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Q1: 2023-04-18 Earnings Summary

EPS of $8.79 beats by $0.73 | Revenue of $12.22B (-5.48% Y/Y) misses by $423.93M

The Goldman Sachs Group, Inc. (NYSE:GS) Q1 2023 Earnings Conference Call April 18, 2023 9:30 AM ET

Company Participants

Carey Halio - Head of IR and Chief Strategy Officer
David Solomon - Chairman and CEO
Denis Coleman - CFO

Conference Call Participants

Glenn Schorr - Evercore
Ebrahim Poonawala - Bank of America
Christian Bolu - Autonomous Research
Steven Chubak - Wolfe Research
Betsy Graseck - Morgan Stanley
Mike Mayo - Wells Fargo
Brennan Hawken - UBS
Devin Ryan - JMP Securities
Daniel Fannon - Jefferies
Gerard Cassidy - RBC
James Mitchell - Seaport Global
Jeremy Sigee - BNP Paribas
Andrew Lim - Societe Generale

Operator

Good morning. My name is Katie, and I will be your conference facilitator today. I would like to welcome everyone to the Goldman Sachs First Quarter 2023 Earnings Conference Call. This call is being recorded today, April 18, 2023.

Thank you. Ms. Halio, you may begin your conference.

Carey Halio

Good morning. This is Carey Halio, Head of Investor Relations and Chief Strategy Officer, Goldman Sachs. Welcome to our first quarter earnings conference call. Today we will reference our earnings presentation, which can be found on the Investor Relations page of our website at www.gs.com. Note information on forward-looking statements and non-GAAP measures appear on the earnings release and presentation. This audiocast is copyrighted material of The Goldman Sachs Group Inc. and may not be duplicated, reproduced, or rebroadcast without our consent.

I am joined today by our Chairman and Chief Executive Officer, David Solomon, and our Chief Financial Officer, Denis Coleman. Let me pass the call to David.

David Solomon

Thanks, Carey, and good morning, everyone. Thank you for joining us.

In the first quarter, we delivered solid performance in a challenging environment. We produced net revenues of $12.2 billion and generated earnings per share of $8.79 and an ROE of 11.6% and an ROTE of 12.6%. The first quarter was certainly volatile, particularly for the banking sector. After a fairly benign operating environment at the start of the year, in March, we witnessed the collapse of two regional banks in the United States.

Stress quickly spread to a number of institutions across the financial sector where we saw ratings downgrades and steep valuation declines in very short order. These stresses were not limited to the U.S., as we saw when regulators help arrange the combination of Switzerland's two largest financial institutions.

It's important to appreciate the size of the disruption. Some of the market moves during the period were staggering, particularly in interest rates. To give you a sense of the magnitude, there have been just four days in the past 25 years that have seen two-year yields move by 50 basis points or more intraday. One was in September 2008 and three of them occurred in mid-March this year. Monday, March 13th was the biggest one-day move in the U.S. Treasury two-year yield in over 35 years.

As we sit here today, it appears that the worst of the volatility is behind us. Prompt action by regulators was vital in bolstering confidence and stabilizing market sentiment. The events of the first quarter acted as another real-life stress test and they demonstrated the resilience of the country's largest financial institutions.

The G-SIBs have been a source of strength for the financial system. We joined a consortium with 10 other large institutions in making a $30 billion uninsured term deposit into First Republic Bank to send the strong vote of confidence in and commitment to the U.S. banking sector.

As for Goldman Sachs, our long-standing and deeply rooted risk management culture helped us navigate this unusual environment. In our 154-year history, we have lived and managed through many periods of disruption, and it's our rigorous processes and planning for tailored scenarios before the stress that enable us to react quickly and effectively when they do occur.

While it's impossible to predict the exact form a market stress will take and we won't always execute perfectly, our risk management culture, strong liquidity, and robust capital position have allowed us to navigate a complex environment while also continuing to actively support our clients.

Given this backdrop, it was clear our clients needed help managing their risks and turn to us for our expertise and execution capabilities. Both FICC and Equities had a strong quarter, as we helped clients with their intermediation and financing needs.

Underwriting activity, however, remained extremely muted and below recent averages as capital markets were further delayed from reopening in a meaningful way given the market disruption. All-in, Global Banking & Markets delivered industry-leading returns of 16.6%, in line with our through-the-cycle targets even while advisory and capital markets activity remained muted. This franchise continues to show impressive resilience in a variety of market environments, given our broad and diversified set of businesses.

Management fees across Asset & Wealth Management grew sequentially, but segment returns were in the mid-single-digits as our on-balance sheet investments remained susceptible to volatility in asset prices. It is a strategic priority to continue to reduce these positions. And while we've made progress, there is still work to do.

In Platform Solutions, we saw positive underlying trends this quarter with revenues greater than provisions and we remain focused on driving this business towards profitability. We also continue to explore strategic alternatives within our consumer platform businesses.

In the first quarter, we sold a portion of our Marcus loan portfolio and transferred the remainder to held-for-sale. While this activity is now reflected in our AWM segment, it is an example of our narrowing our focus in the consumer space. Denis will take you through the financial impact of that momentarily.

Additionally, we are now initiating the process to explore the sale of GreenSky. We believe GreenSky is a good business and is performing well with first quarter originations in our core home improvement loans up over 25% year-over-year and a weighted FICO on total originations of over 780. Given our current strategic priorities however, we may not be the best long-term holder of this business. We will update you on our progress if and when there are material developments.

