BESSEMER
TRUST

It's Personal.

Annual Report 2019

It always has been.

Beste Portnoff
Head of Operational Due Diligence (top)

Sean G. Gillia
Thought Leadership Marketing Manager (bottom)

Today, personalization too often has nothing to do with people.

At Bessemer, we know you rely on us for our deep expertise and intimate understanding of who you are. Recognizing what you need — when and why — is and always has been the heart of our business.

For us, personal is not a trend. It's who we are.

Stuart S. Janney, III
Chairman

Marc D. Stern
Chief Executive Officer

To Our Clients, Shareholders, and Employees:

Technology comes at all of us every day. Today's smartphone has 100,000 times the processing power of the computer that brought Neil Armstrong to the moon. And innovation is far from over: Nearly 3.5 million patent applications were filed globally last year, up 75% over the last decade.

But how to harness it? Some companies seem to use technology as a substitute for meaningful personal relationships. To us, though, it's no replacement for human connections; when designed with clients in mind, innovation can enhance personal attention and service. Indeed, as a multifamily office continuously owned by the founding family, knowing and understanding our clients as individuals is at our core.

Our focus on clients drives our prioritization of key initiatives. Utilizing new technologies, in 2019 we provided our clients with easier access to critical information, including a new mobile app, and we invested in systems to protect client information, including new secure email communications. In addition, we broadened the capabilities of the 1,000 talented professionals across Bessemer through expanded investment strategies, additional expertise in philanthropic planning, and a new interactive system to make training more accessible. In 2019, we also began to design our new headquarters in New York's Rockefeller Center; we look forward to welcoming you in mid-2021 to a space combining sophisticated, modern technology in a warm, welcoming setting.

15K

MEETINGS WITH CLIENTS

98%

TEN-YEAR CLIENT ASSET RETENTION RATE

$0

OUTSTANDING DEBT

We are grateful for our teams of employees who deliver the excellent advice and service our clients depend on. This past year, we were delighted to recognize excellence by naming these colleagues as managing directors: Lisa Corcoran, director of private markets; Patrick Darcy, chief information security officer; John Jiang, director of investment quantitative R&D; Deborah Lo Cascio, head of corporate analysis and planning; Michael Morrisroe, portfolio manager; Brian Schlusselberg, Kim Stuermann, and Kevin Weschler, New York directors of client advisory; and Taylor Heininger, Arturo Pedroso, and Ben Sloan, regional directors in Los Angeles, Miami, and Palm Beach, respectively. We were also delighted that Holly MacDonald, who was hired four years ago as chief investment strategist, was named chief investment officer at year-end. Key statistical and financial measures reinforce the firm's sustainability. In 2019, we retained more than 98% of client assets and welcomed 118 new clients to Bessemer. The investment portfolios we oversee for clients — helped by favorable security selection in most of our equity and bond portfolios — delivered an overall Balanced Growth return of 21% last year, slightly ahead of the relevant benchmark. Our solid financial position is reflected in 2019 revenues of $679.9 million, net income of $138.3 million, and income distributed to shareholders of $9.64 per

11K	$4.5B	3:1
TRUSTS FOR WHICH WE SERVE AS FIDUCIARY	IN ASSETS FROM NEW CLIENTS	CLIENT-TO-EMPLOYEE RATIO

share, and the firm remains well capitalized by regulatory standards, with shareholders' equity totaling $402.9 million as of December 31.

As we move into 2020, the world faces the challenges of coronavirus, trade disruptions, elections, and market volatility. We believe we are well prepared. Our private ownership, singular focus, alignment of interests, and strong balance sheet enable us to focus on the long term with a clear head.

Our mission is centered on building a trusted relationship with each client. For us, it's personal — and it has been throughout our 112-year history. Only by continuously investing in our people, our capabilities, and new technologies can we deliver both the comprehensive services and highly personalized attention our clients rely on.

Thank you for your trust in us and your important role in our long-term success.

Stuart S. Janney, III
Chairman

Marc D. Stern
Chief Executive Officer

Because what matters most to you matters most to us

Our only business is advising individuals and families, and our sole focus is creating an experience that's meaningful for you. This starts and ends with making your priorities ours, so you can be confident your best interests drive everything we do for you.

"My role is understanding what's important in a client's life. Like the extensive art collection he enjoys so much and periodically lends to schools and museums so others can enjoy it, too."

Susan Anderson
Senior Client Advisor

Clockwise from top left:

Thomas L. Walsh, Jr.
Senior Client Advisor

Hash Patel
Hedge Fund Accountant

Alice C. Bowie
Client Advisor

Michael A. Marquez
Chief Operating Officer (left)

Ricardo M. Best
Portfolio Operations Manager (right)

Because sound advice gives you peace of mind

We understand your hopes and goals — as well as what keeps you up at night. We mold our expertise to fit your needs and concerns, so you know you have the best solutions in place.

"Strong family bonds are important to our clients, but time can be a challenge. As Trustee, we often have the ability to exercise discretion to help families come together to share experiences — like the annual trip to the family summer home."

Laura Giella
Senior Fiduciary Officer

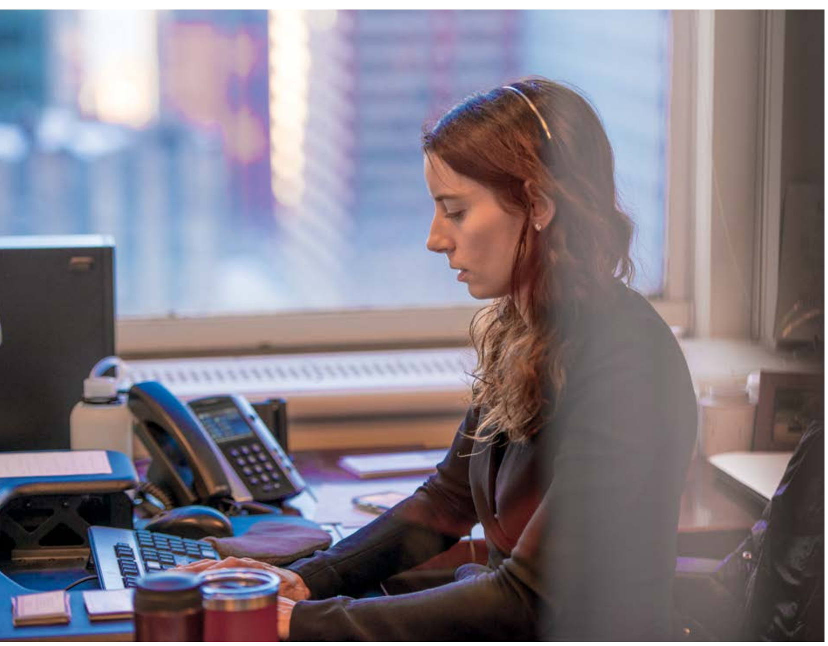
Clockwise from
top right:

