BESSEMER TRUST

Expertise *at work*

Bessemer Trust Annual Report 2017

It's one thing to be experienced. It's another thing to apply know-how in a thoughtful way to better someone's life. At Bessemer Trust, that's what we do. Our people have expert knowledge and a dedication to putting clients first. When it all comes together, that's the true meaning of expertise at work.

Pictured on the cover:

In our New York office, Fiduciary Counsels Peter J. Slater and Michelle Chun prepare for a client meeting.

Clockwise from top left:

Caroline W. Hodkinson, *Director of Philanthropic Advisory*

J. Max Gerken, *Associate Client Advisor*

Kimberly O. Stuermann, *Senior Client Advisor*

Richard T. Murtagh, *Controller*

Privately owned and independent, Bessemer Trust is a multifamily office that has served individuals and families of substantial wealth for more than 110 years. Through comprehensive investment management, wealth planning, and family office services, we help you and your family achieve peace of mind for generations.

EXPERTISE AT WORK

To Our Clients, Shareholders, and Employees:

Trust is essential in all of our client relationships. At a time when confidence in institutions is in short supply around the world, we are deeply grateful for the trust our clients have placed in us for 110 years.

Across more than 2,500 client relationships and 10,000 trusts for which we act as fiduciary, our professionals act with integrity, understand clients at a personal level to anticipate their needs, and apply know-how from education and experience to develop solutions.

Ultimately, our success as a firm rests on our people. That's why at Bessemer we invest in them, ensuring our professionals have the right expertise and appropriate tools to deliver on our promises to clients.

In 2017, we added a life insurance advisor and a new head of real estate advisory to guide clients in evaluating coverage and managing property holdings. We also advanced our research on sustainable investing to help clients seeking to align their personal values with their financial strategies. Furthermore, we made it easier for families to come together around their philanthropic visions through our donor-advised fund, the Bessemer National Gift Fund.

We support professional growth by creating new and challenging roles for our people. We are proud to share that Senior Client Advisors Kent Kalvaitis and Jane Symington and Head of Family Office Services Mark Tremblay were promoted to managing director at year-end. Reflecting our commitment to operational excellence, we named Michael Marquez to the newly created role of chief operating officer — responsible for strategic initiatives in information technology and security, as well as family office services and client advisory support.

While technology will never replace our personal attention and service, we believe it can play a vital role in maintaining trust. In 2017, we continued to make significant investments in our information security processes and

Stuart S. Janney, III
Chairman

Marc D. Stern
Chief Executive Officer

15K
MEETINGS WITH CLIENTS

98%
TEN-YEAR CLIENT ASSET RETENTION RATE

$0
OUTSTANDING DEBT

10th	$4B	3:1
CONSECUTIVE YEAR OF POSITIVE ACCOUNT CONTRIBUTIONS FROM CLIENTS	IN ASSETS FROM NEW CLIENTS	CLIENT-TO-EMPLOYEE RATIO

infrastructure to protect our clients' sensitive data at a time of increasing risks. We also invested in our digital and mobile platforms to continue making it easier for clients to communicate with us how and when it is most convenient for them.

We know our clients trust our expertise to help them achieve competitive investment results while protecting against downside risk. In 2017, our Balanced Growth portfolio returned 15%, helped by an average gain in our equity portfolios of 20%, while our bond holdings averaged a 2½% return. We maintained some defensive positions during the year, which caused returns to trail the benchmark modestly, in light of our expectations for an overdue correction.

Investing in our people and resources is made possible through our firm's underlying financial health and stability. In 2017, we marked our tenth consecutive year of positive net additions to client accounts, retained more than 98% of client assets, and welcomed 94 new clients. Revenues for the year totaled $558 million, net income was $117 million, and income distributions to shareholders totaled $7.90 per share. Our firm continues to be well capitalized by regulatory standards, with total shareholders' equity of $324 million, and no outstanding debt as of December 31, 2017. Please see page 19 for more information on our financial results.

As we reflect on 2017, we are grateful for the difference our people make at every level. We want to thank our Board of Directors for their ongoing guidance and support. The passing of Dennis Belcher, a director since 2016 and a legendary trusts and estates attorney, was an unexpected and heartbreaking loss.

In the year ahead, we will redouble our efforts to remain our clients' trusted partner, and support the people who make this trust possible. Thank you for the confidence you have placed in us.

Stuart S. Janney, III
Chairman

Marc D. Stern
Chief Executive Officer

We understand markets at a deep level, and we believe our expertise in wealth planning and family office services is unmatched. Yet what truly distinguishes Bessemer Trust is how our people deliver that knowledge to you — through comprehensive services, shared in a personal and dependable way.

Pictured left to right:
Beatriz M. Cuervo, *Portfolio Manager,* Harry O'Mealia, IV, *Client Advisor,*
Hoshi S. Merchant, *Head of Content Systems*

Expertise drawn from real-life experience

Pictured this page, clockwise from left:

Richard Padilla
Data Center Manager

Pamela K. Rugg
Event Manager

Gisele M. Trasente
Head of Quality Assurance and Data Operations

Opposite page, clockwise from left:

George Wilcox
President

Ilka Gregory
Senior Wealth Advisor

Deborah J. Lawrence
Executive Assistant

Walter P. Montaigne, II
Senior Client Advisor

Our teams have years of experience working with individuals and families like you. They have seen just about every situation. Our people are ready to help you and your family, no matter the circumstances life brings your way.



"In a rapidly changing world, we can never get complacent. Our years of experience help us find new ways to enhance the services we provide clients."