As I close, I'd like to say a few words about the forward outlook. The recent events in the banking sector are lowering growth expectations and there is a higher risk of a credit contraction given the environment is limiting banks' appetites to extend credit. This is an acceleration of a trend and a situation we're watching closely. Businesses and consumers continue to adjust to higher interest rates. While the forward trajectory is still unclear, we continue to be cautious about the economic outlook and we are operating the firm such that we are well prepared in the event that the environment weakens further.

Overall, I feel very confident about the state of our client franchise and the long-term opportunity set for Goldman Sachs. As the events of the past quarter have illustrated, we are operating from a position of strength and we have the people in place around the world to continue serving the broad range of clients' needs with excellence.

And while much has transpired since we held our Investor Day at the end of February, we remain focused on our strategy to strengthen our leading Global Banking & Markets franchise and grow our Asset & Wealth Management business, and we are committed to delivering for clients and shareholders.

I will now turn it over to Denis to cover our financial results for the quarter in more detail.

Denis Coleman

Thank you, David. Good morning.

Let's start with our results on page one of the presentation. In the first quarter, we generated net revenues of $12.2 billion and net earnings of $3.2 billion, resulting in earnings per share of $8.79.

Turning to performance by segment, starting on Page 3. Global Banking & Markets produced revenues of $8.4 billion in the first quarter, which generated an industry-leading ROE for the segment of 16.6%. Advisory revenues of $818 million were down 27% amid lower industry completions. Underwriting revenues continued to be below recent averages and were lower year-over-year.

Despite the difficult backdrop, we were number one in the league tables for completed M&A and high-yield debt underwriting. We also ranked second for equity and equity-related underwriting. Our backlog fell quarter-on-quarter, primarily in Advisory, but we remain cautiously optimistic on the outlook for the second half of the year and 2024, particularly for strategic M&A. We also expect investors will need more certainty before financing markets reopen broadly, but we have seen an increase in underwriting dialogs in the first two weeks of the second quarter.

FICC net revenues were $3.9 billion in the quarter, down 17%, as one of our strongest sets of results in rates was more than offset by significantly lower currencies and commodities revenues, which were very strong in the first quarter of 2022. In FICC financing, revenues rose slightly year-over-year.

Equities net revenues were $3 billion in the quarter, down 7% year-on-year. A decline in intermediation revenues was partially offset by record financing revenues of $1.3 billion with the sequential increase driven by higher activity and increased balances coupled with improved customer spreads.

Moving to Asset & Wealth Management on Page 5. Revenues of $3.2 billion rose 24% year-over-year, given improved results in equity and debt investments, and as management and other fees increased 12% year-over-year to a record $2.3 billion. Though underlying trends in the business remained strong, private banking and lending revenues of $354 million fell year-over-year, driven by the partial sale of our Marcus unsecured loan portfolio as well as a transfer of the remaining portfolio to held-for-sale, in line with our strategic decision to narrow our consumer ambitions.

The associated revenue reduction of $470 million was largely offset by a reserve release of $440 million. Additionally, we benefited from NII and incremental reserve releases associated with paydowns. All-in, the Marcus loan portfolio was profitable for the quarter.

Net revenues for equity investments were $119 million, driven by $229 million in revenues related to CIEs and $85 million of gains related to our $2 billion public portfolio, partially offset by $195 million of net losses on our $12 billion private equity portfolio, primarily within real estate.

This quarter, we experienced approximately $355 million of impairments on our CIE portfolio, which are reflected in operating expenses. Debt investments revenues were $408 million, driven by net interest income of $363 million.

Moving on to Page 6, total firmwide assets under supervision ended the quarter at a record $2.7 trillion, driven by $68 billion of market appreciation as well as $8 billion of long-term net inflows, representing our 21st consecutive quarter of long-term fee-based inflows. We also saw a meaningful strength in liquidity products with $49 billion of net inflows from new and existing clients amid the industry-wide flows in the money market funds.

Turning to Page 7 on alternatives. Alternative assets under supervision totaled $268 billion at the end of the first quarter, driving $494 million in management and other fees for the quarter. Gross third-party fundraising was $14 billion, relatively solid given the current environment, and bringing total third-party fundraising since our 2020 Investor Day to $193 billion. While we expect the pace of fundraising to slow for the rest of 2023, we continue to feel good about the path forward and remain confident in achieving our 2024 target of $225 billion.

On balance sheet alternative investments totaled approximately $57 billion, of which $27 billion was related to our historical principal investment portfolio. Despite the challenging environment, we reduced these on balance sheet historical investments by $2.3 billion in the quarter. We are committed to our strategy to reduce balance sheet density, including reducing historical principal investment portfolio to less than $15 billion by 2024 year-end.

I'll now turn to Platform Solutions on Page 8. Revenues of $564 million more than doubled year-over-year, driven by growth in loan balances in consumer platforms. This week, we announced the launch of a savings account for Apple Card users. We are excited to deepen our partnership with Apple through this additional offering and to introduce another source of deposit funding for the firm.

In transaction banking, deposit balances ended the quarter slightly higher versus year-end, while revenues of $74 million were modestly lower quarter-over-quarter amid higher deposit costs. As we spoke about at our Investor Day in February, we're focused on further scaling this business with new clients and deepening our relationships with existing clients as we aspire to become their primary service provider. In this regard, we continue to see positive momentum on the platform as our client count grew by approximately 20% in the first quarter.