J.P. Coviello
Senior Investment Strategist

Gregory M. Lester
Senior Client Advisor

Kira R. Rosoff
Senior Wealth Advisor

Meredith M. Anderson
Associate Client Advisor




BESSEMER

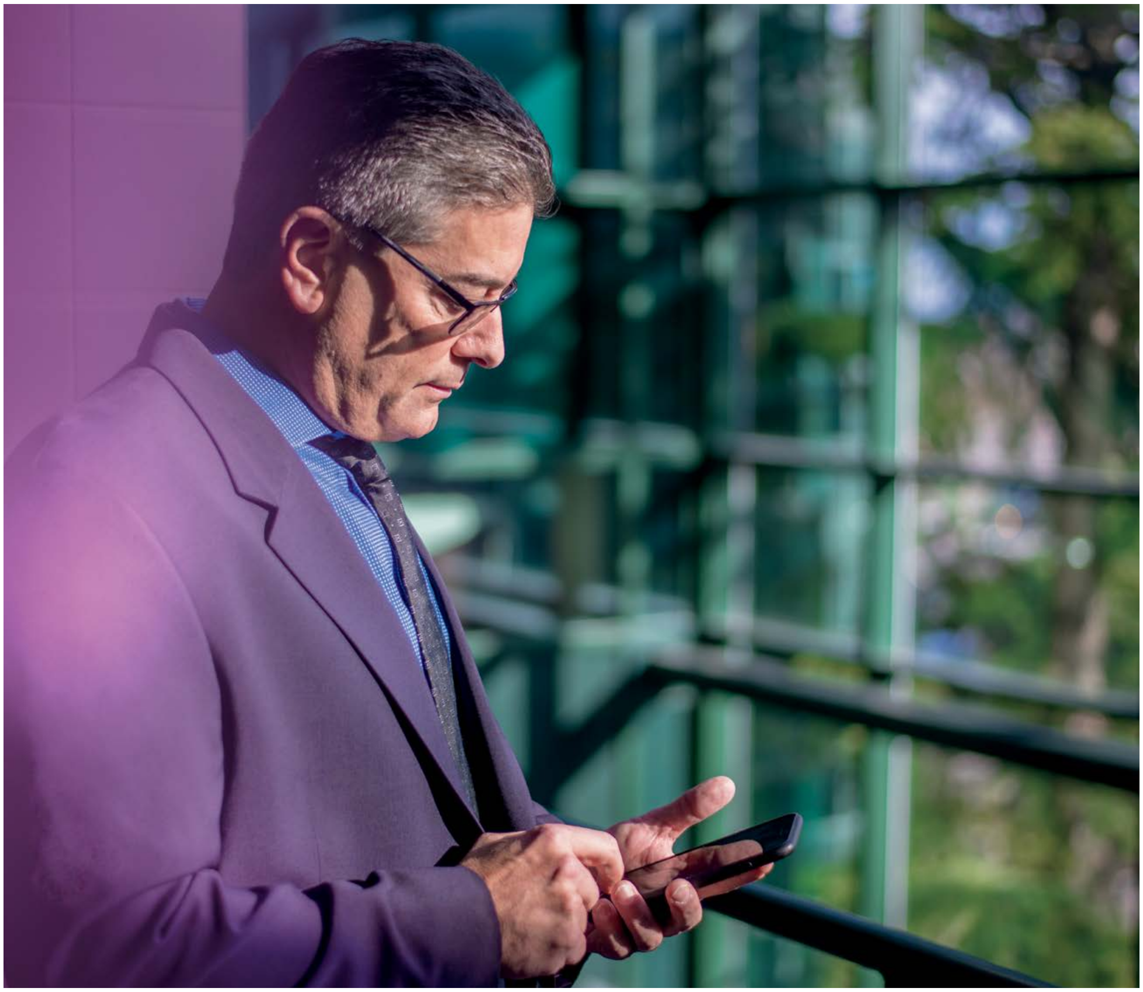
"The time I spend with clients goes beyond reviewing their portfolio. I enjoy hearing about their passions and interests — from cycling to travel to the philanthropic efforts that are so dear to them. I really look forward to our time together."

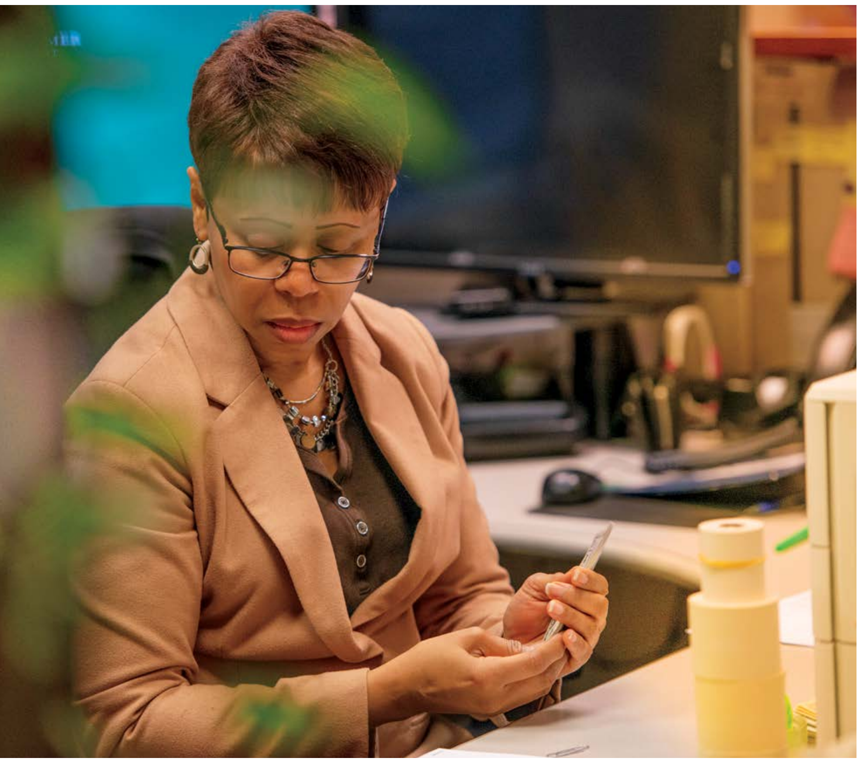
Thom Healy, Jr.

Senior Client Advisor

Because our relationship with you is lasting

Our relationship is with *you*, not your wealth. That's why we truly get to know you and the details of your life. For us, growing and protecting your wealth isn't a formula — it's a long-term, thoughtful partnership.





Clockwise from top left:

Christopher A. Skopetos
Director of Tax Management Services

Sharon Shaw
Senior Accounts Payable Associate

Richard S. Monteith
Director of Alternative Investor Relations

Lucy Kantor
Office Manager

Because your life doesn't stand still

As you take on new endeavors, celebrate milestones, and tackle difficult transitions, it's important to have a trusted partner. We're there for you with tailored ideas and recommendations every step of the way.

"My clients had a baby, so I sent them a piggy bank as a gift. I hope the child uses it and learns to save, but I also want my clients to know that I'm here and thinking about the next generation."

Kenny Riddell
Senior Client Advisor

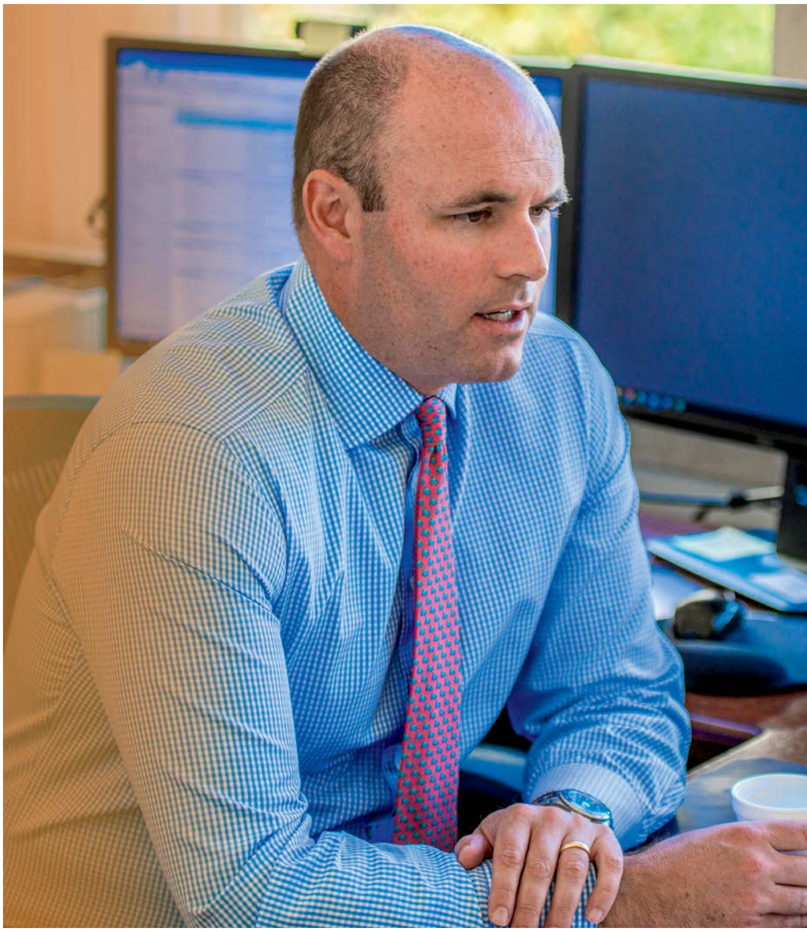
Clockwise from top left:

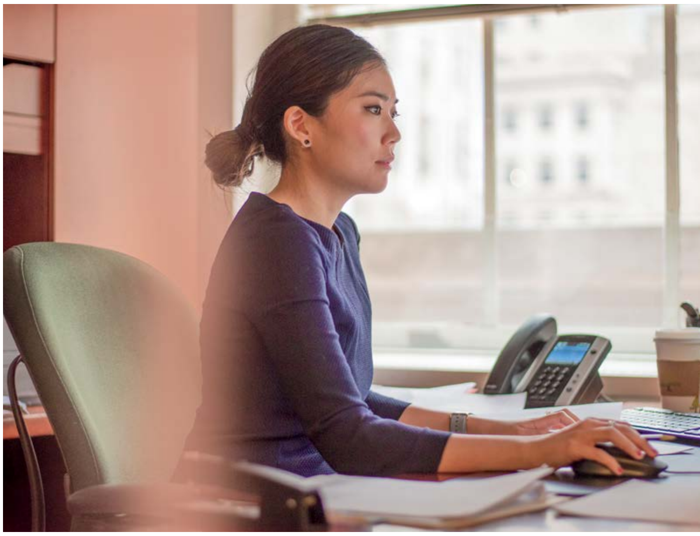
Benjamin P. Sloan
Regional Director

Kevin C. Gerard
Client Advisor

Lori A. Wunder
Bank Operations Manager

Ashley Pyon
Assistant General Counsel





Because expertise is only part of the story

Your experience with Bessemer comes down to your experience with our people. All of us believe passionately in doing what's right for you, and we thrive in an environment that values collaboration and thoughtfulness. The more our firm supports our teams, the better they can support you.

"Everything I do comes down to protecting our clients. When I evaluate a provider, it's more than reviewing the paperwork. I get to know their culture so I can be confident our clients are in good hands."

Tina Francis

Information Security Risk Analyst

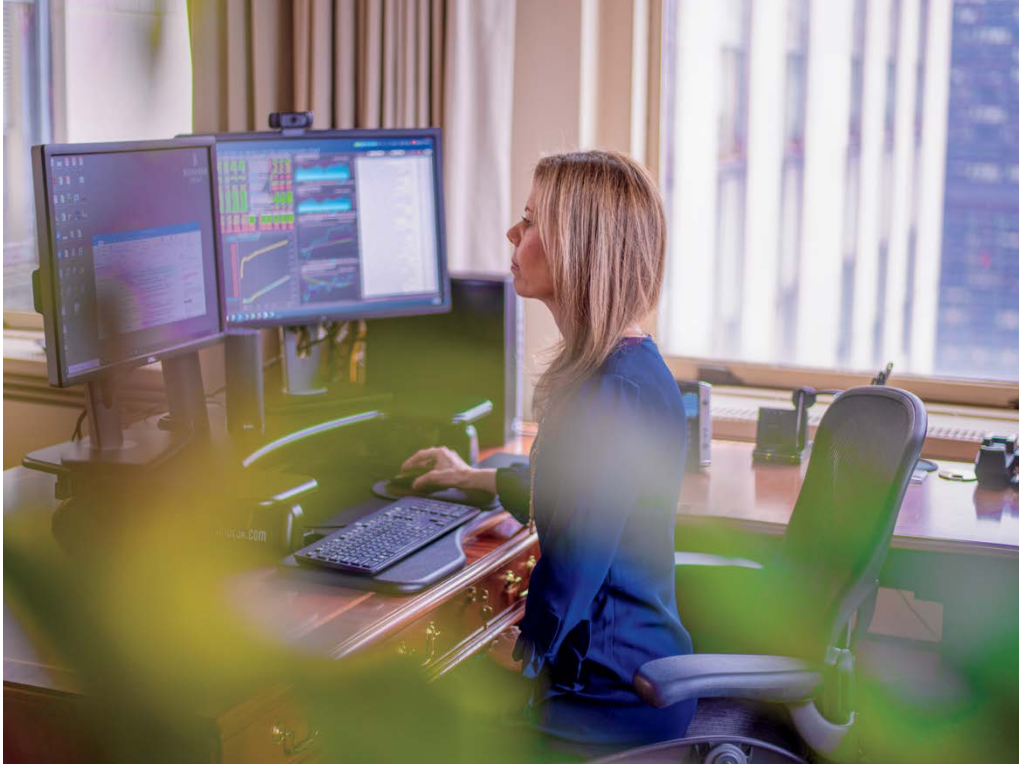
Clockwise from top left:

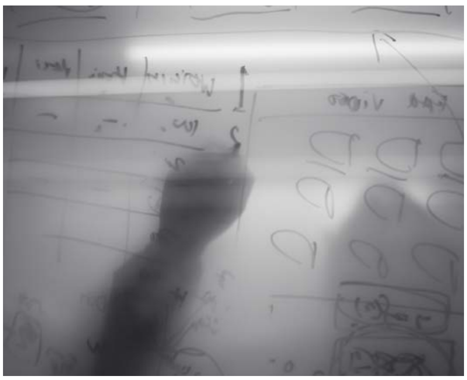
Thomas J. Cahill, Jr.
Senior Human Resources Advisor

Nancy Peretz Sheft
Head of External Managers

Mark J. Warnken
Wealth Advisor

Delilah M. El-Banna
Office Manager





Long-Tenured Employees

Our ability to deliver for clients depends on professionals with extensive experience and a deep understanding of the qualities that make Bessemer unique. We thank and recognize our employees who celebrated 25, 30, and 40 years of service in 2019:

Marisa Berardo
Custody
40 years

Charles J. Ausperger
Finance
30 years

Amy C. Coons
Marketing
30 years

Richard Faulkner
Information Technology
30 years

Donna Bacich
Information Technology
25 years

Deborah A. Baj
Client Advisory
25 years

Lisa M. Cardone
Real Estate Advisory
25 years

William S. Clark
Information Technology
25 years

Glenn J. Raplee
Information Technology
25 years

Michael Tirtadjaja
Office Services
25 years

Promoted Employees

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 2019:

Managing Director

Lisa M. Corcoran
Director of Private Markets

Patrick M. Darcy
Chief Information Security Officer

Taylor J. Heininger
Regional Director

John Q. Jiang
Director of Investment Quantitative R&D

Deborah B. Lo Cascio
Head of Corporate Analysis and Planning

Michael A. Morrisroe
Portfolio Manager

Arturo G. Pedroso
Regional Director

Brian S. Schlusselberg
NY Director of Client Advisory

Benjamin P. Sloan
Regional Director

Kimberly O. Stuermann
NY Director of Client Advisory

Joseph S. Tanious
NY Director of Wealth Advisory

Kevin P. Weschler
NY Director of Client Advisory

Principal

A. Bruce Audino
Senior Manager Researcher

Ryan B. Bliss
Senior Client Advisor

Keara S. Everdell
Brand Marketing Manager

Michael J. FitzSimons
Director of Alternative Investments Advisory

F. Kevin Granville
Head of Client Advisory Support

Adam J. Lustig
Assistant Controller

G. Kyle Nadler
Senior Client Advisor

Jared B. Olivenstein
Co-Portfolio Manager

Harry O'Mealia, IV
Senior Client Advisor

Noah J. Solomon
Senior Corporate Finance Advisor

Payal Srinivasan
Director of Events

Stanley Trotta
Senior Tax Consultant

Wei Wang
Head of Investment Management Systems

BESSEMER TRUST

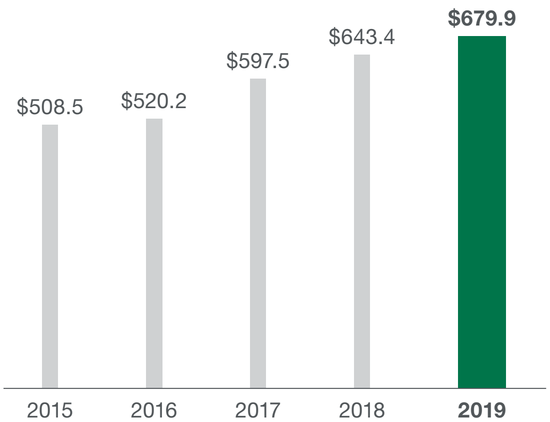
Financial Results

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.