Gisele M. Trasente, *Head of Quality Assurance and Data Operations*

Expertise designed for every stage of life

We know that your life and family are always changing. The services you will need tomorrow are different from those you need today. Our experts are prepared to deliver comprehensive solutions, working closely with you every step of the way.

"When a client comes to us with a request, our deep bench of experts responds quickly and helps them tackle any situation."

W. Preston Stahl, Jr.
Regional Director

Pictured this page:

W. Preston Stahl, Jr.
Regional Director

Opposite page, clockwise from top:

James L. Kronenberg
Chief Fiduciary Counsel

Michelle L. Orlowski
Head of Estate Administration

Vikas Bangia
Senior Information Security Architect

Rebecca Patterson
Chief Investment Officer




Expertise applied to your unique needs

Pictured this page, clockwise from left: Stephen P. Emma, *Regional Director*, Gregory D. Carlin, *Wealth Advisor Analyst*, Lindsay W. Koch, *Senior Client Advisor*

Opposite page, clockwise from left: Katherine F. McMaster, *Regional Director*, Marci Spivey, *Senior Tax Consultant*, G. Kyle Nadler, *Client Advisor*

Expertise gets personal when we put all of our experience and skill to work addressing needs and aspirations that are exclusively yours. The result is customized planning based on a deep understanding of your family and wealth.

"We build deep, long-lasting relationships with our clients and their families. When something happens that really matters, we are often their first phone call."

Stephen P. Emma, *Regional Director*

Expertise dedicated to service you can count on

When you work with us, you can depend on us. This means superior service delivered when and where you need it, and a sense of well-being you get from working with professionals who are always looking out for you.

Pictured this page, top to bottom:

Jumi K. Falusi
Philanthropy Advisor

Laura Y. Hur
Senior Client Advisor

Opposite page, clockwise from top:

Michael A. Marquez
Chief Operating Officer

Antonio H. V. Perrotta
Chief Technology Officer

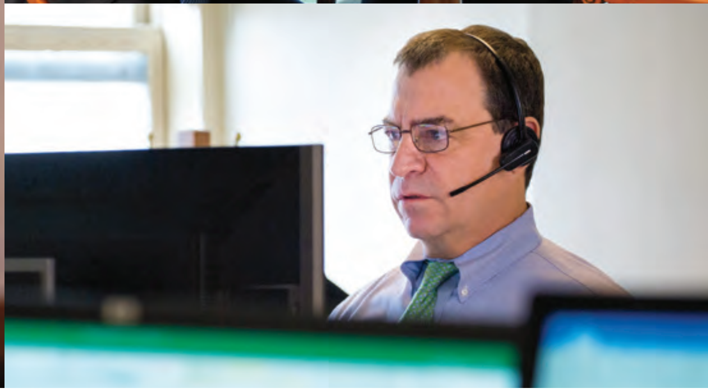
Anna E. White
Director of Investment Communications

Stephen J. Laperla
Quantitative Analyst

Lynn C. Halpern
Senior Fiduciary Counsel

"Clients have specific goals and needs, and they look to us for guidance on how to accomplish them. Finding solutions is what we're about."

Lynn C. Halpern
Senior Fiduciary Counsel



Expertise driven to deliver for you

Everyone at Bessemer Trust shares a commitment to providing the best solutions for you. This is what drives us forward each day. We call on expertise from every corner of the firm, relying on our number-one asset — our people — to serve our number-one priority: you.

Pictured this page, clockwise from left:

Julian C. Swearengin
Associate General Counsel

Steven L. Williamson
General Counsel

Dana G. Fitzsimons, Jr.
Fiduciary Counsel

Megan Castillo
Senior Tax Associate

Wayne M. Miller
Head Trader

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 2017.

Managing Director

A. Kent Kalvaitis
Senior Client Advisor and Director of Structured Solutions

Jane R. Symington
Senior Client Advisor

Mark A. Tremblay
Head of Family Office Services

Principal

Ricardo M. Best
Portfolio Operations Manager

Michael C. Busa
Senior Tax Consultant

Sanjun Chen
Senior Quantitative Analyst

Joseph M. DeCicco
Accounting Manager

Mark E. Doyle
Fiduciary Counsel

Lucelly Dueñas
Fiduciary Counsel

Anthony L. Engel
Fiduciary Counsel

Andrew M. Feder
Head of Real Estate Management

Timothy E. Molloy
Senior Client Advisor

Richard S. Monteith
Director of Alternative Investor Relations

Michelle L. Orlowski
Head of Estate Administration

John R. Quinn
Senior Client Advisor

Americo V. Russo
Senior Tax Manager

Marci Spivey
Senior Tax Consultant

Eric R. Taves
Senior Client Advisor

Jeff R. Webb
Senior Wealth Advisor

Anna E. White
Director of Investment Communications

Christopher A. Zimmer
Senior Client Advisor

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 2017 include the following:

American Banker
CIO Rebecca Patterson 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
Named Best in Wealth Planning

Pictured this page, left to right:

Deborah B. Lo Cascio
Director of Corporate Planning and Strategy

Glenn J. Raplee
Senior Programmer Analyst

Dinyar J. Kalwachwala
Senior Programmer Analyst

Serving our communities

We are committed to giving back to the communities in which we live and work. Throughout the year, our employees across the country volunteered their time and expertise. We partnered with nonprofit organizations that support a diverse range of causes, including hunger relief, natural disaster recovery, and children's health and education.

"When we volunteer as a group, it's a chance to see a different side of my colleagues. It's truly inspiring, and brings us closer together."