On Page 9, firmwide net interest income of $1.8 billion in the first quarter was down 14% relative to the fourth quarter, driven by increased funding costs supporting training activities within Global Banking & Markets. Our total loan portfolio at quarter end was $178 billion, essentially unchanged versus the fourth quarter. Provision for credit losses reflected a net benefit of $171 million, including the previously mentioned reserve release associated with the Marcus unsecured lending portfolio and model updates, which were only partially offset by roughly $245 million in consumer net charge-offs.

Spending a moment on our commercial real estate lending portfolio, as of quarter-end, we had $29 billion of funded CRE loans. This portfolio is diversified by property type and includes $10 billion of exposure in the form of conservatively structured warehouse lending with typical LTVs of approximately 50%.

Turning to expenses on Page 10. Total quarterly operating expenses were $8.4 billion. Our compensation ratio for the quarter net of provisions was 33%. Quarterly non-compensation expenses were $4.3 billion, essentially unchanged versus the fourth quarter, but up versus last year. The majority of the year-over-year increase was driven by the aforementioned CIE impairments as well as expenses related to NNIP. Our effective tax rate for the quarter was 19%. For the full year, we expect a tax rate between 21% and 22%.

Turning to capital on Slide 11. Our common equity Tier 1 ratio was 14.8% at the end of the first quarter under the standardized approach, 100 basis points above our current requirement and at the top end of our management buffer. In the quarter, we returned $3.4 billion to shareholders, including common stock repurchases of over $2.5 billion and common stock dividends of roughly $870 million.

While we expect to continue to focus on sustainably growing our dividend, we would note that repurchases in any given quarter will vary. Though we find our stock price attractive at current levels in light of the current environment, we expect to moderate our repurchase levels in the second quarter relative to the first quarter.

In conclusion, our first quarter results were solid in the context of a volatile environment. Our robust financial position allowed us to focus on serving our clients and helping them navigate this period of market disruption. Across our leading businesses in Global Banking & Markets and Asset & Wealth Management, we remain well positioned to continue to support our clients and execute on our strategic priorities.

With that, we'll now open up the line for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] We'll take our first question from Glenn Schorr with Evercore.

Glenn Schorr

Hi, there. Curious, you mentioned being optimistic about M&A in the back-half, particularly on the strategic side. I'm curious what and how you -- what you're seeing that gives you that confidence. Obviously it must be conversations. And then what about the sponsor community? Thanks.

David Solomon

Yes. Thanks, Glenn. And so appreciate the question, and you're right. It has to do with dialogs and things that we can see. I'd say as we came into the new year, there's no questions dialogs have picked up. There's no question -- and I always talk about this when we talk about it broadly, confidence affects the ability for people to move forward to be active in the M&A market and certainly what's gone on over the course of the last four weeks has slowed down some of the dialogs.

But when you think about big strategic activity, I think most big companies continue to operate from a position where they're trying to make sure they have the scale and the strength competitively to advance their strategies. And so those strategic dialogs are quite active. And if you actually look over the course of the last week or two, there have been a handful of deals that have been announced that highlight that. We're seeing more dialogs like that and so we're hopeful that more of that will come to fruition. I just think that's a steady part of the diet. The companies need to continue to execute on to improve their strategic position.

Now, with respect to financial sponsors, we're still going through a reset. I'm encouraged by the fact in the quarter, we saw one or two deals where kind of the bid offer between the value that a financial sponsor could achieve and the financing price came to a -- came to meet. There was a good data point and a sell-down of a legacy deal in the market, but I would say the financial sponsor activity is still muted and there is more upside as the reset on both value and financing cost continues.

I think we're going to get there. I'd expect more in the second half of the year unless there was a really strong, a much more pronounced economic disruption because it just takes time for people to reset. We've now kind of gone through five quarters of reset. And so generally speaking, historically, you kind of see these things turn on after four to six quarters. So I would just expect more of a base level of activity from what's been very, very muted.

Glenn Schorr

Appreciate that. And building on that, your comment about companies wanting to build on their strategic position, maybe we could talk a little bit about your transaction banking platform because it's still growing. I'm just curious on the March events that we saw, did it cause any rethinking or maybe encouragement in terms of the direction of what you're doing with transaction banking and taking on those deposits? And did you notice any -- was there any noticeable behavior of how those deposits acted during the March crisis? Thanks.

Denis Coleman

Glenn, it's Denis. Thanks for the question. I'd say that our conviction around the transaction banking business remains very, very strong. I think what we were able to observe in the first quarter, I highlighted in my script and it's something that we're focused on strategically, is, we grew the client count by about 20% in the quarter, which is a similar amount to all of last year. And we're very, very focused on continuing to improve our position with our clients, offer them more and more services and grow this business steadily over the long-term to create value.

I think in terms of how the deposits themselves performed over the course of the quarter, they were in line with our expectations, and as we indicated, they ended on a quarter-over-quarter basis up just about $1 billion.

Operator

Thank you. We'll take our next question from Ebrahim Poonawala with Bank of America.

Ebrahim Poonawala

Hi, good morning. I guess two questions. One, David, you referred to the hyper volatility in the rates market, but would appreciate if you can address just fixed-income trading, what happened there this quarter. Clearly there was some lagged performance versus peers. To the extent you can, just give us a flavor of what happened and your expectations around how things evolve from here, how are clients' macro funds holding up in face of this volatility.

