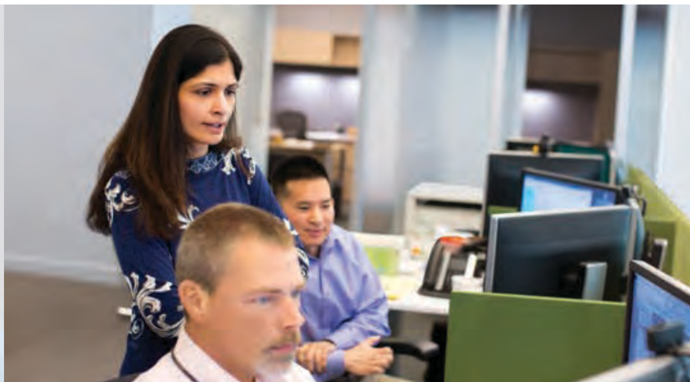
BESSEMER TRUST


WORKING TOGETHER

Bessemer Trust Annual Report 2016

Privately owned and independent, Bessemer Trust is a multifamily office that has served individuals and families of substantial wealth for more than 100 years. Through comprehensive wealth planning, investment management, and family office services, we help clients achieve peace of mind for generations.

Front cover,
from left to right:

Eric J. Rodriguez
Senior Tax Consultant

Terrence K. Chun
Senior Client Advisor

Daman V. Desai
Senior Automation Engineer

Joseph R. Hanover
Senior Automation Engineer

Jonathan D. Mahr
Automation Engineer

Beste Portnoff
Head of Operational Due Diligence

This page, clockwise
from top left:

Tara A. Sweeney
Senior Human Resources Advisor

Benjamin M. Kwok
Senior HR Compensation and Finance Manager

Eileen J. Weber
Head of Content and Banking Systems

IN AN INDUSTRY WHERE EMPLOYEES OFTEN WORK ON THEIR OWN, OUR EXPERTS WORK TOGETHER — INCORPORATING DIFFERENT VIEWPOINTS, GENERATING FRESH IDEAS, AND DRIVING INNOVATION. THIS COLLABORATIVE CULTURE, WITH CLIENTS AT THE CENTER, SETS BESSEMER APART.

TO OUR CLIENTS, SHAREHOLDERS, AND EMPLOYEES:

Unexpected outcomes took center stage in 2016. The U.K. headed for Brexit, the U.S. elected Donald Trump, and stock prices sank in the first quarter before surging in the fourth.

Whether markets are rising or falling, our unwavering focus is on what we can control. At the top of this list is our firm's culture. Too often in the financial services industry, employees work as sole practitioners rather than as coordinated teams. At Bessemer, collaboration is at our core. It comes down to who we hire, how we train, and what behaviors we celebrate and reward. Only by working together can we fully understand the financial and personal goals of each client and develop comprehensive solutions to meet them.

Periods of change reinforce the value of experienced professionals collaborating to develop compelling recommendations. As an example, following the November election, our investment teams adjusted geographic exposures and sector allocations, and our wealth planning teams refined tax and philanthropic advice for clients.

While each family has their own specific objectives, we know from experience that every client expects us to provide trustworthy advice, competitive investment results, and superior service. Our initiatives in 2016 enhanced our capabilities in each of these three areas:

Trustworthy advice. Our clients rely on the seasoned judgment and unconflicted insight of our people. Last year our continued focus on training and leadership development led to the promotion of employees ready to take on additional responsibilities, as shown on page 15. Moreover, we believe our positive environment and client-centric compensation incentives were key ingredients in our recruitment of talented specialists in client advisory, trust and estate planning, tax, investments, and compliance.

Competitive investment results. In a year when investor sentiment and market prices fluctuated widely, our investment team maintained its discipline of combining asset classes across geographies to seek participation in market advances while limiting losses in difficult times.

WORKING TOGETHER

From left to right:

Stuart S. Janney, III
Chairman

Marc D. Stern
Chief Executive Officer

15K	98%	$0
MEETINGS WITH CLIENTS	TEN-YEAR CLIENT ASSET RETENTION RATE	OUTSTANDING DEBT

9th

CONSECUTIVE YEAR OF POSITIVE ACCOUNT CONTRIBUTIONS FROM CLIENTS

$5B

IN ASSETS FROM NEW CLIENTS

3:1

CLIENT-TO-EMPLOYEE RATIO

Our portfolios benefited from substantial gains in our U.S. equity holdings, while returns were muted for bonds and global equities. An overall return of 5% for our broadly diversified Balanced Growth portfolio trailed its index return of 6.5%, while outperformance in 2013, 2014, and 2015 has driven clients' multiyear returns ahead of the benchmark. Reflecting our ongoing commitment to a competitive investment platform, last year we implemented new lower-volatility equity strategies and launched our latest private equity portfolio.

Superior service. Our close interaction with client families, including more than 15,000 meetings each year, helps us identify initiatives that will make a difference for our clients. In 2016, we expanded our family office services, which help clients manage their operational and administrative affairs. We developed the Year-End Summary, a one-page supplement to our account statements highlighting key account information. In addition, our recently launched annual confirmation statement enables clients to more easily verify the personal information we rely on in overseeing their assets.

Putting it all together, we work hard to earn the confidence and trust of our clients. In 2016, Bessemer retained 99% of client assets, welcomed 116 new clients, and received positive net additions to existing client accounts for the ninth consecutive year. These positive business results helped sustain the firm's financial strength. Revenues in 2016 totaled $485.4 million, net income was $75.6 million, and income distributions to shareholders totaled $5.50 per share. Bessemer continues to be well capitalized by regulatory standards, with shareholders' equity of $295.5 million and no outstanding debt as of year-end. For more information on our financial results, please see page 19.

We are grateful for the ongoing guidance and support we receive from our Board of Directors. It is a privilege to welcome to the Board Ogden Phipps, II, managing partner of a private equity firm, and William C. Trimble, III, CEO of a NYSE-listed real estate company.

As 2017 unfolds, we fully expect the unexpected to shape the global landscape. Our knowledgeable and dedicated teams will work together to make sense of a changing world, with a keen focus on the ways we can help clients achieve their personal and financial goals. Thank you for the trust you have placed in us.

Stuart S. Janney, III
Chairman

Marc D. Stern
Chief Executive Officer

From left to right:

Servete G. Perovic
Head Receptionist

Yik F. Mui
Technical Support Supervisor

WORKING TOGETHER.

WE COLLABORATE TO BRING CLIENTS PEACE OF MIND THROUGH HIGHLY PERSONALIZED ADVICE AND SERVICE.

WORKING TOGETHER

WE ARE TRUSTED ADVISORS

"OUR PRIORITIES ARE SET BY OUR OWNERS. THEY INSIST WE GO ABOVE AND BEYOND FOR ALL OF OUR CLIENTS, WITH ADVICE THAT IS DRIVEN BY THE NEEDS OF EACH FAMILY WE SERVE."

George Wilcox
President

Our clients count on us to be there when they need us. This trust develops from the many interactions they have with their dedicated team over time. Moreover, it is supported by the way our firm is governed and operated. Our private ownership lends itself to continuity of purpose and personnel. Our singular focus on private wealth management for 110 years has led to deep expertise our clients can rely on. Our owners, employees, and clients are all invested alongside one another, so our interests are directly aligned. Our culture is based on service, not sales, which enables us to give clients unbiased advice.