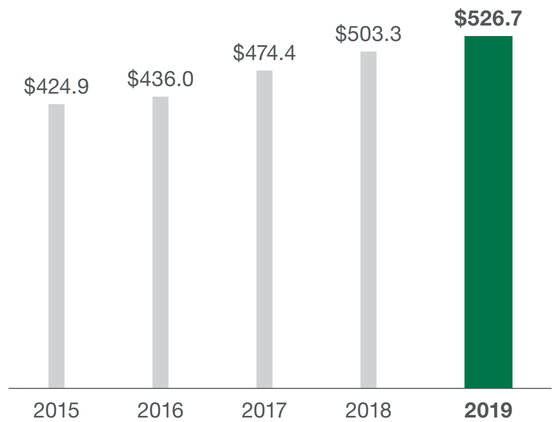
Revenues

(In millions)



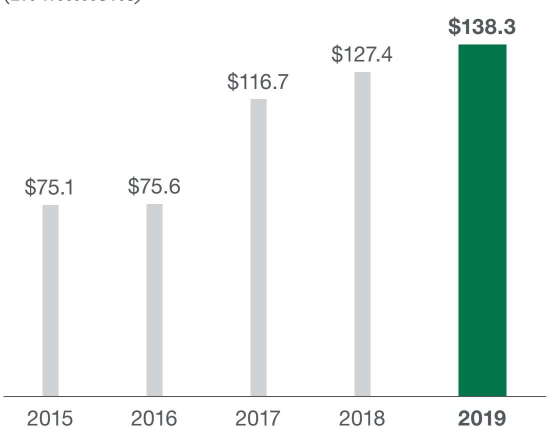
Expenses

(In millions)

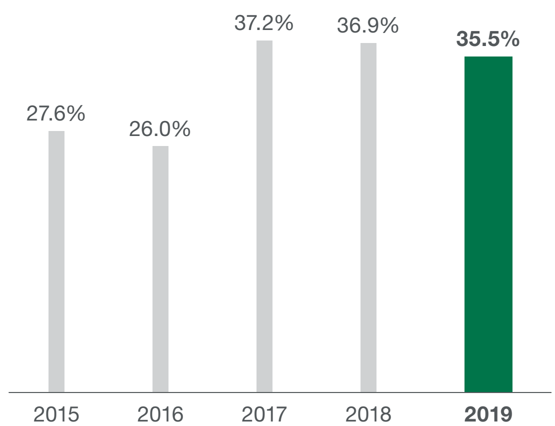


Net Income

(In millions)



Return on Average Equity



(In thousands, except per share data)	**2019**	2018
Revenues	**$ 679,878**	$ 643,352
Expenses	**526,709**	503,259
Income taxes	**14,894**	12,678
Net income	**138,275**	127,415
Average shareholders' equity	**389,555**	345,266
Return on average equity	**35.5%**	36.9%
Total distributions to shareholders	**86,916**	94,888
Basic earnings per common share	**55.24**	50.84
Book value per common share	**160.98**	144.46

Note: Data for years prior to 2019 have been recast to conform to the 2019 presentation.

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 increased $40.9 million to a record $402.9 million at year-end.

Net income for 2019 also reached a record level of $138.3 million, up 8.5% over 2018. Fees from client services, despite a steep equity market decline in late 2018, gained 2.0% as the favorable impact of higher average market levels, strong client retention exceeding 98%, and positive inflows from new clients was partially offset by reduced fees resulting from an increased fixed income weighting in client accounts. Net interest income rose due to higher average interest rate spreads, and other income grew to $29.5 million mostly from increased private equity and hedge fund performance fees. Expenses increased 4.7% as the company continued to invest for the future in people, technology, facilities, and client-related enhancements. Income distributions from earnings totaled $9.64 per share in 2019 and $9.57 in 2018.

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 $606.4 million in 2019, up by $11.8 million, helped by higher average market levels. New clients added $4.5 billion in assets, generating $14.4 million in 2019 fees and estimated ongoing annual revenues of approximately $25.9 million. Assets under supervision at December 31, 2019 totaled $170.6 billion, including $88.8 billion held 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 paid on money market deposits, increased 8.9% to $44.0 million due to the favorable impact of wider net interest rate spreads and higher average loan balances. Deposit balances at year-end 2019 totaled $2.5 billion, down $0.8 billion from the prior year-end.

Other income increased by $21.2 million over 2018 as a result of increased performance fees earned as manager of the Fifth Avenue private equity and hedge funds, and higher gains on equity securities.

Expenses

The company continued to focus on controlling expenses while selectively investing in areas to enhance future growth potential. Total expenses in 2019 were $526.7 million, $23.5 million higher than 2018. Employee compensation and benefits of $335.4 million was up by $16.6 million, or 5.2%, due mostly to new hires; at year-end, more than 1,000 company employees were serving approximately 2,700 client relationships. Occupancy and equipment costs, professional fees and assessments, and other expenses increased 3.7% compared to 2018.

Net Income and Distributions

The company's net income totaled $138.3 million in 2019, compared to $127.4 million in 2018. The return on average equity in 2019 was 35.5%.

The company made total distributions to shareholders of $86.9 million in 2019. Income distributions totaled $24.1 million ($9.64 per share) as compared to $24.0 million ($9.57 per share) for 2018. Since the company is a Subchapter S corporation, tax distributions totaling $62.8 million ($25.08 per share) were made in 2019 to cover the shareholders' estimated tax liability associated with the company's flow-through taxable income.

Financial Condition

The company ended the year with total corporate assets in excess of $3.3 billion. Investments in government agency securities, deposits with the Federal Reserve Bank of New York, and secured loans represented the largest components of interest-earning assets. Because loans are fully secured by borrowers' marketable securities, no reserve for loan losses is required. As permitted by banking regulations, the company also maintains an investment 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.

Shareholders' equity increased by $40.9 million in 2019. 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 was recorded on December 31, 2019, reflecting actuarial adjustments that increased the company's pension and post-retirement benefit liabilities by $11.8 million. 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 expected to present opportunities to increase long-term profitability.