David Solomon

Yes. So I appreciate the question. I mean, it's been interesting -- this morning just watching what I'd highlight is, I think we had a very solid quarter in FICC. We had nearly a $4 billion quarter. And just to put that in perspective, I think that's a top-decile quarter for that. I think we've had -- I think it was the eighth best quarter on record. I think we've got 96 quarters. So it was a solid performance and just the headline number of $4 billion, the way we look at it, that's a very solid FICC quarter.

It was certainly a quarter there was volatility in client activity throughout the quarter, and I think we were well positioned to serve our clients and served our clients well. Now, some of the noise that I see just from the early morning release, our FICC business was down versus the first quarter of last year by 17%, but in the first quarter of last year, we had significant outperformance. If I remember correctly, our FICC revenues in the first quarter of last year were up year-over-year 21% when the competitor average was kind of flat or down.

And you can go look at that from a base perspective. We had much more significant outperformance in the first quarter of 2022 because of our commodities business and the breadth of our commodities business. So if you remember back in the first quarter of 2022, the war with Ukraine started, there was more volatility in commodities and clients were very active in commodities. And so it was an outsized quarter in commodities in the first quarter of 2022.

But overall, I think FICC performance in the quarter was strong. We were there to serve our clients. And by any standards, it was a good quarter. I think given the environment that we're operating in, I would expect activity to continue to be active with our clients. It's certainly an uncertain period of time and there's a lot of movement and positioning, and so we're finding our clients active at the moment.

Ebrahim Poonawala

Got it. Thanks for that. And then just separately, I guess, a big focus post Investor Day was picking up pace on asset sales. How does the environment over the last month influence that? Equity markets obviously held up pretty well ex the financials. So given the sense of just asset sale pace of that, how you're thinking about that and any change today versus Investor Day and how does that translate into pace of buybacks maybe in the back half of the year?

David Solomon

Yes. So we commented in the script about the fact that we made more progress on the disposition of our historical principal investments, and we highlighted that we reduced them from just under $30 billion to just over $27 billion during the quarter. Then it's also highlighted in the script that we feel on track to get to the $15 billion target number that we laid out over the course of the next 24 months.

We feel good about that progress and we're going to continue to move to reduce that to zero over time. There are a lot of positions. There's no question when there are market headwinds, some of that might go a little bit slower, but we're on pace with what we're trying to do and are committed to it. And obviously, we see a big change in that business as we grow management fees and we take the legacy investments out, the volatility in that business, we believe, will change meaningfully.

Operator

We'll take our next question from Christian Bolu with Autonomous Research.

Christian Bolu

Good morning, David and Denis. Just to follow up on the question on the Markets business, March did feel like a very tough month for some of your institutional clients, particularly saw hedge fund closures, we are hearing of deleveraging. So how does that inform your view of the outlook for the trading businesses and your market share, particularly given, I guess, Goldman's exposure to the hedge fund community?

David Solomon

So I appreciate that question. We're obviously very focused on share and our share gains. We do participate with the hedge fund community, but when you look at our big competitors, they participate very actively with the hedge fund community too. We also are very significant with the broad institutional community. As I said just in the previous question, our clients are active at the moment because there's a lot going on. We're very focused on our market share. As we said in our Investor Day, we laid out more metrics and more of a focus on continuing to look at where we can advance our position with the top 100 clients that we deal with in our markets business. We continue to be optimistic about our share position, our overall ability to serve our clients, and we do think in this environment, clients will continue to be active.

Christian Bolu

Great. Thank you. And then maybe a question on capital return. Can you just clarify why you are slowing buybacks? Your capital ratio is seen very healthy to your point that the stock is attractive at this level. So not sure that I get it. And then any comments on your appetite for strategic acquisitions here? There's been a lot of stress in the wealth management space, which is a space I know you guys are interested in. So curious here, if you're conserving capital to go on the offense.

Denis Coleman

Sure. Christian, it's Denis. Thank you for the question around capital. And obviously, in this case, appreciating the starting point in Q1, where we significantly increased the amount of buyback activity in Q1. We remain very committed to return of capital to shareholders, committed to sustainably growing our dividend, committing to the overall capital return profile, but we're also observing opportunities to deploy into the franchise on behalf of clients.

And there are elements of uncertainty in the overall macroeconomic environment. And so our expectations is that buyback activity will be moderated, but we'll monitor that over the course of the quarter. As you say, we do like the stock price and remain committed to return of capital to shareholders.

Operator

We'll take our next question from Steven Chubak with Wolfe Research.

Steven Chubak

Hi, good morning.

David Solomon

Good morning.

Steven Chubak

So I wanted to start off with a question on Platform Solutions. The business saw a step up in expense. I just wanted to understand how we should be thinking about the trajectory for expenses in the segment. And similarly, for provision going forward, just following this quarter's significant reserve release, we know you had accrued reserves pretty conservatively for that segment, but the top line momentum's good. It would just be helpful to get some perspective on how we should think about both the expense as well as the credit trajectory from here.

Denis Coleman

Sure. Thanks. In terms of the overall trajectory for the segment, I think we have to step back. Our number one focus is driving towards profitability. We also mentioned that we look to continue to improve the efficiency ratio. That's certainly over the course of a period of time. Maybe not every given quarter, but we remain committed to what we outlined. As you say, we've seen good top line performance of the business.