Opposite page, clockwise from top left:

George Wilcox
President

Kenneth C. Handy
Senior Wealth Advisor

Nancy A. Miller
Senior Client Advisor

Benjamin P. Sloan
Senior Wealth Advisor

Daniel F. Rosas
Client Advisor

This page, from top to bottom:

Daniella Stincer
Executive Assistant

Christopher R. Dornick
Quantitative Analyst

WE ARE FORWARD THINKERS

"A COLLABORATIVE APPROACH, INCORPORATING A WIDE RANGE OF EDUCATED VIEWS, IMPROVES THE QUALITY OF OUR DECISIONS — ULTIMATELY BENEFITING OUR CLIENTS."

Rebecca Patterson
Chief Investment Officer

The fundamental goal of the Bessemer investment team is to guard and grow our clients' irreplaceable capital. We seek to strike a balance with a diversified asset allocation — participating in strong markets while paying close attention to protecting on the downside.

We believe an integrated, collaborative process results in better ideas and more thoughtful decision-making. Open debate and shared insights are valued and rewarded. Senior investment leaders with distinct perspectives and specific expertise meet regularly to present research, discuss views on asset classes, and develop overall investment direction. Our quantitative strategies group follows a rigorous process and works closely with each of our portfolio management teams, and we partner with select outside managers.

Clockwise from left:

Rebecca Patterson
Chief Investment Officer

Gregory Y. Sivin
Senior Quantitative Analyst

Roshani Pandey
Client Advisor

Linge Sun
Wealth Advisor Analyst

Murray C. Stoltz
Senior Wealth Advisor

This ability to combine multiple forward-thinking points of view makes us better investors.

These collaborative efforts do not stop there. Our advisors integrate this investment expertise into each client's overall wealth management plan. The result is a comprehensive and highly personalized wealth plan that includes customized investment solutions.

Clockwise from top left:

Michael J. FitzSimons
Director of Alternative Investments Advisory

Charles D. Bryceland
Head of Alternative Investments

Philip A. Benyola, Jr.
Director of Private Equity

Cameron A. Caprio
Tax Consultant

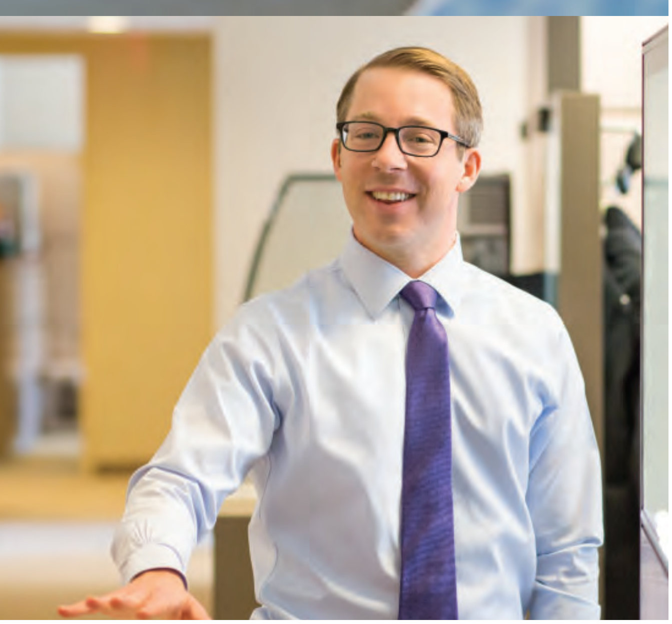
Maria T. Tyler
Senior Client Advisor

Wei Wang
Head of Investment Management Systems

Christopher A. Zimmer
Senior Client Advisor

Bruce A. Whiteford
Portfolio Manager
Municipal Bonds

Catherine M. Caffrey
Executive Assistant



WORKING TOGETHER

WE VALUE HUMAN CONNECTIONS

"WHEN A CONVERSATION WITH A CLIENT TURNS TO HOPES THEY HAVE FOR THEIR CHILDREN, THAT'S WHEN YOU KNOW YOU'RE TRULY HELPING SOMEONE."

Charles D. Bryceland
Head of Alternative Investments

This page:

Dana L. Willis
Associate General Counsel

Opposite page, clockwise from top left:

Gustavo A. Arce
Client Advisor

Donna E. Trammell
Director of Family Wealth Stewardship

Michelle C. Jacobs
Family Education Associate

Benjamin W. Martin
Associate Client Advisor

Arturo G. Pedroso
Wealth Advisor

Sampath Venkatraj
Tech Lead

Nilsa Sasso
Senior Business Analyst

Lisa M. Corcoran
Director of Private Equity

WORKING TOGETHER

WE ARE COLLABORATIVE PARTNERS

"PREPARING THE NEXT GENERATION FOR WEALTH IS DEEPLY PERSONAL. WE WORK WITH FAMILIES ON A PLAN THAT REFLECTS THEIR VALUES — PROVIDING GUIDANCE ALONG THE WAY."

Donna E. Trammell
Director of Family Wealth Stewardship

Recognition for Bessemer Trust

Over the years, our firm has been recognized with numerous awards for deep financial acumen and sophisticated private wealth management. Highlights from 2016 include the following:

American Banker
Rebecca Patterson, CIO, named one of The 25 Most Powerful Women in Finance

Barron's PENTA
Named one of the Top 40 Wealth Management Firms

Family Wealth Report
Top National Multifamily Office

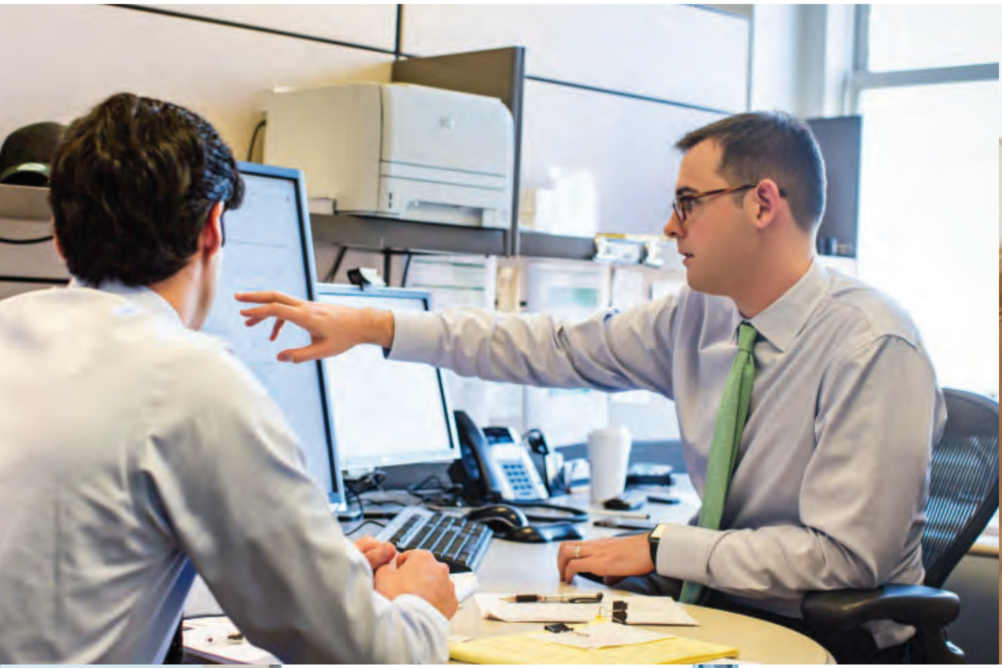
Top Woman in Wealth Management — Rebecca Patterson, CIO