Consolidated Statements of Financial Condition

As of December 31:
(In thousands)

Assets:	2019	2018
Cash and cash equivalents	**$1,007,456**	$1,592,965
Investments, at fair value	**1,309,049**	1,423,551
Loans, secured by marketable securities	**806,457**	826,584
Receivables	**75,155**	67,620
Premises and equipment	**39,883**	46,129
Goodwill	**76,307**	76,307
Other assets	**33,703**	35,038
Total Assets	**$3,348,010**	$4,068,194

Liabilities:		
Deposits	**$2,526,257**	$3,366,918
Accrued expenses and other liabilities	**418,877**	339,309
Total Liabilities	**2,945,134**	3,706,227
Shareholders' Equity:		
Common stock and surplus	**83,119**	83,105
Retained earnings	**497,448**	443,059
Accumulated other comprehensive loss, net of tax	**(73,029)**	(60,103)
Treasury stock, at cost	**(104,662)**	(104,094)
Total Shareholders' Equity	**402,876**	361,967
Total Liabilities and Shareholders' Equity	**$3,348,010**	$4,068,194

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31: *(In thousands, except per share data)*	**2019**	2018
Revenues:		
Fees from client services	**$606,389**	$594,639
Net interest income	**43,962**	40,378
Other income	**29,527**	8,335
Total Revenues	**679,878**	643,352
Expenses:		
Employee compensation and benefits, including long-term incentives	**335,411**	318,811
Occupancy and equipment	**72,059**	69,146
Professional fees	**74,821**	71,687
Other expenses	**44,418**	43,615
Total Expenses	**526,709**	503,259
Income Before Provision for Income Taxes	**153,169**	140,093
Provision for income taxes	**14,894**	12,678
Net Income	**$138,275**	$127,415
Earnings per share	**$ 55.24**	$ 50.84
Net Income	**$138,275**	$127,415
Other comprehensive (loss)/income, net of tax:		
Net change in net unrealized gains on securities available for sale	**1,860**	(834)
Pension and other post-retirement benefit adjustments	**(11,756)**	6,992
Other comprehensive (loss) income, net of tax	**(9,896)**	6,158
Comprehensive Income	**$128,379**	$133,573

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31: *(In thousands)*	**2019**	2018
Common Stock and Surplus:		
Balance, beginning of year	**$ 83,105**	$ 83,118
Other, net	**14**	(13)
Balance, end of year	**83,119**	83,105
Retained Earnings:		
Balance, beginning of year	**443,059**	410,532
Cumulative adjustment upon adoption of new accounting standard (Note 3)	**3,030**	—
Net income	**138,275**	127,415
Distributions to shareholders:		
For income taxes (per share 2019, $25.08; 2018, $28.29)	**(62,785)**	(70,904)
From earnings (per share 2019, $9.64; 2018, $9.57)	**(24,131)**	(23,984)
Balance, end of year	**497,448**	443,059
Accumulated Other Comprehensive Loss, Net of Tax:		
Balance, beginning of year	**(60,103)**	(66,261)
Cumulative adjustment upon adoption of new accounting standard (Note 3)	**(3,030)**	—
Other comprehensive (loss)/income	**(9,896)**	6,158
Balance, end of year	**(73,029)**	(60,103)
Treasury Stock, at Cost:		
Balance, beginning of year	**(104,094)**	(103,795)
Class B non-voting common stock repurchase	**(568)**	(299)
Balance, end of year	**(104,662)**	(104,094)
Total Shareholders' Equity	**$ 402,876**	$ 361,967

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31: *(In thousands)*	**2019**	2018
Cash Flows from Operating Activities:		
Net income	**$ 138,275**	$ 127,415
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	**2,074**	(2,854)
Depreciation and amortization on premises and equipment	**13,052**	14,125
Net premium amortization/(discount accretion) and other noncash adjustments for debt securities available for sale	**1,357**	(657)
Cumulative adjustment upon adoption of new accounting standard, gross (Note 3)	**3,138**	—
(Increase)/decrease in receivables and other assets	**(8,636)**	7,971
(Increase)/decrease in investments other than securities available for sale	**(37,325)**	14,832
Increase in accrued expenses and other liabilities	**68,052**	6,032
Net Cash Provided by Operating Activities	**179,987**	166,864
Cash Flows from Investing Activities:		
Proceeds from sales of securities available for sale	**262,350**	171,819
Proceeds from maturities, calls and mandatory redemptions of securities available for sale	**1,107,880**	2,069,754
Purchases of securities available for sale	**(1,220,915)**	(2,238,670)
Net decrease/(increase) in loans	**20,127**	(72,820)
Capitalized computer software	**(1,890)**	(2,456)
Purchases of premises and equipment	**(4,917)**	(4,764)
Net Cash Provided by/(Used in) Investing Activities	**162,635**	(77,137)
Cash Flows from Financing Activities:		
Net (decrease)/increase in deposits	**(840,661)**	614,613
Purchases of treasury stock	**(568)**	(299)
Income tax distributions to shareholders	**(62,785)**	(70,904)
Income distributions from earnings to shareholders	**(24,131)**	(23,984)
Other, net	**14**	(13)
Net Cash (Used in)/Provided by Financing Activities	**(928,131)**	519,413
Net (Decrease)/Increase in Cash and Cash Equivalents	**(585,509)**	609,140
Cash and Cash Equivalents, beginning of year	**1,592,965**	983,825
Cash and Cash Equivalents, end of year	**$ 1,007,456**	$ 1,592,965
Cash Payments:		
Interest	**$ 30,275**	$ 20,436
Income taxes, net	**13,122**	15,811

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

for the Years Ended December 31, 2019 and 2018

Note 1. Basis of Presentation

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.

Note 2. Summary of Significant Accounting Policies

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 Fifth Avenue private equity and Fifth Avenue 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, are not material and are included in Other assets in the Consolidated Statements of Financial Condition.

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. 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.

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 (Notes 3 and 13). Also included are management, custody, servicing, and other fees earned by the Company for services provided to the Old Westbury Funds, Inc. and Old Westbury (Cayman) Funds SPC.

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

Investments, at Fair Value

Estimated fair values are based on market quotations provided primarily by external pricing vendors. See Note 7 for fair value measurement methodology. Realized securities gains and losses are computed on the identified-cost basis. Interest income is recorded on the accrual basis, adjusted for the amortization of premium and accretion of discount.

Securities Available for Sale — Debt securities are the only investments 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. Marketable equity securities were designated as available for sale prior to adoption of a new accounting standard effective January 1, 2019 (Note 3). Marketable equity securities are now classified as investments.

Marketable Equity Securities — Marketable equity securities are measured at fair value. Effective January 1, 2019, changes in fair value are recognized in Other income in the Consolidated Statements of Comprehensive Income. These securities have readily determinable fair values and are not held for trading purposes.

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, with unrealized changes in fair value recognized in Other income 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.

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 liquidity, 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 and it was concluded that such assessment was not necessary.

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 consolidated 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 2,503,243 during 2019 and 2,506,148 during 2018.

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/(loss), which includes net changes in net unrealized gains and losses on securities available for sale and adjustments for pension and other post-retirement benefits.

Note 3. Recently Adopted Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board ("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. The Company adopted this guidance using a modified retrospective approach effective January 1, 2019. The Company held $27,937,000 of available for sale marketable equity securities as of December 31, 2018. Upon adoption, the Company recognized a $3,030,000 cumulative effect adjustment, net of related income tax effects of $108,000, to reclassify related unrealized gains, net of tax, from Accumulated other comprehensive loss to Retained earnings.

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. The Company adopted this guidance effective January 1, 2019 using a full retrospective approach. The timing of recognition and measurement of revenue or recognition of costs incurred to obtain or fulfill revenue contracts did not change. However, the presentation of certain revenue and expense balances was affected. The presentation of the 2018 consolidated financial statements was reclassified to conform to the 2019 consolidated financial statement presentation (Note 13).

Note 4. New Accounting Pronouncements

In February 2016, the 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, 2021. The Company is currently evaluating the impact that adoption of the guidance will have. The impact will consist primarily of a statement of financial condition gross-up of the Company's operating leases to show the respective rights and obligations as lease assets and lease liabilities.