And on the reserve release, it was a function of owning our point-of-sale business for some period of time, been able to observe it, take in more data. And GreenSky is actually performing better than we had modeled. And so that was a contributor to the reserve release in the segment.

As we think about it on a go-forward basis, it's obviously going to be a function of origination activities across the platform. We now have a reserve level of roughly 13% in the consumer space. So that can give you a sense of how to model provisions based on forward origination activity.

Steven Chubak

That's great, Denis. And just for my follow-up on expense and maybe more like a ticky tack modeling question, the expenses were a bit higher than expectations, but I recall you noted at Investor Day the need to absorb some severance charges. You also had some pretty outsized impairments related to CIE portfolio. Was hoping you can maybe help us quantify the level of one-timers in the expense base this quarter just as we think about benchmarking versus some of your longer-term efficiency targets.

Denis Coleman

Thank you. Thank you very much. So let me take that in pieces. In terms of -- on the compensation expense, any charges associated with severance and some of the actions that we took in the first quarter are included within our overall comp accrual, which is a 30% -- 33% of our revenues net of provisions. That's embedded inside of that number.

In terms of the change in non-compensation expenses, they were flat on a quarter-over-quarter basis, but did include, as you know, $355 million of CIE impairments. And so we thought it was important to call that out. And that also explains a bunch of the year-over-year delta between Q1 '22 and Q1 '23. That together with full quarter impact of NNIP helps explain the delta in that line for the first quarter of this year.

Operator

We'll take our next question from Betsy Graseck with Morgan Stanley.

Betsy Graseck

Hi, good morning.

David Solomon

Good morning.

Betsy Graseck

So just a couple of quick questions here. One, on the consumer repositioning that you talked about today with the Marcus loan sales and with your comments around GreenSky, would you say that as those are done and dusted, that would be it for the consumer repositioning?

David Solomon

I think, Betsy, what we said clearly is we're narrowing the focus. We continue to be focused on our deposit platform and our credit card platform. I do think there are opportunities for us to do other interesting things strategically and how we think about operating it, but we're going to continue to examine all the things that we can do to make that as successful as possible. As I just highlighted, we don't think we're necessarily the best owner of GreenSky. So we're taking action on that, and then we'll continue to move forward to bring the consumer platform -- the card platforms to profitability.

Betsy Graseck

And so there's some nice capital release that comes from that. How should we anticipate you're going to be utilizing that as we look forward here?

Denis Coleman

So as we see the capital release from some of those activities, that just gives us incremental flexibility with respect to how we ultimately deploy that either back in the franchise and/or returning that capital back to shareholders.

Operator

Thank you. We'll take our next question from Mike Mayo with Wells Fargo.

Mike Mayo

Hi, just a little bit more on the consumer repositioning strategy. How much in the Marcus loans, I think there were $4.5 billion at year-end, did you sell? And what do you intend to do with the rest?

Denis Coleman

So we sold about $1 billion of the Marcus loans and the balance has been moved to held-for-sale, and so we'll be looking at moving down that position over time.

Mike Mayo

And so the marks that you took on these loans, what -- on what -- how much of those marks were in the $4.5 billion? Was it only a subset or the entire portfolio?

Denis Coleman

So we marked the entire -- we sold a portion of the portfolio, and then we marked the balance to market. And you'll see that reflected in the $470 million number moving through net revenues. And our reserve release was $440 million. If you think about the portfolio overall for the quarter, we generated incremental NII, and we had other net paydowns. So for the whole quarter, we generated revenues north of $150 million and it was profitable for the quarter. As we move forward into the second quarter, we'll continue to generate net interest income on that portfolio and move down the balance of those exposures.

Operator

We'll take our next question from Brennan Hawken with UBS.

Brennan Hawken

Good morning. Thanks for taking my questions. I'd like to follow up first on a question that Glenn asked about the transactional banking. In the past, in conversations, I believe that you've indicated that a lot of the competitors are the regional banks there. So I want to confirm that that's the case. And then given some of the stress that we've seen and concerns around some of those providers, how are you adjusting your strategy in order to continue to build on the momentum that you seem to have shown here in the first quarter? And if we see that continued stress, would you pursue inorganic venues to add scale or capabilities?

David Solomon

Yes. So appreciate the question, Brennan. The -- we think in transaction banking, we have a very good platform, a very good product. And the feedback that we're getting from clients about the product offering, how it works, what it allows corporate treasuries and CFOs to do is very positive. It's obviously attractive for us to take deposits, but we want deposits that are stickier and are here because people are operating on our platform. And so we're working hard to make sure, as we're adding clients, we're bringing the value that attaches the technology to what they're doing in a way that grows that platform.

We are seeing positive results, but this takes time. These are long-cycle decisions. They're not day-to-day decisions on short-term trades. As Denis highlighted, we had good momentum in terms of customer count where people added themselves to our platform. And so we're going to continue to focus on that. I do think, given the size and the strength of Goldman Sachs, as a G-SIB and the way we're positioned, we're well positioned to compete with our clients for this business, coupled with the fact that we have an excellent product offering. So we are going to stay focused on that and we expect the business to grow over time.

Brennan Hawken

Great. Thanks for that color. Appreciate it. And then for my follow-up, you all just announced this morning the new deposit arrangement with Apple. And the yield on that is pretty close to Marcus, a little above. How should we think about the economics of that Apple relationship and the deposits specifically? And then how do you manage potential risk for cannibalization with your own Marcus offering? Thanks.