Jeffrey F. Winter
Director of Fiduciary Tax Services

Pictured opposite, clockwise from top left:

T. Paul Dalzell
Senior Client Advisor

Benjamin W. Martin
Associate Client Advisor

James C. Terheyden
Associate Wealth Advisor

Diana Yue Sun
Assistant Fiduciary Tax Manager

Erica G. Sanchez
Administrative Assistant

Jeffrey F. Winter
Director of Fiduciary Tax Services

Mona Eng-Goldberg
Senior Fiduciary Tax Manager

A SELECTION OF OUR 2017 VOLUNTEER ACTIVITIES

Drew Charter School
Atlanta

Red Cross Food Pantry
Boston

Rise Against Hunger
Chicago

Hempstead Boys and Girls Club
Garden City

Children's Aid
New York

Quantum House
Palm Beach

Family House
San Francisco

New Endeavors by Women
Washington, D.C.

Elwyn
Wilmington

Boys and Girls Club of Union County
Woodbridge

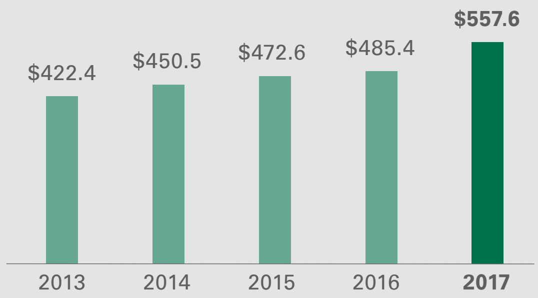
In San Francisco, CA, our employees volunteered at Family House to prepare dinner for residents who are tending to loved ones battling life-threatening illnesses. Our Garden City, NY, employees volunteered with the Hempstead Boys and Girls Club to support its mission to strengthen and empower youth and their families.

Financial Results

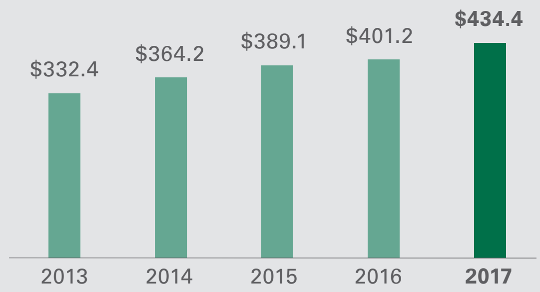
Financial Highlights

Bessemer Trust has remained privately owned for more than 110 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.

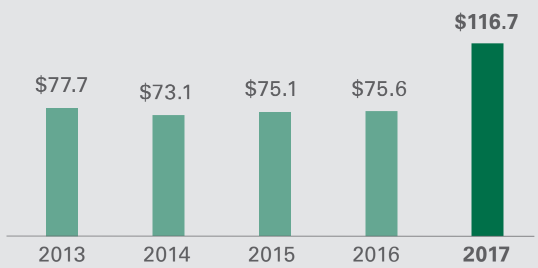
REVENUES
(In millions)



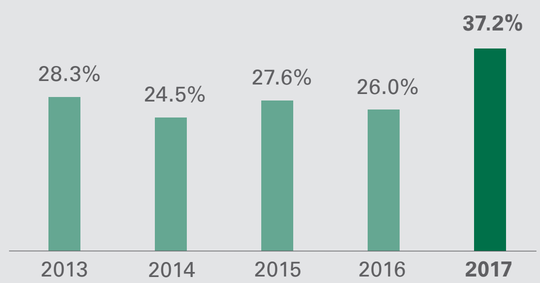
EXPENSES
(In millions)



NET INCOME
(In millions)



RETURN ON AVERAGE EQUITY



(In thousands, except per share data)	**2017**	2016
Revenues	**$557,560**	$485,439
Expenses	**434,414**	401,230
Income taxes	**6,483**	8,651
Net income	**116,663**	75,558
Average shareholders' equity	**313,821**	290,749
Return on average equity	**37.2%**	26.0%
Total distributions to shareholders	**72,653**	54,970
Basic earnings per common share	**46.36**	29.58
Book value per common share	**129.05**	115.75

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 remains strong, characterized by high-quality assets, appropriate liquidity, minimal sensitivity to interest rate risk, and no debt. Shareholders' equity reached a record $323.6 million.

Net income for 2017 totaled a record $116.7 million, up 54.4% over 2016. Strong investment returns in client accounts, positive inflows from existing and new clients, and high client retention contributed to a 12.8% increase in fees from client services in 2017. Other income increased due to higher hedge fund performance fees. Expenses rose 8.3% as the company continued to invest for the future in people, technology, and facilities, as well as increased spending on professional fees. As a Subchapter S corporation that incurs corporate tax only at certain state and local levels, the company's effective tax rate was lower primarily because of changes to state income allocation methodologies that apply to 2017 and several prior years. Income distributions from earnings totaled $7.90 per share in 2017 and $5.50 in 2016.

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 increased $57.7 million in 2017 to $508.7 million. New clients added $3.8 billion in assets, generating $17.6 million in 2017 fees and estimated ongoing annual revenues of approximately $30.0 million. Assets under supervision at December 31, 2017, totaled $140.4 billion, including $70.3 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 39.5% to $32.6 million due to the favorable impact of widening net interest rate spreads and higher average loan balances. Deposit balances at year-end 2017 totaled $2.8 billion, down $0.7 billion from the prior year-end.

Other income increased $5.0 million from 2016 due primarily to higher performance fees earned as manager of the Fifth Avenue hedge funds.

