	$ 3.77	$ 3.10	$ 2.44
FINANCIAL CONDITION At December 31					
Assets	**$ 1,450,741**	$ 1,091,129	$ 1,268,694	$ 1,306,727	$ 1,213,685
Liabilities	**1,183,824**	813,380	1,016,418	1,065,368	992,104
Shareholders' Equity	**$ 266,917**	$ 277,749	$ 252,276	$ 241,359	$ 221,581
Book Value per Share	**$ 91.16**	$ 93.34	$ 87.77	$ 84.28	$ 81.03

Directors of The Bessemer Group, Incorporated















1	2	3	4
5	6	7	8
9	10	11	12
13	14	15	

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