WORKING TOGETHER

WE PUT CLIENT SERVICE FIRST



Clockwise from top left:

John C. McQuade
Client Advisor

Alissa D. Smith
Associate Client Advisor

Kerry L. Rapport
Senior Client Advisor

Craig S. Fox
Lead Business Analyst

Ryan W. Howley
Associate Client Advisor

David D. Woodworth
Regional Director

"OUR SOLE FOCUS IS PROVIDING TRUSTWORTHY ADVICE. BECAUSE OUR INCENTIVES ARE ALIGNED, OUR CLIENTS KNOW THEY CAN DEPEND ON US."

David D. Woodworth
Regional Director

We take great care to support the professional development of our employees and to hire top industry experts. The following employees were named Managing Director or Principal in 2016.

Managing Director

J. Alex Christie
Portfolio Manager

Harry R. Hagey
Portfolio Manager

Jeffrey A. Rutledge
Portfolio Manager

Principal

Andrea E. Alvino
Senior Human Resources Advisor

Kevin M. Barry
Senior Fiduciary Tax Consultant

Kevin P. Bourke
Senior Wealth Advisor

Chamie S. Deters
Digital Marketing Manager

Michael J. Driscoll
Head of Trading and Portfolio Operations

Kathryn Grossman España
Senior Client Advisor

Kenneth C. Handy
Senior Wealth Advisor

Christopher J. Judge
Assistant Controller

Thomas G. Kennedy
Director of Investment Management Compliance

Jeffrey J. Leszczak
Director of Tax Management Services

Anthony G. Liparidis
Senior Real Assets Analyst

Nancy A. Miller
Senior Client Advisor

Renita Persaud
Head of Trust Administration and Fiduciary Counsel

Kenneth C. Riddell
Senior Client Advisor

Giuseppe F. Scalamogna
Senior Client Advisor

Dana L. Willis
Associate General Counsel

SERVING OUR COMMUNITIES

We are committed to giving back to the communities in which we live and work. Working together throughout the year, our employees across the country volunteered their time and skills. We partnered with nonprofit organizations that support a diverse range of causes, including support for the homeless, hunger relief, and children's health and education.

A SELECTION OF OUR 2016 VOLUNTEER ACTIVITIES

Boys and Girls Club of Metro Denver
Denver

Salvation Army of Greater New York
Greenwich

St. Francis Center
Los Angeles

Overtown Youth Center
Miami

Friends of the Children
New York

New Endeavors for Women
Washington, D.C.

Boys and Girls Club of Wilmington
Wilmington

Boys and Girls Club of Union County
Woodbridge

Opposite page, clockwise from top left:

Donna E. Bacich
Quality Assurance Manager

Tara D. McLeod
Executive Assistant

Ryan M. Studer
Client Advisor

Montgomery K. Zimmerman
Wealth Advisor Analyst

Kathy Leon
Asset Analysis Supervisor

Priti H. Patel
Accountant and Bill Pay Manager

Joan L. West
Senior Client Advisor

Elizabeth S. Kim
Client Advisor

“EVERYTHING WE DO IS IN THE SPIRIT OF SERVICE.”

Joan L. West
Senior Client Advisor

In Woodbridge, NJ, our employees volunteered with a local Boys and Girls Club to support their mission to teach kids healthy eating habits and life skills. Employees in our Los Angeles, CA, office volunteered at St. Francis Center to distribute food to over 120 economically disadvantaged individuals and families.

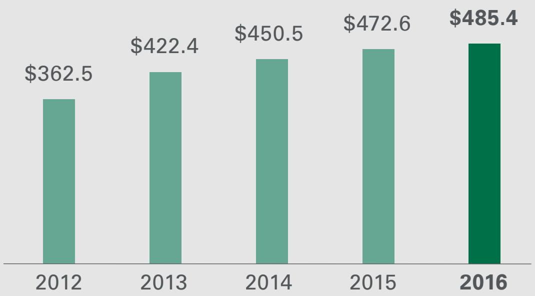
FINANCIAL RESULTS

FINANCIAL HIGHLIGHTS

Bessemer Trust has remained privately owned for more than 100 years. As a private company, we are not required to publish an annual report, but do so in the interest of transparency and open communication with our clients, shareholders, and employees.

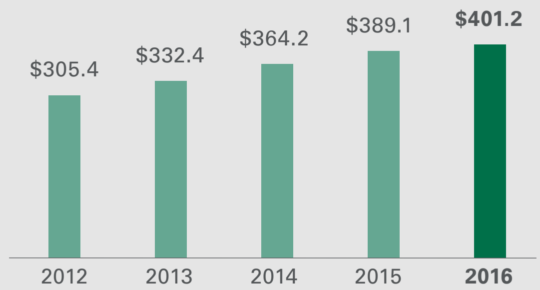
REVENUES

(In millions)



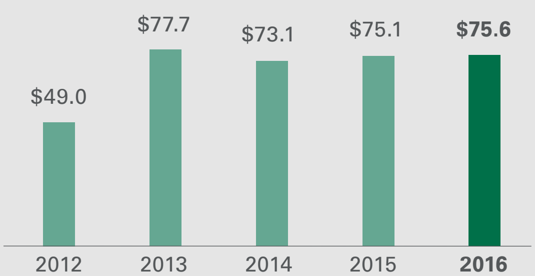
EXPENSES

(In millions)

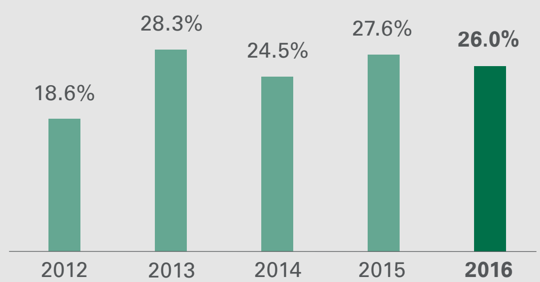


NET INCOME

(In millions)



RETURN ON AVERAGE EQUITY



(In thousands, except per share data)	**2016**	2015
Revenues	**$485,439**	$472,598
Expenses	**401,230**	389,076
Income taxes	**8,651**	8,411
Net income	**75,558**	75,111
Average shareholders' equity	**290,749**	272,118
Return on average equity	**26.0%**	27.6%
Total distributions to shareholders	**54,970**	57,879
Basic earnings per common share	**29.58**	29.12
Book value per common share	**115.75**	109.40

MANAGEMENT'S ANALYSIS OF RESULTS

EXECUTIVE OVERVIEW

The company is a multifamily office focused on providing private wealth management services to individuals and families of substantial wealth, as well as their trusts and foundations.