Note 5. Cash and Cash Equivalents

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

(In thousands)	**2019**	2018
Non-interest bearing — Cash and due from banks	**$ 14,150**	$ 8,647
Interest-bearing:		
Deposit with the Federal Reserve Bank of New York	**940,721**	875,026
Deposits with other banks	**8,390**	8,083
Short-term investments	**44,195**	701,209
	$1,007,456	$1,592,965

Note 6. Investments, at Fair Value

The estimated fair value of investments at December 31, 2019 and 2018 were as follows:

(In thousands)	**2019**	2018
Securities available for sale	**$1,131,730**	$1,308,355
Marketable equity securities	**37,604**	—
Other investments	**139,715**	115,196
	$1,309,049	$1,423,551

The cost and estimated fair value of securities available for sale at December 31, 2019 and 2018 were as follows:

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2019:				
Debt obligations of:				
U.S. Treasury and Government Agencies	**$1,018,664**	**$ 108**	**$ 110**	**$1,018,662**
States and political subdivisions	**112,383**	**688**	**3**	**113,068**
	$1,131,047	**$ 796**	**$ 113**	**$1,131,730**
2018:				
Debt obligations of:				
U.S. Treasury and Government Agencies	$1,178,704	$ —	$ 245	$1,178,459
States and political subdivisions	103,012	21	1,074	101,959
Marketable equity securities	24,799	3,361	223	27,937
	$1,306,515	$3,382	$1,542	$1,308,355

The components of net realized losses on securities available for sale for the years ended December 31 included in Other income in the Consolidated Statements of Comprehensive Income were as follows:

(In thousands)	**2019**	2018
Gross realized gains from sales	**$ 26**	$ 709
Gross realized losses from sales	**(182)**	(735)
Net realized losses on securities available for sale	**$(156)**	$ (26)

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

	2019		2018	
(In thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
U.S. Treasury and Government Agencies:				
Within one year	**$1,018,168**	**$1,018,166**	$1,165,268	$1,165,268
After one, but within five years	**496**	**496**	13,436	13,191
	$1,018,664	**$1,018,662**	$1,178,704	$1,178,459
States and political subdivisions:				
Within one year	**$ 19,269**	**$ 19,304**	$ 25,993	$ 25,938
After one, but within five years	**92,532**	**93,163**	76,030	75,046
Five to ten years	**582**	**601**	989	975
	$ 112,383	**$ 113,068**	$ 103,012	$ 101,959

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:

	2019		2018	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Treasury and Government Agencies	**$637,382**	**$110**	$10,288	$189
States and political subdivisions	**2,013**	**2**	3,459	20
Marketable equity securities	**n/a**	**n/a**	2,662	223

The estimated fair value for securities available for sale with continuous gross unrealized losses for 12 months or more at December 31 was as follows:

	2019		2018	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Treasury and Government Agencies	**$ —**	**$ —**	$ 2,903	$ 56
States and political subdivisions	**5,743**	**1**	78,278	1,054
Marketable equity securities	**n/a**	**n/a**	—	—

The Company's management views the gross unrealized losses noted in both tables above as temporary. As of December 31, 2019, gross unrealized losses for U.S. Treasury and Government Agencies totaled $110,000 on debt securities with a combined value of $637,382,000 and gross unrealized losses for debt obligations of states and political subdivisions totaled $3,000 on securities with a combined value of $7,757,000. As of December 31, 2018, gross unrealized losses for U.S. Treasury and Government Agencies totaled $245,000 on debt securities with a combined value of $13,191,000 and gross unrealized losses for debt obligations of states and political subdivisions totaled $1,074,000 on securities with a combined value of $81,737,000. These unrealized losses are primarily attributable to changes in market rates since their purchase. 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 $39,000 related to marketable equity securities during 2018 with an estimated fair value at the time of impairment of $117,000. There were no other-than-temporary impairment charges related to debt obligation securities during 2019.

Note 7. 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, 2019 and 2018 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
2019:				
Securities available for sale:				
Debt obligations of:				
U.S. Treasury and Government Agencies	**$ 968,411**	**$ 50,251**	**$ —**	**$1,018,662**
States and political subdivisions	**—**	**113,068**	**—**	**113,068**
	968,411	**163,319**	**—**	**1,131,730**
Marketable equity securities	**37,604**	**—**	**—**	**37,604**
Other investments:				
Marketable equity securities	**139,715**	**—**	**—**	**139,715**
Total assets measured at fair value	**$1,145,730**	**$163,319**	**$ —**	**$1,309,049**
2018:				
Securities available for sale:				
Debt obligations of:				
U.S. Treasury and Government Agencies	$ 674,980	$503,479	$ —	$1,178,459
States and political subdivisions	—	101,959	—	101,959
Marketable equity securities	27,937	—	—	27,937
	702,917	605,438	—	1,308,355
Other investments:				
Marketable equity securities	115,196	—	—	115,196
Total assets measured at fair value	$ 818,113	$605,438	$ —	$1,423,551

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 for the specific securities, such 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 held as of December 31, 2019 and 2018.

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 8. Segregated Assets

Securities available for sale with an aggregate estimated fair value of $1,030,986,000 were segregated at December 31, 2019, as required by law for a portion of deposits of subsidiary banks. At December 31, 2018, the aggregate estimated fair value of such segregated assets amounted to $648,763,000 of cash equivalents and $1,229,529,000 of securities available for sale.

Note 9. Premises and Equipment

Premises and equipment consisted of the following at December 31:

(In thousands)	**2019**	2018
Land	**$ 1,487**	$ 1,487
Building	**8,172**	8,167
Leasehold improvements	**66,730**	64,573
Computer software	**61,967**	60,077
Computer hardware	**23,161**	22,036
Furniture, fixtures, and office equipment	**25,028**	24,724
	186,545	181,064
Less — Accumulated depreciation and amortization	**(146,662)**	(134,935)
	$ 39,883	$ 46,129

Note 10. Deposits

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

(In thousands)	**2019**	2018
Demand deposits	**$ 140,974**	$ 259,474
Money market deposits	**2,385,283**	3,107,444
	$2,526,257	$3,366,918

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 11. 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 12. Borrowings

The Company had 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. This line of credit expired at the option of the Company during 2019. Prior to expiration, the line of credit could 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 2019 and 2018. The Company pledged certain of its alternative investment funds with a fair value of $695,000 as of December 31, 2018, which are recorded in Other assets, to secure the agreement. The Company is evaluating competitive bids to replace the prior bank line of credit.

Note 13. Revenues

The Company adopted new accounting guidance effective January 1, 2019 (Note 3). This guidance seeks to improve comparability by providing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. For the Company, this guidance applies to services provided to clients, which are primarily governed through client agreements (“agreements”). The guidance also changes the accounting for certain contract costs and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements.

The adoption of this standard did not result in any changes to the timing of recognition and measurement of revenue or recognition of costs incurred to obtain and fulfill revenues arising from services provided to clients; however, the presentation of certain revenue and expense balances was affected. In applying the revised principal versus agent guidance to the Company’s management of certain sponsored funds with third-party sub-advisory arrangements, the fee revenues earned from the sponsored mutual funds and expenses paid to certain third-party sub-advisers are now presented on a gross basis. Sub-advisory expenses related to the management of certain sponsored mutual funds were $47,359,000 and $45,125,000 during 2019 and 2018, respectively. As such, the 2018 amounts that were previously included as a net component of fees from client services in the Consolidated Statements of Comprehensive Income are now presented as Professional fees.

Revenue is recognized for each distinct performance obligation identified in agreements with clients when the performance obligation has been satisfied by providing services to the client either over time or at a point in time. Revenue recognized is the amount of variable or fixed consideration the Company expects to be entitled to for providing such services to the client. The majority of fees earned by the Company by providing asset management services represent variable consideration, as these fees are largely dependent upon the value and composition of the associated assets under management. The value of assets under management fluctuates with changes in the market prices of securities held and client additions and withdrawals.

Core Services Fees

Core Services Fees represent the comprehensive and integrated services provided to our clients including, but not limited to, investment management, estate planning, tax consulting, and custody of managed assets. Core Services Fees are based on assets under management and vary according to the asset allocation of our clients. These fees can be charged directly to separately managed accounts, or charged within the Old Westbury Funds, Inc., the Old Westbury (Cayman) Funds SPC, and/or the Fifth Avenue Funds. Core Services Fees charged directly to separately managed accounts are typically based on preceding month-end market values and agreed-upon rates, and are typically charged monthly in arrears. Core Services Fees also represent the fees charged within the Old Westbury Funds, Inc. and the Old Westbury (Cayman) Funds SPC and are calculated daily and settled monthly. Core Services Fees also include the management and advisory fees earned by the Company from the Fifth Avenue Funds which are accrued monthly and settled quarterly.