EXPENSES

The company continued to focus on controlling expenses while selectively investing in areas to enhance future growth potential. Total expenses in 2017 were $434.4 million, $33.2 million higher than 2016. Employee compensation and benefits of $296.0 million was up by $28.1 million, or 10.5%, due to new hires and higher incentive compensation levels. Occupancy and equipment costs were $2.1 million higher than 2016 due to growth in office space and higher information technology expenses. An increase of $3.5 million in professional fees and assessments resulted from higher third-party consulting and legal fees. Reduced overhead costs led to a $0.6 million decrease in other expenses.

NET INCOME AND DISTRIBUTIONS

The company's net income totaled $116.7 million in 2017, compared to $75.6 million in 2016. The return on average equity in 2017 was 37.2%.

The company made total distributions to shareholders of $72.7 million in 2017. Income distributions totaled $19.9 million ($7.90 per share) as compared to $14.0 million ($5.50 per share) for 2016. Since the company is a Subchapter S corporation, tax distributions totaling $52.8 million ($20.96 per share) were made in 2017 to cover the shareholders' estimated tax liability associated with the company's 2017 flow-through taxable income.

FINANCIAL CONDITION

The company ended the year with total corporate assets in excess of $3.4 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 $2.7 million at December 31, 2017.

Shareholders' equity increased by $28.1 million in 2017. 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 $8.8 million was recorded on December 31, 2017. 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)*	**2017**	2016
ASSETS		
Cash and cash equivalents	**$ 983,825**	$2,270,317
Securities available for sale	**1,311,804**	746,139
Loans, secured by marketable securities	**753,764**	657,865
Receivables	**70,804**	56,847
Premises and equipment	**52,979**	58,763
Goodwill	**76,307**	76,307
Other investments	**130,028**	114,970
Other assets	**33,551**	29,787
Total Assets	**$3,413,062**	$4,010,995
LIABILITIES		
Deposits	**$2,752,305**	$3,409,209
Accrued expenses and other liabilities	**337,163**	306,297
Total Liabilities	**$3,089,468**	$3,715,506
SHAREHOLDERS' EQUITY		
Common stock and surplus	**$ 83,118**	$ 83,118
Retained earnings	**410,532**	366,522
Accumulated other comprehensive loss, net of tax	**(66,261)**	(57,269)
Treasury stock, at cost	**(103,795)**	(96,882)
Total Shareholders' Equity	**323,594**	295,489
Total Liabilities and Shareholders' Equity	**$3,413,062**	$4,010,995

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31: *(In thousands, except per share data)*	**2017**	2016
REVENUES		
Fees from client services	**$508,724**	$450,983
Net interest income	**32,600**	23,364
Net realized gains on securities available for sale	**1,302**	1,186
Other income	**14,934**	9,906
Total Revenues	**557,560**	485,439
EXPENSES		
Employee compensation and benefits, including long-term incentives	**295,974**	267,838
Occupancy and equipment	**69,047**	66,900
Professional fees and assessments	**26,398**	22,887
Other expenses	**42,995**	43,605
Total Expenses	**434,414**	401,230
INCOME BEFORE PROVISION FOR INCOME TAXES	**123,146**	84,209
Provision for income taxes	**6,483**	8,651
NET INCOME	**$116,663**	$ 75,558
Earnings per share	**$ 46.36**	$ 29.58
NET INCOME	**$116,663**	$ 75,558
Other comprehensive loss, net of tax:		
Net change in net unrealized gains on securities available for sale	**(207)**	278
Pension and other post-retirement benefit adjustments	**(8,785)**	(4,374)
Other comprehensive loss, net of tax	**(8,992)**	(4,096)
COMPREHENSIVE INCOME	**$107,671**	$ 71,462

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31: *(In thousands)*	**2017**	2016
COMMON STOCK AND SURPLUS		
Balance, beginning of year	**$ 83,118**	$ 83,096
Other, net	**—**	22
Balance, end of year	**83,118**	83,118
RETAINED EARNINGS		
Balance, beginning of year	**366,522**	345,934
Net income	**116,663**	75,558
Distributions to shareholders:		
For income taxes (per share 2017, $20.96; 2016, $16.02)	**(52,801)**	(40,923)
From earnings (per share 2017, $7.90; 2016, $5.50)	**(19,852)**	(14,047)
Balance, end of year	**410,532**	366,522
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX		
Balance, beginning of year	**(57,269)**	(53,173)
Other comprehensive loss	**(8,992)**	(4,096)
Balance, end of year	**(66,261)**	(57,269)
TREASURY STOCK, AT COST		
Balance, beginning of year	**(96,882)**	(95,732)
Class B non-voting common stock repurchase	**(6,913)**	(1,150)
Balance, end of year	**(103,795)**	(96,882)
Total Shareholders' Equity	**$323,594**	$295,489