David Solomon

So thank you for the question. So obviously this is something that we launched yesterday that gives us another deposit channel. It's the opportunity for somebody that's a credit cardholder to put a deposit on. We've obviously looked very closely at the overlap between who holds credit cards and who holds -- who has a Marcus deposit and that overlap is small, but we'll obviously watch closely to see whether or not there is any cannibalization. But this is a way for us to try to open up another deposit channel and it's always good for us to broaden our deposit base. And so this is small at the moment and we'll watch it carefully, but I think it's an interesting opportunity for the firm.

Operator

We'll take our next question from Devin Ryan with JMP Securities.

Devin Ryan

Great. Good morning, David, Denis. I want to just touch on the equity financing strength in the quarter. I know you kind of highlighted spreads and customer activity, but also appreciate this is an area of focus for the firm bigger picture. So just love to think about kind of where we're jumping off of into the second quarter and whether the first quarter benefited from the market stress and that maybe you do syncretic things that happened during the quarter or if this is actually a reasonable kind of jumping off point, and just maybe a better outlook for that business for the rest of the year.

Denis Coleman

Sure. I appreciate that question. I'll give you some context to help you understand sort of the sequential activity and the direction. So our overall balances were a lot lower into the end of last year based on overall market levels and also as we reduced our footprint. And so as we came into the first quarter, we were able to re-expand the capacity, clients engaged with us. We saw an increase in balances, increase in client activities, increase in customer spreads.

We've had in place for some time, a strategy to identify new types of clients that could come on to the platform and engage with us. And so I'd say that we're working sort of full speed ahead on that. We continue to be very, very focused on this as one of the key priorities within the Global Banking & Markets business.

Devin Ryan

Okay. Thanks, Denis. Just a bigger picture follow-up here. So it feels like Goldman generally takes market share during periods of stress. And so we just went through a pretty extreme period of stress in banking system and maybe we're getting on the other side of it, but perhaps not. And so with Credit Suisse now forcing an acquisition and capital likely becoming tighter in the banking system more broadly, are there new areas of maybe opportunity for Goldman to take market share just in terms of where you're going to lean in with your balance sheet as you've done in the past? How should we think about maybe a couple of the top areas where you feel like you can maybe incrementally take market share just as a result of what happened over the last month or so?

David Solomon

Well, I think our core banking and markets franchise is incredibly well positioned. You can see the performance this quarter. I certainly wouldn't call it a top quartile for investment banking, traditional capital markets, IPOs, M&A activity. But with a 16.7% ROE in our banking and markets segment, I think it's performing well. We have the breadth, the footprint, the global franchise, I think, to continue to strengthen our share. And as I commented a little bit earlier, we continue to be focused on looking at our performance on the top 100, now expand to the top 150 clients and making sure that we're moving up and capturing share and serving them well.

I do think, given some of the things that have gone on, there are other opportunities. I think one of the interesting opportunities is the private wealth opportunity over in Europe. We see lots of customers that had had accounts at both large Swiss institutions with a consolidation. We're certainly seeing opportunities in our private wealth business as people want to diversify the private wealth relationships we have. And so that's an area for share that we're focused on. So we continue to look across both Global Banking & Markets and also Asset & Wealth Management for opportunities that we can strengthen our position and we think both franchises are very well positioned.

Operator

We'll go next to Dan Fannon with Jefferies.

Daniel Fannon

Thanks. Good morning. Wanted to follow up on the third-party fundraising. You had another great quarter, but certainly highlighted that a bit slow this year, and I guess that's not surprising given the environment. But could you talk kind of longer term, as you think about maybe a rebound as the economic conditions pick up? And also, the cycling of your vintages of funds in terms of what could be coming on line this year that might result in continued strength or some pockets of slowness as you kind of go through that cycle?

Denis Coleman

So thanks a lot for the question. Obviously, this remains a big area of strategic focus for us. With $14 billion raised in the first quarter and now up to $193 billion, we feel very good about that. We indicated that the pace could slow over the balance of the year, but we do have about 20 offerings in market on diversified basis across asset classes where we're actively looking to raise funds.

I think it's really the breadth and the diversity of our franchise that's going to enable us to continue to raise those types of assets. Different strategies will play towards different types of environments and having the breadth of offering, I think, is proving to be beneficial. So even though we indicated it may slow later in this year, strong conviction that we'll be on pace for the total amount that we had indicated, just given what we see across our platform.

David Solomon

And I'd just say, Dan, that one of the things that happens in this business is as you scale and you have the breadth that we have in this business, we set a target for 2024, but there is a longer-term goal on target, and there's lots of room for us to grow and continue to expand our footprint and position given the offering that we have across the broad alternative spectrum, the global nature of our platform.

And so this is still -- these are long-dated fundraisings, long-cycle stuff, but there is a lot of runway for us once we get past the 2024 target too.

Daniel Fannon

Thanks. And then just a follow-up, Denis, on the expense side. The $1 billion of savings from realization of programs that you highlighted at Investor Day, what was realized in the first quarter? Or maybe just remind us on the pacing of some of those savings as we think about the range of this year?

Denis Coleman

So at Investor Day, we outlined that over the course of the year, we'd have run rate payroll expense of about $600 million and non-comp efficiency, about $400 million, and we see about half of that reflected in this year and the balance thereafter. I'd say we're on target for those initiatives and those efficiencies. And we continue to look at it, and we continue to see other opportunities to incrementally drive efficiency across our platform.