The company's financial condition continues to be strong, characterized by high-quality assets, appropriate liquidity, minimal sensitivity to interest-rate risk, and no debt. Shareholders' equity increased $15.4 million to $295.5 million at year-end.

Net income for 2016 totaled $75.6 million, up 0.6% over 2015. Fees from client services rose 1.0% as the positive impact of client additions to existing accounts, strong new business, and high client retention was partially offset by reduced fees resulting from an increased fixed income weighting in client accounts. Other income increased due to higher revenues from other banking services. Expenses rose 3.1% as the company continued to invest for the future in people, technology, and facilities. Income distributions from earnings totaled $5.50 per share in 2016 and $5.58 in 2015.

FEES FROM CLIENT SERVICES

Fees from client services are generated from the company's core business of providing investment management, custody, trust, estate administration, tax, and other personalized financial services to clients. These revenues totaled $451.0 million in 2016, up by $4.4 million. New clients added $5.5 billion in assets, generating $15.6 million in 2016 fees and estimated ongoing annual revenues of approximately $30.0 million. Assets under supervision at December 31, 2016 totaled $122.1 billion, including $61.7 billion in custody and directed trusts.

NET INTEREST INCOME AND OTHER INCOME

Net interest income, comprised of the interest earned on the company's banking assets less interest expense on money market deposits, increased 19.8% to $23.4 million due to the favorable impact of widening net interest rate spreads and higher average interest-earning asset balances. Deposit balances at year-end 2016 totaled $3.4 billion, up $0.5 billion from the prior year-end.

Other income increased $4.2 million from 2015 due primarily to higher revenues received from other banking services.

EXPENSES

The company continued to focus on controlling expenses while selectively investing in areas to enhance future growth potential. Total expenses in 2016 were $401.2 million, up by $12.2 million. Employee compensation and benefits of $267.8 million was up by $11.3 million, or 4.4%, due to new hires and higher salary expenses. Occupancy and equipment costs were $5.0 million higher than 2015 due to growth in office space and higher information technology expenses. A decrease of $1.2 million in professional fees and assessments resulted from lower third-party consulting and legal fees. Reduced advertising, travel, and office services costs led to a $2.0 million decrease in other expenses.

NET INCOME AND DISTRIBUTIONS

The company's net income totaled $75.6 million in 2016, compared to $75.1 million in 2015. The return on average equity in 2016 was 26.0%.

The company made total distributions to shareholders of $55.0 million in 2016. Income distributions totaled $14.0 million ($5.50 per share) as compared to $14.4 million ($5.58 per share) for 2015. In addition, tax distributions totaling $40.9 million ($16.02 per share) were made in 2016 to cover the shareholders' estimated tax liability associated with the company's 2016 flow-through taxable income.

FINANCIAL CONDITION

The company ended the year with total corporate assets in excess of $4.0 billion. Deposits with the Federal Reserve Bank of New York, investments in government agency securities, and secured loans represented the largest components of interest-earning assets. Because loans are fully secured by the borrowers' marketable securities, no reserve for loan losses is required. As permitted by banking regulations, the company also maintains a marketable securities portfolio, which is invested in securities similar to those of clients, including investment-grade tax-exempt debt and diversified equities that meet balanced objectives of safety of principal, liquidity, after-tax yield, and capital appreciation. Unrealized appreciation, net of taxes, on the company's available for sale securities totaled $2.9 million at December 31, 2016.

Shareholders' equity increased by $15.4 million in 2016. The company's equity includes earnings retained to support its banking and trust operations.

As required by accounting rules, a non-cash net decrease to capital resulting from actuarial adjustments to the company's pension and post-retirement benefit liabilities of $4.4 million was recorded on December 31, 2016. Capital ratios are in excess of minimum capital adequacy requirements mandated by the banking regulators and the company and its subsidiary banks continue to be classified as "well-capitalized" by regulatory standards. As a result, equity is available to provide for future growth and to capitalize on strategic initiatives, which is expected to provide opportunities to increase long-term profitability.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

As of December 31: *(In thousands)*	**2016**	2015
ASSETS		
Cash and cash equivalents	**$2,270,317**	$1,922,617
Securities available for sale	**746,139**	679,845
Loans, secured by marketable securities	**657,865**	590,056
Receivables	**56,847**	54,177
Premises and equipment	**58,763**	57,049
Goodwill	**76,307**	76,307
Other investments	**114,970**	95,574
Other assets	**29,787**	30,073
Total Assets	**$4,010,995**	$3,505,698
LIABILITIES		
Deposits	**$3,409,209**	$2,943,585
Accrued expenses and other liabilities	**306,297**	281,988
Total Liabilities	**$3,715,506**	3,225,573
SHAREHOLDERS' EQUITY		
Common stock and surplus	**83,118**	83,096
Retained earnings	**366,522**	345,934
Accumulated other comprehensive loss, net of tax	**(57,269)**	(53,173)
Treasury stock, at cost	**(96,882)**	(95,732)
Total Shareholders' Equity	**295,489**	280,125
Total Liabilities and Shareholders' Equity	**$4,010,995**	$3,505,698

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31: *(In thousands, except per share data)*	**2016**	2015
REVENUES		
Fees from client services	**$450,983**	$446,550
Net interest income	**23,364**	19,496
Net realized gains on securities available for sale	**1,186**	866
Other income	**9,906**	5,686
Total Revenues	**485,439**	472,598
EXPENSES		
Employee compensation and benefits, including long-term incentives	**267,838**	256,553
Occupancy and equipment	**66,900**	61,864
Professional fees and assessments	**22,887**	24,128
Other expenses	**43,605**	46,531
Total Expenses	**401,230**	389,076
INCOME BEFORE PROVISION FOR INCOME TAXES	**84,209**	83,522
Provision for income taxes	**8,651**	8,411
NET INCOME	**$ 75,558**	$ 75,111
Earnings per share	**$ 29.58**	$ 29.12
NET INCOME	**$ 75,558**	$ 75,111
Other comprehensive (loss)/ income, net of tax:		
Net change in net unrealized gains on securities available for sale	**278**	(1,921)
Pension and other post-retirement benefit adjustments	**(4,374)**	5,210
Other comprehensive (loss)/ income, net of tax	**(4,096)**	3,289
COMPREHENSIVE INCOME	**$ 71,462**	$ 78,400

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31: *(In thousands)*	**2016**	2015
COMMON STOCK AND SURPLUS		
Balance, beginning of year	**$ 83,096**	$ 83,096
Other, net	**22**	—
Balance, end of year	**83,118**	83,096
RETAINED EARNINGS		
Balance, beginning of year	**345,934**	328,702
Net income	**75,558**	75,111
Distributions to shareholders:		
For income taxes (per share 2016, $16.02; 2015, $16.85)	**(40,923)**	(43,481)
From earnings (per share 2016, $5.50; 2015, $5.58)	**(14,047)**	(14,398)
Balance, end of year	**366,522**	345,934
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX		
Balance, beginning of year	**(53,173)**	(56,462)
Other comprehensive (loss)/income	**(4,096)**	3,289
Balance, end of year	**(57,269)**	(53,173)
TREASURY STOCK, AT COST		
Balance, beginning of year	**(95,732)**	(87,363)
Class B non-voting common stock repurchase	**(1,150)**	(8,369)
Balance, end of year	**(96,882)**	(95,732)
Total Shareholders' Equity	**$295,489**	$280,125