Carried Interest Allocation and Incentive Fees — Fifth Avenue Funds

As manager or advisor of certain alternative affiliated investment funds, the Company may receive incentive fees or carried interest allocation from these funds upon exceeding certain performance thresholds. The Company records income from incentive fees when earned and carried interest allocation when the likelihood of clawback is improbable and cash has been distributed. Included in Other income are investment performance incentive fees of $4,291,000 and $55,000 and carried interest allocation of $9,895,000 and $150,000 during 2019 and 2018, respectively. Variable consideration for carried interest allocation revenue is only when it is probable that a significant reversal of such revenue will not occur or when the uncertainty associated with the variable consideration is subsequently resolved.

Fees from Specialized Services

The Company earns fees from additional specialized services provided to clients. These services include, but are not limited to, tax management, estate settlement, corporate trustee, directed custody, family office management, and advisory services for oil and gas, real estate and private company. The Company earns tax management fees related to client tax return preparation and special projects. These fees are typically earned on a time and expense basis over the period in which the related service is provided and generally charged during the year when the services are completed. Fees for corporate trustee services and directed custody services are typically based on preceding month-end market values and agreed-upon rates, and are typically charged monthly in arrears. Fees for certain advisory services are based on agreed upon fees and are earned during the year when services are provided.

Sub-advisory Expenses of Sponsored Mutual Funds

As outlined above, the Company has contractual arrangements with third parties involved in providing sub-advisory services to certain of these sponsored mutual funds. Consistent with the criteria included in the accounting guidance, associated revenues are presented gross of third-party costs. Fees paid to sub-advisers are recognized as an expense when incurred and are included in Professional fees expenses in the Company's Consolidated Statements of Comprehensive Income.

Revenue information is as follows:

(In thousands)	**2019**	2018
Core Services Fees	**$ 547,299**	$ 540,967
Fees from Specialized Services — Tax Management	**24,014**	22,202
Fees from Specialized Services — Other	**35,076**	31,470
Fees from Client Services	**606,389**	594,639

Mutual fund sub-adviser fees payable, included in Accrued Expenses and Other Liabilities at December 31, 2019 and 2018 were $4,108,000 and $3,349,000, respectively.

The Company adopted the new guidance using the full retrospective method. Reclassification changes made to reported 2018 amounts of fees from client services and Professional fees (in thousands) follows:

	Fees from Client Services	Professional Fees
Amounts previously reported in 2018	$ 549,514	$ 26,562
Fees earned and paid to sub-advisers	45,125	45,125
Current amounts reported for 2018	$ 594,639	$ 71,687

Prior to 2019, mutual fund sub-adviser fees payable were netted against receivables. Reclassification changes made to reported 2018 amounts of Receivables and Accrued expenses and other liabilities (in thousands) follows:

	Receivables	Accrued Expenses and Other Liabilities
Amounts previously reported in 2018	$ 64,271	$ 335,960
Mutual fund sub-adviser fees payable	3,349	3,349
Current amounts reported for 2018	$ 67,620	$ 339,309

Note 14. Net Interest Income

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

(In thousands)	**2019**	2018
Interest income:		
Cash equivalents	**$ 15,150**	$ 13,090
Securities available for sale	**26,077**	20,597
Loans	**31,770**	29,168
	72,997	62,855
Interest expense on deposits	**29,035**	22,477
Net interest income	**$ 43,962**	$ 40,378

Note 15. Related-Party Transactions

Revenues and expenses for the years ended December 31, 2019 and 2018 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)	**2019**	2018
Revenues — Fees received from BSLLC for investment advisory and custody services	**$ 3,905**	$ 3,741
Expenses reimbursed by BSLLC:		
Occupancy costs	**$ 1,428**	$ 1,304
Allocated direct costs for various services provided, reported by the Company as a reduction of other expenses	**2,294**	2,259
Expenses reimbursed by BSLLC	**$ 3,722**	$ 3,563

Included in the statements of financial condition are money market deposit liabilities to BSLLC of $254,964,000 and $276,654,000 at December 31, 2019 and 2018, respectively.

Note 16. Commitments and Contingencies

The Company and certain of its subsidiaries lease office space under non-cancellable leases expiring between 2022 and 2041, 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 $29,599,000 and $28,480,000 in 2019 and 2018, respectively. The approximate minimum total annual rentals (in thousands) under these leases (exclusive of a reduction for subleases aggregating $2,524,000) at December 31, 2019, were as follows:

2020	$ 27,822
2021	28,595
2022	37,252
2023	37,259
2024	37,112
Thereafter	547,643
	$ 715,683

The table above includes the lease entered during 2018 for the Company's new headquarters in New York City. Buildout and relocation are scheduled for completion in 2021.

The Company is contingently liable for outstanding standby letters of credit of $11,256,000 at December 31, 2019 issued on behalf of clients. The Company holds clients' 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 17. Income Taxes

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

(In thousands)	**2019**	2018
Current:		
Federal	**$ —**	$ —
State and local	**12,779**	15,428
Foreign	**41**	104
	12,820	15,532
Deferred:		
Federal	**—**	—
State and local	**2,064**	(2,850)
Foreign	**10**	(4)
	2,074	(2,854)
	$ 14,894	$ 12,678

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 elements of the net deferred tax assets recorded in Other assets at December 31, 2019 and 2018 were as follows:

(In thousands)	**2019**	2018
Deferred tax assets	**$ 21,887**	$ 23,994
Deferred tax liabilities	**(8,210)**	(7,837)
Net deferred tax assets	**$ 13,677**	$ 16,157

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 investments, 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 consolidated 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 consolidated 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, 2019. 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, 2019, the Company's federal income tax returns that remain subject to examination under the statute of limitations are from 2016 forward. The tax years that remain subject to examination by other major tax jurisdictions under the statute of limitations are New York State from 2016 forward, New York City from 2016 forward and New Jersey from 2015 forward.

Note 18. 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 $38,360,000 and $37,510,000 in 2019 and 2018, 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 consolidated 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	
	2019	2018	**2019**	2018
Benefit expense during the year	**$ 1,970**	$ 697	**$ 969**	$ 1,399
Employer contribution during the year	**4,374**	2,817	**1,009**	1,023
Benefits paid during the year	**7,083**	6,272	**1,186**	1,197
Projected benefit obligation at December 31,	**$185,281**	$163,879	**$ 35,343**	$ 32,402
Fair value of qualified plan assets at December 31,	**111,675**	96,362	**—**	—
Funded status at December 31,	**$(73,606)**	$(67,517)	**$(35,343)**	$(32,402)
Accumulated benefit obligation at December 31,	**$185,281**	$163,879		
Amounts recognized in the consolidated statements of financial condition at December 31:				
Assets	**$ —**	$ —	**$ —**	$ —
Liabilities	**(73,606)**	(67,517)	**(35,343)**	(32,402)
Net amounts recognized	**$(73,606)**	$(67,517)	**$(35,343)**	$(32,402)
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate — qualified plan	**3.42%**	4.40%	**—**	—
Discount rate — non-qualified plan	**3.07%**	4.22%	**3.44%**	4.42%
Rate of compensation increase	**—**	—	**—**	—
Weighted-average assumptions used to determine net periodic benefit cost during the year:				
Discount rate — qualified plan	**4.40%**	3.81%	**—**	—
Discount rate — non-qualified plan	**4.22%**	3.54%	**4.42%**	3.84%
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 $12,167,000 and $11,434,000 at December 31, 2019 and 2018, respectively.

The assumed health care cost trend rate is 7.65% pre-Medicare and 6.55% post-Medicare in 2019 and is estimated at 7.15% and 6.25%, respectively in 2020, decreasing gradually to 4.75% in 2026 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 2020.