One area we had focused on for quite some time was the overall level of professional fees. We continue to grind that down. And if you look at some of the sequential components of our overall non-compensation expense, you'll see we're making good progress against most of the line items.

Operator

We'll take our next question from Gerard Cassidy with RBC.

Gerard Cassidy

Good morning, David. Good morning, Denis.

David Solomon

Good morning.

Gerard Cassidy

David, in your comments about your principal investments, you mentioned obviously market conditions will impact how quickly you get to your targeted goal of $15 billion by the end of '24. In those market conditions, is it more the IPO and ECM markets that have a bigger headwind for you in this area? Or is it just general market levels and the activity we're seeing?

David Solomon

Well, I appreciate the question, Gerard. And I think all these things contribute. Financing availability contributes on certain assets; IPO market can contribute on certain assets, and just general valuations contribute on certain assets. I want to put the comments in perspective because I think that appropriately, we want to make sure people understand obviously that when there is a lot of volatility or there are tough markets, it might slow this down, but we laid out at our Investor Day a plan to move over the coming few years to close to zero on the historical principal investments.

We continue to have a target to get to $15 billion by the end of 2024. We're confident that we're going to execute on that target. So I think the way to think about this is we laid out a multi-year plan to reduce this down to close to zero and we're moving along on that target. I wouldn't take the comments that on any quarter-to-quarter basis, things can slow down. I wouldn't overstate that, but I want people to be aware that if the market or the environment turns more difficult, that could potentially slow us down. But we're very focused on this, and we're going to continue to work to execute on a quarter-to-quarter basis.

Gerard Cassidy

Very good. And I know you guys touched on the share repurchases slowing it down a bit and here in the second quarter, you're very well capitalized. If market conditions -- I should ask, I guess, how important is it that the financial markets need to stabilize for you guys to maybe get more aggressive in the second half of the year in buying back the stock?

Denis Coleman

Thanks for the question. Look, I think it gets back to how we think about our overall capital allocation framework, and we're looking at opportunities to deploy against our client franchise where there could be opportunities for incremental deployment. Given some of the disruption that we're seeing in markets, we want to remain mindful of that. We want to remain committed to returning capital to shareholders, and so we're looking to strike the right balance while being mindful of the overall operating environment.

David Solomon

Yes. I'd also -- I also just want to highlight, when we spoke at Investor Day, we said clearly that we are focused on accelerating buybacks. That is still in place. Quarter-to-quarter may vary, but that is still in place. And so I just want that also kept in perspective too.

Operator

We'll take our next question from Jim Mitchell with Seaport Global.

James Mitchell

Hi, good morning. I think you hinted at improved dialog levels in underwriting to start the quarter. So can you just give a little more color what you're seeing in the market and maybe how you see the ECM and DCM environment evolving, assuming we don't have another major step back in the macro?

David Solomon

Yes. I think there have been some greenshoots. There were certainly some greenshoots in February. Levels are still muted. There are obviously a number of things out there that we'd like to get done, and we're seeing some indication of some significant transactions starting to prepare to get -- to move forward, given markets seem to have settled down a little bit. But I still think we're below trend level.

As I said earlier in the conversation, history tells you that there is plenty of capital raising that needs to get done. Generally speaking, people have to use the capital markets to execute on their strategies. But when you have these slowdowns or these windows close, they typically -- you get that rebalanced after four to six quarters. We're kind of five quarters in. And so my expectation or hope is we won't see improvements from what have been very muted levels, but at this point, we had a very volatile March, and I'd say things are still slow, but we are starting to see some more greenshoots again. And we'll just have to watch and see how things unfold in the quarter and into the back half of the year.

James Mitchell

Okay. That's helpful. And then maybe just on FICC financing, I know that's been a focus of growth as well outside of -- equities saw a pretty strong improvement in spreads and volume, but it doesn't look like we saw that in FICC. Anything to think about on the FICC side, on the financing space and how you see that going forward?

Denis Coleman

Sure. Still very, very committed to the FICC financing business, which, as we indicated, was up slightly year-over-year. There continue to be good opportunities to deploy on behalf of clients. I think a lot of the market share progress and client engagement progress that we made over the last couple of years sets us up as one of the go-to calls for the provision of financing across the FICC space. So that, combined with the equity financing, remain real priorities for our Global Banking & Markets business. We feel good about it.

Operator

We'll take our next question from Jeremy Sigee with BNP Paribas.

Jeremy Sigee

Thank you. Good morning. Could I get you to talk a bit more about the Credit Suisse opportunity in wealth management? You mentioned Europe, but could you also talk a bit about Asia and Latin America? Are those regions where you as a firm have sufficient strength in wealth management to take more share from the Swiss banks since they are disrupted or is that a bit more marginal for you?

David Solomon

On the second part of the question, I think when you look at Latin America, it's more marginal for us, but there is -- we really do have a global footprint, and there are opportunities for us, especially as so many very wealthy individuals deal in dollars around the world. We also have very, very strong Latin American presence that comes into our presence in Florida, obviously, where our private wealth business is focused on Latin America. So there is opportunity there.

We continue to have a broad private wealth footprint in Asia. We haven't been as focused on growth and investment in Asia as we have been in Europe over the course of the last couple of years. We did launch a private wealth joint venture over in Asia over the course of the last couple of months with ICBC, which I think is a small and slow opportunity, but is an opportunity for us.