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31: *(In thousands)*	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 75,558	$ 75,111
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(269)	(91)
Depreciation and amortization on premises and equipment	15,262	13,722
Net premium amortization of debt securities available for sale	3,151	10,440
Net realized gains on securities available for sale	(1,186)	(866)
Impairment charges on securities available for sale	360	597
(Increase)/decrease in receivables and other assets	(1,842)	17,131
Increase in other investments	(19,396)	(965)
Increase/(decrease) in accrued expenses and other liabilities	19,596	(3,233)
Net Cash Provided by Operating Activities	91,234	111,846
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of securities available for sale	16,799	9,722
Proceeds from maturities, calls and mandatory redemptions of securities available for sale	1,396,809	645,634
Purchases of securities available for sale	(1,481,883)	(609,230)
Net (increase)/decrease in loans	(67,809)	11,552
Capitalized computer software	(2,004)	(4,070)
Purchases of premises and equipment	(14,972)	(17,715)
Net Cash (Used in)/Provided by Investing Activities	(153,060)	35,893
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	465,624	208,716
Purchases of treasury stock	(1,150)	(8,369)
Income tax distributions to shareholders	(40,923)	(43,481)
Income distributions from earnings to shareholders	(14,047)	(14,398)
Other, net	22	—
Net Cash Provided by Financing Activities	409,526	142,468
Net Increase in Cash and Cash Equivalents	347,700	290,207
Cash and Cash Equivalents, beginning of year	1,922,617	1,632,410
Cash and Cash Equivalents, end of year	$2,270,317	$1,922,617
CASH PAYMENTS		
Interest	$ 2,569	$ 239
Income taxes	7,562	7,931

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — The Bessemer Group, Incorporated is a registered bank holding company and multifamily office focused on providing wealth management services to individuals and families of substantial wealth, as well as their 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.

The Company performs a continual evaluation of whether certain investments are variable interest entities and whether the Company can be deemed to exert control or significant influence over the financial and operating policies of the investee. A banking subsidiary of the Company acts as general partner, or equivalent, for certain private equity and real asset funds. The governing agreements of these funds generally provide that, subject to certain conditions, investors in those funds may remove the Company as general partner, or equivalent, of the fund or liquidate the fund without cause by a majority vote. As a result, these funds are not consolidated by the Company as part of these consolidated financial statements. Equity and partnership interests in these funds are carried at fair value.

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 loss. 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"). Loans are fully secured by marketable securities with minimum margin requirements monitored and maintained on an ongoing basis reflecting marketability, portfolio diversification, investment quality, maturity, and duration. Since all loans are fully secured by marketable securities, generally due on demand, and interest income is on a current accrual basis, management has determined that no allowance for loan losses is required. 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 life not exceeding ten 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, thereby requiring impairment testing. On an annual basis, at September 30th, the Company determines whether a quantitative assessment should be performed to test goodwill for impairment.

Other Investments — Other investments represent corporate assets set aside in Rabbi Trusts (Grantor Trusts) and other accounts that are solely available to fund obligations under certain of the Company's retirement and long-term incentive compensation plans ("Plans"). The terms of these Plans allow participating employees to allocate their individual balances among several available investment alternatives. The Other investments are generally allocated by management in accordance with employee elections. These investments are long-term in nature and do not represent proprietary trading assets. Other investments are reported at fair value. The Company has elected trading asset accounting treatment to allow it to record both realized and unrealized gains or losses in the consolidated statements of comprehensive income, consistent with the recording of the change in the value of the future obligations to employees under the related Plans.

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 2,554,327 during 2016 and 2,579,446 during 2015.

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 changes in net unrealized gains and losses on securities available for sale and adjustments for pension and other post-retirement benefits.

Subsequent Events — The Company evaluated subsequent events through March 22, 2017, the date on which the consolidated financial statements were available to be issued. The Company has determined that there were no subsequent events that require recognition or disclosure in the consolidated financial statements.

NOTE 2. NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that revises the lease accounting model to recognize on the statement of financial condition the rights and obligations of all leases with a term greater than 12 months and expands related quantitative and qualitative disclosures. This guidance is effective January 1, 2020. The Company is currently evaluating the impact that adoption of this guidance may have on its consolidated financial statements.

In January 2016, the FASB issued authoritative guidance that requires that certain equity investments be measured at fair value, with changes in fair value recognized in earnings. The guidance simplifies the impairment assessment for certain equity securities and reduces the complexity of other-than-temporary impairment guidance. This guidance is effective January 1, 2019. The future expected effect of adopting this guidance, when implemented, is impractical to determine in advance.

In May 2014, the FASB issued authoritative guidance that outlines a single comprehensive model for entities to use in accounting for revenue arising from contacts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This guidance is effective January 1, 2019. The Company does not expect adoption to have a material impact on its consolidated financial statements.

NOTE 3. CASH AND CASH EQUIVALENTS

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

(In thousands)	**2016**	2015
Non-interest bearing — Cash and due from banks	**$ 7,790**	$ 5,865
Interest-bearing:		
Deposit with the Federal Reserve Bank of New York	**1,902,619**	1,571,840
Deposits with other banks	**12,842**	14,876
Short-term investments	**347,066**	330,036
	$2,270,317	$1,922,617

NOTE 4. SECURITIES AVAILABLE FOR SALE

The cost and estimated fair value of securities available for sale at December 31, 2016 and 2015 were as follows:

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2016:				
Debt obligations of:				
U.S. Treasury and Government Agencies	**$618,502**	**$ 48**	**$ —**	**$ 618,550**
States and political subdivisions	**98,572**	**23**	**148**	**98,447**
Marketable equity securities	**25,933**	**3,360**	**151**	**29,142**
	$743,007	**$3,431**	**$ 299**	**$ 746,139**
2015:				
Debt obligations of:				
U.S. Treasury and Government Agencies	$551,332	$ —	$ 155	$ 551,177
States and political subdivisions	99,336	121	40	99,417
Marketable equity securities	26,390	3,426	565	29,251
	$677,058	$3,547	$ 760	$ 679,845

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

(In thousands)	**2016**	2015
Gross realized gains from sales	**$ 1,777**	$ 1,182
Gross realized losses from sales	**(591)**	(316)
Net realized gains on securities available for sale	**$ 1,186**	$ 866

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

	2016		2015	
(In thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
U.S. Treasury and Government Agencies:				
Within one year	**$618,402**	**$618,450**	$551,232	$551,078
After one, but within five years	**100**	**100**	100	99
	$618,502	**$618,550**	$551,332	$551,177
States and political subdivisions:				
Within one year	**$ 90,132**	**$ 90,054**	$ 52,655	$ 52,677
After one, but within five years	**6,564**	**6,566**	44,586	44,645
Five to ten years	**1,876**	**1,827**	195	195
Over ten years	**—**	**—**	1,900	1,900
	$ 98,572	**$ 98,447**	$ 99,336	$ 99,417

There were no securities available for sale at December 31, 2016, and 2015, that 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:

	2016		2015	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Treasury and Government Agencies	**$ —**	**$ —**	$401,130	$ 155
States and political subdivisions	**87,380**	**148**	45,223	40
Marketable equity securities	**5,441**	**151**	6,375	565

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. Included in Other income, the Company recorded other-than-temporary impairment charges of $360,000 and $597,000 related to marketable equity securities during 2016 and 2015, respectively, with an estimated fair value at the time of impairment of $1,298,000 and $1,153,000, respectively.