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended December 31: *(In thousands)*	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 116,663**	$ 75,558
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	**633**	(269)
Depreciation and amortization on premises and equipment	**15,634**	15,262
Net (discount accretion)/premium amortization of debt securities available for sale	**(1,676)**	3,151
Net realized gains on securities available for sale	**(1,302)**	(1,186)
Impairment charges on securities available for sale	**—**	360
Increase in receivables and other assets	**(17,376)**	(1,842)
Increase in other investments	**(13,095)**	(19,396)
Increase in accrued expenses and other liabilities	**21,041**	19,596
Net Cash Provided by Operating Activities	**120,522**	91,234
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of securities available for sale	**12,374**	16,799
Proceeds from maturities, calls and mandatory redemptions of securities available for sale	**1,083,359**	1,396,809
Purchases of securities available for sale	**(1,660,550)**	(1,481,883)
Net increase in loans	**(95,899)**	(67,809)
Capitalized computer software	**(3,933)**	(2,004)
Purchases of premises and equipment	**(5,895)**	(14,972)
Net Cash Used in Investing Activities	**(670,544)**	(153,060)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease)/increase in deposits	**(656,904)**	465,624
Purchases of treasury stock	**(6,913)**	(1,150)
Income tax distributions to shareholders	**(52,801)**	(40,923)
Income distributions from earnings to shareholders	**(19,852)**	(14,047)
Other, net	**—**	22
Net Cash (Used in)/Provided by Financing Activities	**(736,470)**	409,526
Net (Decrease)/Increase in Cash and Cash Equivalents	**(1,286,492)**	347,700
Cash and Cash Equivalents, beginning of year	**2,270,317**	1,922,617
Cash and Cash Equivalents, end of year	**$ 983,825**	$2,270,317
CASH PAYMENTS		
Interest	**$ 8,949**	$ 2,569
Income taxes	**9,448**	7,562
NON-CASH INVESTING ACTIVITY		
Transfer from securities available for sale to other investments	**$ 1,962**	—

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements for the Years Ended December 31, 2017, and 2016

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 of its 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 primarily include 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 securities. Other investments are reported at fair value. The Company has elected trading securities 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 — Client 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 2,516,560 during 2017 and 2,554,327 during 2016.

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 (loss)/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 16, 2018, 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 will have. The impact will consist primarily of a statement of financial condition gross-up of the Company's operating leases to show equal and offsetting lease assets and lease liabilities.

In January 2016, the FASB issued authoritative guidance requiring 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 contracts 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)	**2017**	2016
Non-interest bearing — Cash and due from banks	**$ 8,621**	$ 7,790
Interest-bearing:		
Deposit with the Federal Reserve Bank of New York	**867,158**	1,902,619
Deposits with other banks	**18,031**	12,842
Short-term investments	**90,015**	347,066
	$983,825	$2,270,317

NOTE 4. SECURITIES AVAILABLE FOR SALE

The cost and estimated fair value of securities available for sale at December 31, 2017, and 2016, were as follows:

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2017:				
Debt obligations of:				
U.S. Treasury and Government Agencies	**$1,194,909**	**$ —**	**$ 1,636**	**$1,193,273**
States and political subdivisions	**91,400**	**7**	**1,004**	**90,403**
Marketable equity securities	**22,508**	**5,625**	**5**	**28,128**
	$1,308,817	**$5,632**	**$ 2,645**	**$1,311,804**
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

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

(In thousands)	**2017**	2016
Gross realized gains from sales	**$ 1,422**	$ 1,777
Gross realized losses from sales	**(120)**	(591)
Net realized gains on securities available for sale	**$ 1,302**	$ 1,186

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

	2017		2016	
(In thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
U.S. Treasury and Government Agencies:				
Within one year	**$1,163,030**	**$1,161,703**	$618,402	$618,450
After one, but within five years	**31,879**	**31,570**	100	100
	$1,194,909	**$1,193,273**	$618,502	$618,550
States and political subdivisions:				
Within one year	**$ 6,394**	**$ 6,383**	$ 90,132	$ 90,054
After one, but within five years	**83,806**	**82,823**	6,564	6,566
Five to ten years	**1,200**	**1,197**	1,876	1,827
Over ten years	**—**	**—**	—	—
	$ 91,400	**$ 90,403**	$ 98,572	$ 98,447

There were no securities available for sale at December 31, 2017, and 2016, 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:

	2017		2016	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Treasury and Government Agencies	**$ 329,528**	**$ 1,636**	$ —	$ —
States and political subdivisions	**86,002**	**1,004**	87,380	148
Marketable equity securities	**3,218**	**5**	5,441	151

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 $0 and $360,000 related to marketable equity securities during 2017 and 2016, respectively, with an estimated fair value at the time of impairment of $0 and $1,298,000, respectively.

At January 1, 2017, a distinct portfolio of marketable equity securities managed primarily using quantitative investment strategies and valued at $1,962,000 was transferred from the available for sale category to the trading category and is included in Other investments. Related net unrealized losses of $1,000 for this portfolio were reclassed from Accumulated other comprehensive loss to Other income.

NOTE 5. SEGREGATED ASSETS

Short-term investments and securities available for sale with an aggregate estimated fair value of $62,961,000 and $1,249,481,000, respectively, were segregated at December 31, 2017, as required by law for a portion of deposits of subsidiary banks. At December 31, 2016, the aggregate estimated fair value of such segregated assets amounted to $299,860,000 of short-term investments and $700,118,000 of securities available for sale.

NOTE 6. PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at December 31:

(In thousands)	**2017**	2016
Land	**$ 1,487**	$ 1,487
Building	**7,620**	8,064
Leasehold improvements	**63,653**	66,454
Computer software	**57,496**	89,540
Computer hardware	**19,985**	30,907
Furniture, fixtures, and office equipment	**23,605**	34,007
	173,846	230,459
Less — Accumulated depreciation and amortization	**(120,867)**	(171,696)
	$ 52,979	$ 58,763

NOTE 7. DEPOSITS

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

(In thousands)	**2017**	2016
Demand deposits	**$ 196,425**	$ 207,374
Money market deposits	**2,555,880**	3,201,835
	$2,752,305	$3,409,209

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 2017 and 2016. The Company pledged certain of its alternative investment funds with a fair value of $876,000 and $1,666,000 as of December 31, 2017, and 2016, 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)	**2017**	2016
Interest income:		
Cash equivalents	**$12,408**	$ 7,631
Securities available for sale	**9,302**	2,980
Loans	**20,593**	15,574
	42,303	26,185
Interest expense on deposits	**9,703**	2,821
Net interest income	**$32,600**	$23,364

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments, where appropriate, as part of its risk management activities and to meet the needs of its clients. Derivative financial instruments are recorded at fair value and included within Other assets and Other liabilities.