Benefit expense for 2020 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	$1,819	$ 725
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	**2019**	2018
Equity securities	40–75%	**57%**	60%
Fixed income securities	20–45%	**28%**	28%
Alternative assets	0–15%	**14%**	10%
Other assets	0–15%	**1%**	2%

The Company uses the framework and techniques described in Note 7 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, 2019 and 2018 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
2019:				
Equity securities	**$45,659**	**$—**	**$—**	**$45,659**
Fixed income securities	**6,002**	**—**	**—**	**6,002**
Other assets	**194**	**—**	**—**	**194**
	$51,855	**$—**	**$—**	**$51,855**
2018:				
Equity securities	$40,578	$—	$—	$40,578
Fixed income securities	4,072	—	—	4,072
Other assets	185	—	—	185
	$44,835	$—	$—	$44,835

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

The table above excludes plan assets in 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, 2019 and 2018 amounted to $43,040,000 and $39,989,000, respectively, and are not classified within the fair value hierarchy. The fair value of alternative asset investments at December 31, 2019 and 2018 amounted to $15,666,000 and $10,102,000, 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, 2019 and 2018 that approximated their carrying amount of $1,039,000 and $1,364,000, 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 2020, the Company expects to contribute $8,700,000 and $1,203,000 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
2020	$ 7,232	$ 1,203
2021	7,547	1,249
2022	8,421	1,339
2023	9,077	1,441
2024	8,906	1,591
Years 2025–2029	49,805	9,000

Note 19. Shareholders' Equity

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

(In thousands)	**2019**	2018
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 2019 and 1,892,407 shares in 2018	**1,903**	1,903
Class B non-voting — authorized 1,500,000 shares, issued 1,159,609 shares and outstanding 133,076 shares in 2019 and 136,126 shares in 2018	**1,160**	1,160
	3,540	3,540
Surplus	**79,579**	79,565
	$ 83,119	$ 83,105

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 2019 and 2018, 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 2019, the Company purchased at fair value and held in treasury 3,050 shares of its Class B non-voting common stock (no par value) for $568,000 in cash. During 2018, the Company purchased at fair value and held in treasury 1,750 shares of its Class B non-voting common stock (no par value) for $299,000 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 $143,200,000 of the Company's consolidated Retained earnings of $497,448,000 at December 31, 2019 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 20. Accumulated Other Comprehensive Loss

Upon adoption of accounting guidance effective January 1, 2019 (Note 3) requiring marketable equity securities to be measured at fair value, with changes in fair value recognized in earnings, the Company recognized a cumulative effect adjustment of $3,030,000, net of related tax effects of $108,000, to reclassify related unrealized gains, net of tax, from Accumulated other comprehensive loss to Retained Earnings in the Consolidated Statements of Changes in Shareholders' Equity.

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

(In thousands)	Amount Before Taxes	Income Tax Effect	Amount Net of Taxes
2019:			
Net unrealized gains on securities available for sale:			
Change in net unrealized gains	**$ 1,825**	**$ (112)**	**$ 1,713**
Less — net realized losses included in net income	**156**	**(9)**	**147**
Pension and other post-retirement benefit adjustments:			
Change in net actuarial loss	**(9,884)**	**(429)**	**(10,313)**
Change in prior service credit	**(1,589)**	**146**	**(1,443)**
Other comprehensive loss	**$ (9,492)**	**$ (404)**	**$ (9,896)**
2018:			
Net unrealized gains on securities available for sale:			
Change in net unrealized gains	$ (1,176)	$ 325	$ (851)
Less — net realized losses included in net income	26	(9)	17
Pension and other post-retirement benefit adjustments:			
Change in net actuarial loss	9,249	(779)	8,470
Change in prior service credit	(1,590)	112	(1,478)
Other comprehensive income	$ 6,509	$ (351)	$ 6,158

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

(In thousands)	**2019**	2018
Net unrealized gains on securities available for sale	**$ 660**	$ 1,830
Pension and other post-retirement benefit adjustments:		
Net actuarial loss	**(82,462)**	(72,578)
Tax benefit on net actuarial loss	**7,680**	8,109
Prior service credit	**1,590**	3,179
Tax provision on prior service credit	**(497)**	(643)
	$ (73,029)	$ (60,103)

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, 2019, 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, 2019 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 (in thousands) for the Company and its subsidiary banks at December 31, 2019 and 2018 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
2019:					
Consolidated	**$404,729**	**$404,729**	**26.8%**	**26.8%**	**13.4%**
Bessemer Trust Company	**81,451**	**81,451**	**21.1%**	**21.1%**	**9.3%**
Bessemer Trust Company, N.A.	**194,538**	**194,538**	**30.5%**	**30.5%**	**10.4%**
2018:					
Consolidated	$352,835	$351,423	22.4%	22.3%	11.2%
Bessemer Trust Company	73,859	73,084	22.4%	22.2%	10.7%
Bessemer Trust Company, N.A.	179,310	179,310	21.7%	21.7%	8.2%

The following table presents the regulatory minimum and well-capitalized ratios at December 31, 2019 and 2018:

	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. Subsequent Events

The Company evaluated subsequent events through March 13, 2020, the date on which the consolidated financial statements were available to be issued.

In December 2019, the Company's Compensation Committee of the Board of Directors approved an adjustment to the Class B non-voting common stock valuation methodology to re-align it with both the voting common stock and Class A non-voting stock valuation methodology (book value, which approximates fair value) effective following the March 16, 2020 redemption date. The Class B non-voting common stock valuation previously had included adjustments to book value to equalize the effects of certain adjustments related to the Company's Subchapter S conversion in 2006 and the adoption of new accounting guidance on measuring defined benefits implemented in 2007. The maximum expected impact of this adjustment is a charge to surplus of approximately $4,800,000 included in Shareholders' Equity in the Consolidated Statement of Financial Condition related to anticipated number of outstanding option shares (98,203) not redeemed as of March 16, 2020. The related payment for this charge will be made during December 2020.

The Company has determined that there were no additional subsequent events that require recognition or disclosure in the consolidated financial statements.

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, 2019 and 2018, 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, 2019 and 2018, 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

New York, New York
March 13, 2020

Five-Year Comparative Summary

Results of Operations *(In thousands, except per share data)*	**2019**	2018	2017	2016	2015
Revenues					
Fees from client services	**$ 606,389**	$ 594,639	$ 548,692	$ 485,721	$ 482,414
Net interest income	**43,962**	40,378	32,600	23,364	19,496
Other income/(loss)	**29,527**	8,335	16,236	11,092	6,552
Total Revenues	**679,878**	643,352	597,528	520,177	508,462
Expenses					
Employee compensation and benefits	**335,411**	318,811	295,974	267,838	256,553
Other expenses	**191,298**	184,448	178,408	168,130	168,387
Total Expenses	**526,709**	503,259	474,382	435,968	424,940
Income					
Income before Provision for Income Taxes	**153,169**	140,093	123,146	84,209	83,522
Provision for Income Taxes	**14,894**	12,678	6,483	8,651	8,411
Net Income	**$ 138,275**	$ 127,415	$ 116,663	$ 75,558	$ 75,111
Basic Earnings per Share	**$ 55.24**	$ 50.84	$ 46.36	$ 29.58	$ 29.12
Distributions to Shareholders					
For income taxes (per share)	**$ 25.08**	$ 28.29	$ 20.96	$ 16.02	$ 16.85
From earnings (per share)	**$ 9.64**	$ 9.57	$ 7.90	$ 5.50	$ 5.58
Financial Condition at December 31					
Assets	**$3,348,010**	$4,068,194	$3,416,855	$4,014,165	$3,508,991
Liabilities	**2,945,134**	3,706,227	3,093,261	3,718,676	3,228,866
Shareholders' Equity	**$ 402,876**	$ 361,967	$ 323,594	$ 295,489	$ 280,125
Book Value per Share	**$ 160.98**	$ 144.46	$ 129.05	$ 115.75	$ 109.40

Note: Data for years prior to 2019 have been recast to conform to the 2019 presentation.

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