NOTE 5. SEGREGATED ASSETS

Short-term investments and securities available for sale with an aggregate estimated fair value of $299,860,000 and $700,118,000, respectively, were segregated at December 31, 2016, as required by law for a portion of deposits of subsidiary banks. At December 31, 2015, the aggregate estimated fair value of such segregated assets amounted to $299,895,000 of short-term investments and $643,808,000 of securities available for sale.

NOTE 6. PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at December 31:

(In thousands)	**2016**	2015
Land	**$ 1,487**	$ 1,487
Building	**8,064**	8,002
Leasehold improvements	**66,454**	58,309
Computer software	**89,540**	87,536
Computer hardware	**30,907**	27,848
Furniture, fixtures, and office equipment	**34,007**	30,301
	230,459	213,483
Less — Accumulated depreciation and amortization	**(171,696)**	(156,434)
	$ 58,763	$ 57,049

NOTE 7. DEPOSITS

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

(In thousands)	**2016**	2015
Demand deposits	**$ 207,374**	$ 121,714
Money market deposits	**3,201,835**	2,821,871
	$3,409,209	$2,943,585

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, as amended, with a commercial bank for a line of credit up to $15,000,000 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 2016 and 2015. The Company pledged certain of its alternative investment funds with a fair value of $1,666,000 and $2,214,000 as of December 31, 2016 and 2015, respectively, 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)	**2016**	2015
Interest income:		
Cash equivalents	**$ 7,631**	$ 2,469
Securities available for sale	**2,980**	2,759
Loans	**15,574**	14,573
	26,185	19,801
Interest expense on deposits	**2,821**	305
Net interest income	**$23,364**	$19,496

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 2016 and 2015. At December 31, 2016 and 2015, the notional principal amounts of swaps amounted to $6,000,000 and $5,000,000, respectively. The related estimated fair value of the swap contracts was approximately $137,000 and $10,000 as of December 31, 2016 and 2015, respectively, and is included in Other assets.

NOTE 11. OTHER INCOME

As manager of certain alternative asset fund portfolios, the Company may receive incentive fees or carried interest from these funds upon exceeding performance thresholds. The Company records income from incentive fees when earned and carried interest when the likelihood of clawback is mathematically improbable and cash has been distributed. Included in Other income are investment performance incentive fees of $423,000 and $1,260,000 and carried interest of $4,961,000 and $321,000 during 2016 and 2015, respectively.

NOTE 12. RELATED-PARTY TRANSACTIONS

Revenues and expenses for the years ended December 31, 2016 and 2015 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)	**2016**	2015
Revenues — Fees received from BSLLC for investment advisory and custody services	**$3,159**	$3,420
Expenses reimbursed by BSLLC:		
Occupancy costs	**$1,008**	$ 991
Allocated direct costs for various services provided, reported by the Company as a reduction of other expenses	**1,847**	1,576
Net expense amount reimbursed by BSLLC	**$2,855**	$2,567

In addition to the above, the Company, as manager of certain venture capital funds, received management fees of which BSLLC's share was $0 and $336,000 during 2016 and 2015, 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 $275,986,000 and $347,262,000 at December 31, 2016 and 2015, respectively.

Included in Receivables are overnight advances to certain clients of the Company's trust departments of $1,398,000 and $703,000 at December 31, 2016 and 2015, respectively.

NOTE 13. COMMITMENTS

The Company and certain of its subsidiaries lease office space under non-cancellable leases expiring between 2019 and 2031, some of 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 $27,030,000 and $25,257,000 in 2016 and 2015, respectively. The approximate minimum total annual rentals (in thousands) under these leases (exclusive of a reduction for subleases aggregating $4,846,000) at December 31, 2016 were as follows:

2017	$ 27,241
2018	27,055
2019	27,059
2020	25,422
2021	24,407
Thereafter	57,858
	$189,042

The Company is contingently liable for outstanding standby letters of credit of $14,576,000 at December 31, 2016 issued on behalf of customers. The Company holds customers' marketable securities fully securing such commitments.

NOTE 14. INCOME TAXES

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

(In thousands)	**2016**	2015
Current:		
Federal	**$ —**	$ —
State and local	**8,812**	8,317
Foreign	**108**	185
	8,920	8,502
Deferred:		
Federal	**—**	—
State and local	**(282)**	(61)
Foreign	**13**	(30)
	(269)	(91)
	$8,651	$8,411

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, and state, local, and foreign income taxes.

The elements of the net deferred tax assets recorded in Other assets at December 31, 2016 and 2015 were as follows:

(In thousands)	**2016**	2015
Deferred tax assets	**$24,424**	$23,465
Deferred tax liabilities	**(11,062)**	(10,609)
Net deferred tax assets	**$13,362**	$12,856

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.

The Company recognizes tax positions in the financial statements only when it is more likely than not that the position will be sustained upon examination by relevant taxing authorities based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. An asset or a liability is established for differences between positions taken in a tax return and amounts recognized in the financial statements. 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, 2016. 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's major income tax jurisdictions are New York State, New York City, and New Jersey. In the normal course of business, the Company is subject to examination by federal, state, and local jurisdictions, where applicable. As of December 31, 2016, the Company's federal and New York State and City income tax returns that remain subject to examination under the statute of limitations are from 2013 forward. The tax years that remain subject to examination by other major tax jurisdictions, including New Jersey, under the statute of limitations are from 2012 forward.

NOTE 15. 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 $28,653,000 and $27,244,000 in 2016 and 2015, 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 loss and adjusted as they are subsequently recognized as components of net defined benefit expense.

Effective January 1, 2012, the defined benefit pension plan was amended to permanently freeze accruals of defined benefits for services of plan participants 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.

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

	Pension Benefits		Other Benefits	
	2016	2015	**2016**	2015
Benefit expense during the year	**$ 1,492**	$ 1,711	**$ 1,053**	$ 1,290
Employer contribution during the year	**3,609**	4,069	**880**	650
Benefits paid during the year	**5,961**	6,360	**1,022**	770
Projected benefit obligation at December 31,	**$164,243**	$161,653	**$ 31,388**	$ 29,561
Fair value of qualified plan assets at December 31,	**92,527**	90,850	**—**	—
Funded status at December 31,	**$ (71,716)**	$ (70,803)	**$(31,388)**	$(29,561)
Accumulated benefit obligation at December 31,	**$164,243**	$161,653		
Amounts recognized in the statement of financial condition at December 31:				
Assets	**$ —**	$ —	**$ —**	$ —
Liabilities	**(71,716)**	(70,803)	**(31,388)**	(29,561)
Net amounts recognized	**$ (71,716)**	$ (70,803)	**$(31,388)**	$(29,561)
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate — qualified plan	**4.38%**	4.44%	**—**	—
Discount rate — non-qualified plan	**4.00%**	4.16%	**4.43%**	4.45%
Rate of compensation increase	**—**	—	**—**	—
Weighted-average assumptions used to determine net periodic benefit cost during the year:				
Discount rate — qualified plan	**4.44%**	4.10%	**—**	—
Discount rate — non-qualified plan	**4.15%**	3.80%	**4.45%**	4.10%
Expected long-term return on plan assets	**6.75%**	7.00%	**—**	—
Rate of compensation increase	**—**	—	**—**	—

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 $10,749,000 and $11,313,000 at December 31, 2016 and 2015, respectively.