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 2017 and 2016. At December 31, 2017, and 2016, the notional principal amounts of swaps amounted to $6,000,000 and $6,000,000, respectively. The related estimated fair value of the swap contracts was approximately $200,000 and $137,000 as of December 31, 2017, and 2016, respectively, and is included in Other assets.

The Company entered into a forward foreign currency contract during 2017 to meet the needs of a client. Forward foreign currency contracts are agreements between two parties to purchase or sell foreign currencies at negotiated forward rates. At December 31, 2017, the notional principal amounts of forward foreign currency contracts amounted to $6,963,000. The Company entered into bilateral over-the-counter contracts not formally designated as accounting hedges. The fair value of the derivative asset and liability as of December 31, 2017, was approximately $268,000 each. Realized and unrealized gains and losses on forward foreign currency contracts are included in Other income.

NOTE 12. 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 $5,778,000 and $423,000 and carried interest of $1,633,000 and $4,961,000 during 2017 and 2016, respectively.

NOTE 13. RELATED-PARTY TRANSACTIONS

Revenues and expenses for the years ended December 31, 2017, and 2016, 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)	**2017**	2016
Revenues — Fees received from BSLLC for investment advisory and custody services	**$3,520**	$3,159
Expenses reimbursed by BSLLC:		
Occupancy costs	**$1,304**	$1,008
Allocated direct costs for various services provided, reported by the Company as a reduction of other expenses	**2,108**	1,847
Expenses reimbursed by BSLLC	**$3,412**	$2,855

Included in the statements of financial condition are money market deposit liabilities to BSLLC of $131,968,000 and $275,986,000 at December 31, 2017, and 2016, respectively.

Included in Receivables are overnight advances to certain clients of the Company's trust departments of $273,000 and $1,398,000 at December 31, 2017, and 2016, respectively.

NOTE 14. COMMITMENTS AND CONTINGENCIES

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 $28,030,000 and $27,030,000 in 2017 and 2016, respectively. The approximate minimum total annual rentals (in thousands) under these leases (exclusive of a reduction for subleases aggregating $4,957,000) at December 31, 2017, were as follows:

2018	$ 27,728
2019	28,293
2020	26,903
2021	25,955
2022	8,221
Thereafter	52,910
	$170,010

The Company is contingently liable for outstanding standby letters of credit of $12,067,000 at December 31, 2017, issued on behalf of customers. The Company holds customers' marketable securities, fully securing such commitments.

In the ordinary course of business, the Company is subject to litigation, claims, and proceedings. Management, after consultation with legal counsel, does not anticipate these matters to have a material adverse effect on the consolidated financial statements of the Company.

NOTE 15. INCOME TAXES

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

(In thousands)	**2017**	2016
Current:		
Federal	**$ —**	$ —
State and local	**5,761**	8,812
Foreign	**89**	108
	5,850	8,920
Deferred:		
Federal	**—**	—
State and local	**617**	(282)
Foreign	**16**	13
	633	(269)
	$ 6,483	$ 8,651

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, including changes to state allocation factors. The Tax Cuts and Jobs Act, which provided significant tax reform, was enacted on December 22, 2017. The impact of the legislation was not material to the Company.

The elements of the net deferred tax assets recorded in Other assets at December 31, 2017, and 2016, were as follows:

(In thousands)	**2017**	2016
Deferred tax assets	**$26,999**	$24,424
Deferred tax liabilities	**(13,345)**	(11,062)
Net deferred tax assets	**$ 13,654**	$13,362

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, 2017. 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, 2017, the Company's federal and New York State income tax returns that remain subject to examination under the statute of limitations are from 2014 forward. The tax years that remain subject to examination by other major tax jurisdictions, including New York City and New Jersey, under the statute of limitations are from 2013 forward.

NOTE 16. 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 $33,128,000 and $28,653,000 in 2017 and 2016, 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. 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 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.

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

	Pension Benefits		Other Benefits	
	2017	2016	**2017**	2016
Benefit expense during the year	**$ 1,408**	$ 1,492	**$ 1,117**	$ 1,053
Employer contribution during the year	**5,095**	3,609	**984**	880
Benefits paid during the year	**6,252**	5,961	**1,155**	1,022
Projected benefit obligation at December 31:	**$178,438**	$164,243	**$ 35,313**	$ 31,388
Fair value of qualified plan assets at December 31:	**104,428**	92,527	**—**	—
Funded status at December 31:	**$ (74,010)**	$ (71,716)	**$(35,313)**	$(31,388)
Accumulated benefit obligation at December 31:	**$178,438**	$164,243		
Amounts recognized in the statement of financial condition at December 31:				
Assets	**$ —**	$ —	**$ —**	$ —
Liabilities	**(74,010)**	(71,716)	**(35,313)**	(31,388)
Net amounts recognized	**$ (74,010)**	$ (71,716)	**$(35,313)**	$(31,388)
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate — qualified plan	**3.81%**	4.38%	**—**	—
Discount rate — non-qualified plan	**3.54%**	4.00%	**3.84%**	4.43%
Rate of compensation increase	**—**	—	**—**	—
Weighted-average assumptions used to determine net periodic benefit cost during the year:				
Discount rate — qualified plan	**4.38%**	4.44%	**—**	—
Discount rate — non-qualified plan	**4.00%**	4.15%	**4.43%**	4.45%
Expected long-term return on plan assets	**6.75%**	6.75%	**—**	—
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 $11,071,000 and $10,479,000 at December 31, 2017, and 2016, respectively.