I think the interesting thing is whenever there is consolidation, as we look at very wealthy individuals that are on our private wealth platform, they tend to have multiple providers. So whenever there is consolidation, there are opportunities to talk to people as people then rethink their footprint and the diversification of their footprint. And so our private wealth teams are very focused on that and the way we serve those clients.

Jeremy Sigee

That's very helpful. Thank you.

Operator

Thank you. We'll take our next question from Andrew Lim with Societe Generale.

Andrew Lim

Hi, good morning. So my first question is about your focus on credit cards on the consumer side. Perhaps you can talk more specifically about what you see as your competitive advantages there and how you think about sizing up in credit cards in this point of the cycle. It's perhaps arguably quite late and some would argue that credit card growth tends to be a reflection of individuals not being able to manage expenses in a high inflationary environment.

Denis Coleman

Sure. Thanks. So as you know, we have our card platform business. We've been building that over the next -- over the last several years. We have partnership with General Motors, a partnership with Apple, and we've been steadily investing in those relationships and building our balances.

As you indicate, given the overall environment, the total balances actually were down sequentially, just given seasonality and given some of our credit underwriting standards and origination volumes, but this is a business that we continue to invest in and believe it's an overall piece of the firm that is diversifying.

Andrew Lim

Great. Okay. I've got a second question more broadly about the crisis that we saw in March and how you think about how it evolved and maybe the repo situation as well. So if we think about the SVB situation, obviously, they decided to sell a lot of their assets below market value, and in the process, crystallizing a lot of those losses. And I guess in retrospect, it would have been a lot easier for them to repo those assets with the Fed and avoid those mark-to-market losses. And I was just wondering if you could share your thoughts as to maybe why that didn't happen. It would have been obviously to afford a lot of the crisis confidence advice from that situation.

David Solomon

I don't really have a -- I don't have a comment on that, Andrew. There are a variety of factors in the actions that they took. Ultimately, there was a bank run at SVB and that led to the situation we are. But I don't -- I'm not going to go back and recount what decisions that management and that board made around that.

Operator

Thank you. We'll take a follow-up from Mike Mayo with Wells Fargo.

Mike Mayo

Hi. First, Goldman specific and then general. The Goldman specific is why now on the consumer repositioning, GreenSky sale and Marcus loans? And then a more general question. To what degree did Silicon Valley impact the capital markets and the advisory appetite out there? Thanks.

David Solomon

Yes. Thanks, Mike. So first, why now, it's actually not why now. It's like -- it's why over the last 12 months is, as you know, we made a strategic decision kind of 12 months ago at this point to really narrow our consumer focus, and we've been executing on it. And it's not narrowing that focus and making those decisions and executing on it are not things that can be done instantaneously. So we've gone through a very, very thoughtful process and we're moving forward in the execution of that.

Again, I think these things also are just not like they're small in the overall scope of Goldman Sachs. The Marcus loan portfolio was profitable but small, wasn't strategic. GreenSky, as we highlighted today, we think it's a good business, good platform, and actually, as we watch it perform, it's performing well. But given the way we've narrowed our focus, not strategic for us. And so we're simply executing on the decisions that we laid out and we'll continue to do things that we think are right over time to deliver for our shareholders.

On the second question, which is just what happened in March, how did it affect capital markets and M&A, I think it has a effect. It was a highly -- as I highlighted in my comments, this kind of an unusual few-week period with really, really outsized volatility, and as you and I discussed before, whenever you have that kind of volatility, it slows down capital markets activity.

So I thought we were starting to get a little bit more capital markets activity at the end of February. I noticed now equity markets seem to be behaving well, debt markets are behaving reasonably well. I can't say that there won't be some other event that creates stress. There certainly are other things on the horizon that you could see that could create volatility like the negotiation around the debt ceiling, just to point to an example, but I do think when you have that kind of volatility, it slows down or it has people push out things that they were thinking about bringing into the capital markets.

So yes, [technical difficulty] quarter. It was certainly a pretty muted quarter for investment banking activity for us and for the market as a whole.

Operator

We'll take a follow-up from Ebrahim Poonawala with Bank of America.

Ebrahim Poonawala

Thank you. Just one quick question, Denis, maybe. Around the Apple savings deposit, how do you intend to use the funds that come in? I appreciate early days in terms of the level of inflows that you may get on that product, but is that money just going to sit in cash earning Fed funds? Just trying to figure out what the NII revenue impact could be tied to those deposits.

David Solomon

Sure. Thanks. Thanks, Ebrahim. So across the firm, we have multiple funding channels, multiple sources that we tap in our BAU activities. We have multiple deposit channels that we also actively work with each and every day. We view this as one incremental and diversifying source of deposits, enables us to deepen our relationship with Apple, tap into their ecosystem and the clients that we serve together who are cardholders and want to sort of take advantage of the ease of moving into a deposit account. And we'll take those deposits along with all the other deposits in our portfolio and deploy it into the client franchise.

Operator

That will conclude our question-and-answer session. I'd like to turn it back over to our speakers for any additional or closing remarks.

Carey Halio

Yes. Thank you all for calling. We appreciate the time and interest in the firm. And if you have any additional questions, certainly feel free to call me or the rest of the Investor Relations team. Otherwise, we look forward to speaking with you soon. Thank you.

Operator

Ladies and gentlemen, this concludes the Goldman Sachs first quarter 2023 earnings conference call. Thank you for participation. You may now disconnect.

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