The assumed health care cost trend rate is 7.5% pre-Medicare and 6.50% post-Medicare in 2016 and is estimated at 7.5% in 2017, decreasing gradually to 4.75% in 2021 and remaining at that approximate 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 6.75% in 2017.

Benefit expense for 2016 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	$1,386	$ 847
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	**2016**	2015
Equity securities	40–75%	**61%**	63%
Fixed income securities	20–45%	**27%**	26%
Alternative assets	0–15%	**10%**	11%
Other assets	0–15%	**2%**	0%

The Company uses the framework and techniques described in Note 19 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, 2016 and 2015 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
2016:				
Equity securities	**$41,660**	**$ —**	**$ —**	**$41,660**
Fixed income securities	**6,137**	**—**	**—**	**6,137**
Other assets	**3**	**—**	**—**	**3**
	$47,800	**$ —**	**$ —**	**$47,800**
2015:				
Equity securities	$43,152	$ —	$ —	$43,152
Fixed income securities	8,540	—	—	8,540
Other assets	53	—	—	53
	$51,745	$ —	$ —	$51,745

The investments in equity and fixed income securities in the table above include investments made through open-end mutual funds.

The table above excludes collective employee benefit funds and alternative asset investments that are measured using the net asset value per share as a practical expedient. The fair value of collective employee benefit funds at December 31, 2016 and 2015 amounted to $33,816,000 and $29,010,000, respectively, and are not classified within the fair value hierarchy. The fair value of alternative asset investments at December 31, 2016 and 2015 amounted to $9,476,000 and $9,890,000, respectively, and are not classified within the fair value hierarchy. The table above also excludes the fair value of short-term financial instruments, primarily cash equivalents, at December 31, 2016 and 2015 that approximated their carrying amount of $1,434,000 and $205,000, respectively.

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 2017, the Company expects to contribute $5,300,000 and $964,000 to the pension benefit plans and the other benefits plan, respectively.

Other benefit payments reflect expected future service. The following pension benefit payments and other benefit payments are expected to be paid for the years ending December 31 (in thousands):

	Pension Benefits	Other Benefits
2017	$ 6,616	$ 964
2018	6,749	1,048
2019	7,342	1,096
2020	7,321	1,149
2021	7,512	1,221
Years 2022–2026	44,148	8,010

NOTE 16. LONG-TERM INCENTIVE PLANS

Under the Earnings Based Plan ("EBP"), designated senior officers of the Company earned 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 $6,858,000 and $9,845,000 in 2016 and 2015, respectively, and is included in Employee compensation and benefits. Effective December 31, 2015, no future awards will be earned under the EBP and prior awards will continue to vest and be paid in accordance with the EBP. The termination of the EBP will be completed after remaining benefit payments are concluded in 2019.

NOTE 17. SHAREHOLDERS' EQUITY

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

(In thousands)	**2016**	2015
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 2016, issued 1,902,582 shares and outstanding 1,892,307 shares in 2015	**1,903**	1,903
Class B non-voting — authorized 1,500,000 shares, issued 1,159,609 shares and outstanding 183,276 shares in 2016 and 191,276 shares in 2015	**1,160**	1,160
	3,540	3,540
Surplus	**79,578**	79,556
	$83,118	$83,096

In accordance with federal and state 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 2016 and 2015, 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 2016, the Company purchased at fair value and held in treasury 8,000 shares of its Class B non-voting common stock (no par value) for $1,150,000 in cash. During 2015, the Company purchased at fair value and held in treasury 60,876 shares of its Class B non-voting common stock (no par value) for $8,369,000 in cash.

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 $127,349,000 of the Company's consolidated Retained earnings of $366,522,000 at December 31, 2016 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 18. 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
2016:			
Net unrealized gains on securities available for sale:			
Change in net unrealized gains	**$ 1,531**	**$ (89)**	**$ 1,442**
Less — net realized gains included in net income	**(1,186)**	**22**	**(1,164)**
Pension and other post-retirement benefit adjustments:			
Change in net actuarial loss	**(3,095)**	**150**	**(2,945)**
Change in prior service credit	**(1,590)**	**161**	**(1,429)**
Other comprehensive loss	**$ (4,340)**	**$ 244**	**$ (4,096)**
2015:			
Net unrealized gains on securities available for sale:			
Change in net unrealized gains	$ (1,238)	$ 154	$ (1,084)
Less — net realized gains included in net income	(866)	29	(837)
Pension and other post-retirement benefit adjustments:			
Change in net actuarial loss	7,292	(633)	6,659
Change in prior service credit	(1,589)	140	(1,449)
Other comprehensive income	$ 3,599	$ (310)	$ 3,289

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

(In thousands)	**2016**	2015
Net unrealized gains on securities available for sale	**$ 2,871**	$ 2,593
Pension and other post-retirement benefit adjustments:		
Net actuarial loss	**(73,643)**	(70,548)
Tax benefit on net actuarial loss	**8,029**	7,879
Prior service credit	**6,358**	7,948
Tax provision on prior service credit	**(884)**	(1,045)
	$(57,269)	$(53,173)

NOTE 19. 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 that are required to be classified within the valuation hierarchy as of December 31, 2016 and 2015 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
2016:				
Securities available for sale:				
Debt obligations of:				
U.S. Treasury and Government Agencies	**$271,107**	**$ 347,443**	**$ —**	**$618,550**
States and political subdivisions	**—**	**98,447**	**—**	**98,447**
Marketable equity securities	**29,142**	**—**	**—**	**29,142**
	300,249	**445,890**	**—**	**746,139**
Other investments:				
Marketable equity securities	**114,970**	**—**	**—**	**114,970**
Other assets:				
Derivative assets	**—**	**137**	**—**	**137**
	$415,219	**$446,027**	**$ —**	**$861,246**
2015:				
Securities available for sale:				
Debt obligations of:				
U.S. Treasury and Government Agencies	$100,220	$450,957	$ —	$551,177
States and political subdivisions	—	99,417	—	99,417
Marketable equity securities	29,251	—	—	29,251
	129,471	550,374	—	679,845
Other investments:				
Marketable equity securities	95,574	—	—	95,574
Other assets:				
Derivative assets	—	10	—	10
	$225,045	$550,384	$ —	$775,429

Marketable equity securities in the table above primarily include holdings in various publicly-traded, open-end mutual funds offered by Old Westbury Funds, Inc. or Old Westbury (Cayman) Funds SPC. The mutual funds invest in a variety of asset classes, including equities and fixed income securities. The investment advisor for these funds is a subsidiary of the Company.