The assumed health care cost trend rate is 7.5% pre-Medicare and 6.5% post-Medicare in 2017 and is estimated at 7.5% in 2018, decreasing gradually to 4.75% in 2025 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 2018.

Benefit expense for 2018 is expected to include the following estimated amounts (in thousands) related to the amortization of net actuarial loss and prior service credit from Accumulated other comprehensive loss:

	Pension Benefits	Other Benefits
Net actuarial loss	$1,594	$1,040
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	**2017**	2016
Equity securities	40–75%	**64%**	61%
Fixed income securities	20–45%	**24%**	27%
Alternative assets	0–15%	**10%**	10%
Other assets	0–15%	**2%**	2%

The Company uses the framework and techniques described in Note 20 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, 2017, and 2016, 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
2017:				
Equity securities	**$ 47,074**	**$ —**	**$ —**	**$ 47,074**
Fixed income securities	**4,192**	**—**	**—**	**4,192**
Other assets	**—**	**—**	**—**	**—**
	$ 51,266	**$ —**	**$ —**	**$ 51,266**
2016:				
Equity securities	$ 41,660	$ —	$ —	$ 41,660
Fixed income securities	6,137	—	—	6,137
Other assets	3	—	—	3
	$ 47,800	$ —	$ —	$ 47,800

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, 2017, and 2016, amounted to $40,888,000 and $33,816,000, respectively, and are not classified within the fair value hierarchy. The fair value of alternative asset investments at December 31, 2017, and 2016, amounted to $10,327,000 and $9,476,000, 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, 2017, and 2016, that approximated their carrying amount of $1,947,000 and $1,435,000, 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 2018, the Company expects to contribute $3,200,000 and $1,061,000 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 made for the years ending December 31 (in thousands):

	Pension Benefits	Other Benefits
2018	$ 6,858	$1,061
2019	7,374	1,089
2020	7,358	1,156
2021	7,615	1,234
2022	8,353	1,326
Years 2023–2027	46,708	8,689

NOTE 17. 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 $2,988,000 and $6,858,000 in 2017 and 2016, 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 18. SHAREHOLDERS' EQUITY

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

(In thousands)	**2017**	2016
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	**1,903**	1,903
Class B non-voting — authorized 1,500,000 shares, issued 1,159,609 shares and outstanding 137,876 shares in 2017 and 183,276 shares in 2016	**1,160**	1,160
	3,540	3,540
Surplus	**79,578**	79,578
	$83,118	$83,118

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 2017 and 2016, 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 2017, the Company purchased at fair value and held in treasury 45,400 shares of its Class B non-voting common stock (no par value) for $6,913,000 in cash. 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.

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 $123,264,000 of the Company's consolidated Retained earnings of $410,532,000 at December 31, 2017, 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 19. OTHER COMPREHENSIVE LOSS

Other comprehensive loss consisted of the following activity:

(In thousands)	Amount Before Taxes	Income Tax Effect	Amount Net of Taxes
2017:			
Net unrealized gains on securities available for sale:			
Change in net unrealized gains	**$ 1,159**	**$ (121)**	**$ 1,038**
Less — net realized gains included in net income	**(1,302)**	**57**	**(1,245)**
Pension and other post-retirement benefit adjustments:			
Change in net actuarial loss	**(8,184)**	**859**	**(7,325)**
Change in prior service credit	**(1,589)**	**129**	**(1,460)**
Other comprehensive loss	**$ (9,916)**	**$ 924**	**$ (8,992)**
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)

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

(In thousands)	**2017**	2016
Net unrealized gains on securities available for sale	**$ 2,664**	$ 2,871
Pension and other post-retirement benefit adjustments:		
Net actuarial loss	**(81,827)**	(73,643)
Tax benefit on net actuarial loss	**8,888**	8,029
Prior service credit	**4,769**	6,358
Tax provision on prior service credit	**(755)**	(884)
	$(66,261)	$(57,269)

NOTE 20. 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, 2017, and 2016, 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
2017:				
Securities available for sale:				
Debt obligations of:				
U.S. Treasury and Government Agencies	**$482,301**	**$710,972**	**$ —**	**$1,193,273**
States and political subdivisions	**—**	**90,403**	**—**	**90,403**
Marketable equity securities	**28,128**	**—**	**—**	**28,128**
	510,429	**801,375**	**—**	**1,311,804**
Other investments:				
Marketable equity securities	**130,028**	**—**	**—**	**130,028**
Other assets:				
Derivative assets	**—**	**468**	**—**	**468**
Total assets measured at fair value	**$640,457**	**$801,843**	**$ —**	**$1,442,300**
Other liabilities:				
Derivative liabilities	**$ —**	**$ 268**	**—**	**$ 268**
Total liabilities measured at fair value	**$ —**	**$ 268**		**$ 268**
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

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.

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 and liabilities (interest rate swaps and forward foreign currency contracts). 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.

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, 2017, and 2016.

The table on the previous page 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, 2017, and 2016:

(In thousands)	**2017**	2016
Fifth Avenue private equity funds	**$1,334**	$2,271
Fifth Avenue real asset funds	**425**	525
	$1,759	$2,796

Fifth Avenue private equity funds and Fifth Avenue 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, 2017, unfunded commitments in Fifth Avenue private equity funds and Fifth Avenue real asset funds amounted to $115,000 and $236,000, respectively. Additional information on the investment objectives and strategies follows.