Other investments represent corporate assets that are available to fund future obligations under certain of the Company's retirement and incentive compensation plans. The above table excludes certain assets that are measured at fair value using net asset value per share as a practical expedient.

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, and derivative assets (interest rate swaps). Not classified within the valuation hierarchy 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 between Level 1 and Level 2 of the valuation hierarchy during 2016 or 2015.

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. No assets classified as Level 3 under the fair value hierarchy were outstanding as of December 31, 2016 and 2015.

The above table excludes certain assets that are measured at fair value using net asset value per share as a practical expedient. Included within Other assets on the statement of financial condition are alternative investment funds, which are not classified in the fair value hierarchy. 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 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 as a practical expedient. Such investments consist of the following at December 31, 2016 and 2015:

(In thousands)	**2016**	2015
Old Westbury private equity funds	**$2,271**	$3,056
Old Westbury real asset funds	**525**	628
	$2,796	$3,684

Old Westbury private equity funds and Old Westbury real asset funds are closed-end investments and are not subject to redemptions. Instead, distributions are expected to be received following the sale of the underlying assets of the partnerships over time.

At December 31, 2016, unfunded commitments in Old Westbury private equity funds and Old Westbury real asset funds amounted to $206,000 and $241,000, respectively. Additional information on the investment objectives and strategies follows.

Old Westbury private equity funds include investments in several limited liability companies that invest in private capital and venture capital-type investments. Old Westbury real asset funds include investments in limited liability companies formed to invest in global commercial real estate and other private real assets, including, but not limited to, power and energy, oil and gas, and infrastructure through private equity funds and direct investments. Effective January 1, 2017, Old Westbury private equity funds and Old Westbury real asset funds have been renamed Fifth Avenue private equity funds and Fifth Avenue real asset funds, respectively.

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 20. CAPITAL REQUIREMENTS

The Company and its subsidiary banks are subject to the capital adequacy rules of U.S. regulators. As of December 31, 2016, 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, 2016 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, Common Equity Tier I, and Tier I Capital to risk-weighted assets, and Tier I Capital to average assets, as defined by regulation. Based upon the capital structure of the Company and its subsidiary banks, Common Equity Tier I Capital equals Tier I Capital. 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 consolidated financial statements. The actual measures (in thousands) for the Company and its subsidiary banks at December 31, 2016 and 2015 follow:

			Ratios		
	Total Capital Amount	Common Equity Tier 1 and Tier 1 Capital Amounts	Total Capital to Risk-Weighted Assets	Common Equity Tier 1 and Tier 1 Capital to Risk-Weighted Assets	Tier 1 Capital to Average Assets
2016:					
Consolidated	**$283,798**	**$282,354**	**20.4%**	**20.3%**	**8.8%**
Bessemer Trust Company	**60,428**	**59,648**	**19.8%**	**20.0%**	**6.5%**
Bessemer Trust Company, N.A.	**139,704**	**139,704**	**20.7%**	**20.7%**	**6.9%**
2015:					
Consolidated	$263,676	$262,388	20.5%	20.4%	9.4%
Bessemer Trust Company	56,601	56,100	15.8%	15.7%	9.9%
Bessemer Trust Company, N.A.	129,725	129,725	23.3%	23.3%	6.6%

The following table presents the regulatory minimum and well-capitalized ratios at December 31, 2016:

	Minimum Capital Ratios	Well-Capitalized Ratios
2016:		
Total Capital	**8%**	**10%**
Common Equity Tier 1 Capital	**4.5%**	**6.5%**
Tier 1 Capital	**6%**	**8%**
Tier 1 Capital to Average Assets	**4%**	**5%**

NOTE 21. ACTIVITIES RESTRICTIONS UNDER THE VOLCKER RULE

In December 2013, U.S. banking and securities industry regulators issued final regulations to implement the Volcker Rule, effective April 1, 2014. The Volcker Rule was designed to substantially restrict banks from engaging in certain proprietary trading activities and owning or engaging in certain relationships with hedge funds and private equity funds. Banks had until July 21, 2015 to conform to the proprietary trading rules. However, with regard to relationships and investments with hedge funds and private equity funds formed prior to December 31, 2013, banks were granted an extension until July 21, 2017 to conform to the requirements of the Volcker Rule. The extension did not pertain to any investments made, or relationships entered into, with hedge funds and private equity funds during 2014 or later. Under the Volcker Rule, certain activities may be permitted to continue under new restrictive definitions, some of which will require increased and more specific documentation. As required by the regulations and to the extent determinable subject to pending regulatory interpretations, the Company has conducted a business assessment of its operations that are potentially subject to Volcker Rule restrictions, evaluated the impact of these restrictions on its operations, and formulated the necessary conformance plans with actions to be taken to be fully in compliance by the end of the conformance period. As regulators provide additional interpretations and guidance, the Company will periodically assess its policies and procedures regarding Volcker Rule compliance.

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 statements of financial condition as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in shareholders' 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 consolidated 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 consolidated financial statements are free from 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 consolidated 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 Bessemer Group, Incorporated and subsidiary companies as of December 31, 2016 and 2015, 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, 2017
New York, New York

FIVE-YEAR COMPARATIVE SUMMARY

RESULTS OF OPERATIONS *(In thousands, except per share data)*	**2016**	2015	2014	2013	2012
REVENUES					
Fees from client services	**$ 450,983**	$ 446,550	$ 422,319	$ 379,069	$ 336,554
Net interest income	**23,364**	19,496	18,646	17,919	19,173
Other income/(loss)	**11,092**	6,552	9,544	25,393	6,744
Total Revenues	**485,439**	472,598	450,509	422,381	362,471
EXPENSES					
Employee compensation and benefits	**267,838**	256,553	246,085	228,731	206,318
Other expenses	**133,392**	132,523	118,139	103,680	99,063
Total Expenses	**401,230**	389,076	364,224	332,411	305,381
INCOME					
Income before Provision for Income Taxes	**84,209**	83,522	86,285	89,970	57,090
Provision for Income Taxes	**8,651**	8,411	13,152	12,297	8,125
Net Income	**$ 75,558**	$ 75,111	$ 73,133	$ 77,673	$ 48,965
Basic Earnings per Share	**$ 29.58**	$ 29.12	$ 27.85	$ 29.56	$ 18.54
Dividends per Share	**$ 21.52**	$ 22.43	$ 22.50	$ 22.69	$ 12.99
FINANCIAL CONDITION AT DECEMBER 31					
Assets	**$4,010,995**	$3,505,698	$3,293,803	$3,231,082	$3,482,847
Liabilities	**3,715,506**	3,225,573	3,025,830	2,933,970	3,225,509
Shareholders' Equity	**$ 295,489**	$ 280,125	$ 267,973	$ 297,112	$ 257,338
Book Value per Share	**$ 115.75**	$ 109.40	$ 102.22	$ 113.08	$ 97.94

BOARD OF DIRECTORS, SENIOR OFFICERS, AND OFFICE LOCATIONS

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