Fifth Avenue private equity funds include investments in several limited liability companies that invest in private capital and venture capital–type investments. Fifth Avenue 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 had 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 21. CAPITAL REQUIREMENTS

The Company and its subsidiary banks are subject to the capital adequacy rules of U.S. regulators. As of December 31, 2017, 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, 2017, 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 1, and Tier 1 Capital to risk-weighted assets, and Tier 1 Capital to average assets, as defined by regulation. Based upon the capital structure of the Company and its subsidiary banks, Common Equity Tier 1 Capital equals Tier 1 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 for the Company and its subsidiary banks at December 31, 2017, and 2016, follow:

			Ratios		
(In thousands)	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
2017:					
Consolidated	**$322,392**	**$319,864**	**20.8%**	**20.7%**	**10.5%**
Bessemer Trust Company	**71,145**	**69,997**	**23.3%**	**22.9%**	**8.6%**
Bessemer Trust Company, N.A.	**157,485**	**157,485**	**19.3%**	**19.3%**	**8.0%**
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%

The following table presents the regulatory minimum and well-capitalized ratios at December 31, 2017, and 2016:

	Minimum Capital Ratios	Well-Capitalized Ratios
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 22. 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 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 taken to be fully in compliance. 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, 2017 and 2016, 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 the 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, 2017 and 2016, 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 16, 2018
New York, New York

Five-Year Comparative Summary

RESULTS OF OPERATIONS *(In thousands, except per share data)*	**2017**	2016	2015	2014	2013
REVENUES					
Fees from client services	**$ 508,724**	$ 450,983	$ 446,550	$ 422,319	$ 379,069
Net interest income	**32,600**	23,364	19,496	18,646	17,919
Other income	**16,236**	11,092	6,552	9,544	25,393
Total Revenues	**557,560**	485,439	472,598	450,509	422,381
EXPENSES					
Employee compensation and benefits	**295,974**	267,838	256,553	246,085	228,731
Other expenses	**138,440**	133,392	132,523	118,139	103,680
Total Expenses	**434,414**	401,230	389,076	364,224	332,411
INCOME					
Income before provision for income taxes	**123,146**	84,209	83,522	86,285	89,970
Provision for income taxes	**6,483**	8,651	8,411	13,152	12,297
Net income	**$ 116,663**	$ 75,558	$ 75,111	$ 73,133	$ 77,673
Basic earnings per share	**$ 46.36**	$ 29.58	$ 29.12	$ 27.85	$ 29.56
DISTRIBUTIONS TO SHAREHOLDERS					
For income taxes (per share)	**$ 20.96**	$ 16.02	$ 16.85	$ 16.91	$ 16.93
From earnings (per share)	**$ 7.90**	$ 5.50	$ 5.58	$ 5.59	$ 5.76
FINANCIAL CONDITION AT DECEMBER 31					
Assets	**$3,413,062**	$4,010,995	$3,505,698	$3,293,803	$3,231,082
Liabilities	**3,089,468**	3,715,506	3,225,573	3,025,830	2,933,970
Shareholders' equity	**$ 323,594**	$ 295,489	$ 280,125	$ 267,973	$ 297,112
Book value per share	**$ 129.05**	$ 115.75	$ 109.40	$ 102.22	$ 113.08

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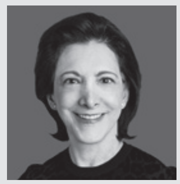

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Jeffrey F. Winter
David D. Woodworth, Regional Director
Patrick M. Yoh
Laura K. Zeigler
Christopher A. Zimmer

Office Locations

3455 Peachtree Road, N.E.
Atlanta, GA 30326
Kay McMaster
(404) 965-9300

Two International Place
Boston, MA 02110
Tim McBride
(617) 279-4080

70 West Madison Street
Chicago, IL 60602
Mike Okun
(312) 220-9898

300 Crescent Court
Dallas, TX 75201
Preston Stahl
(214) 981-9400

3200 Cherry Creek South Drive
Denver, CO 80209
Steve Emma
(303) 586-8800

1225 Franklin Avenue
Garden City, NY 11530
Steve Baxley
(516) 508-9600

George Town
Grand Cayman, Cayman Islands
Jackie Stirling
(345) 949-6674

600 Steamboat Road
Greenwich, CT 06830
Stephen Watson
(203) 489-1100

109 North Post Oak Lane
Houston, TX 77024
Jim Chandler
(713) 803-2850

9 South Street
London W1K 2XA
United Kingdom
Chris Judge
+44 (0) 20 7290 9300

10250 Constellation Boulevard
Los Angeles, CA 90067
Jeff Glowacki
(213) 892-0900

801 Brickell Avenue
Miami, FL 33131
Gerardo Nout
(305) 372-5005

3777 Tamiami Trail North
Naples, FL 34103
David Bunce
(239) 435-0034

630 Fifth Avenue
New York, NY 10111
Kevin Rochford
(212) 708-9100

222 Royal Palm Way
Palm Beach, FL 33480
George Wilcox
(561) 655-4030

101 California Street
San Francisco, CA 94111
David Woodworth
(415) 291-1810

Two Union Square
601 Union Street
Seattle, WA 98101
Steve Kutz
(206) 922-6310

900 Seventeenth Street, NW
Washington, D.C. 20006
Pat Boyle
(202) 659-3330

1007 North Orange Street
Wilmington, DE 19801
George Kern
(302) 230-2675

100 Woodbridge Center Drive
Woodbridge, NJ 07095
Kevin Rochford
(212) 708-9100

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