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THE WALL STREET JOURNAL.

Banking Turmoil: Credit Suisse Never Lost Taste for Risk

By Joe Wallace and Eliot Brown
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Credit Suisse Group AG, the Swiss banking giant that liked to live dangerously, has run out of road.

The bank struck a deal this weekend to be bought by rival UBS Group AG after an uncontrolled slide in its stock and bonds.

The agreement marks the end of 167 years as an independent institution, a humbling comedown for a bank that once went toe-to-toe with U.S. giants on Wall Street and boasted a market value greater than that of Goldman Sachs Group Inc.

The bank's downfall has roots in the way it exited the last financial crisis flush with confidence.When the financial system seized up in 2008, Credit Suisse emerged in better shape than many rivals. It was then slow to adjust to how the crisis changed banking.

The lender relied on a freewheeling investment bank, dawdled in its pivot to more stable lines of business and above all failed to shake its predilection for risk.

"They felt, 'We are the winner from the financial crisis, and everyone else is hurt,'" said Andreas Venditti, a banking analyst at Vontobel. "So they doubled down on these kinds of businesses and on investment-banking exposure in general."

The result was 15 years of scandal, litigation and strategic zigzags while other major banks became more focused, more regulated and more free of drama. A spying imbroglio, a $5.5 billion loss on a single client, executive turnover, fines in connection with tax and sanctions evasion and a fraud settlement over Mozambican loan sales weakened the bank financially while eroding the confidence of investors.

So when tremors shook the banking world again this month, Credit Suisse became a magnet for the fear that gripped markets. Not even emergency funding from the Swiss central bank could right the lender.

UBS, now Credit Suisse's savior, was the problem child of Swiss banking during the last financial crisis. It skirted bankruptcy by swallowing a $5.3 billion government bailout.

Credit Suisse, which weathered the storm better, rejected a rescue offer from the authorities and raised about $9 billion from private investors led by Qatar's sovereign-wealth fund. Then-Chief Executive Brady Dougan said the move gave Credit Suisse "unquestioned capital strength."

In the years that followed, global banking became more conservative. Major banks, chastened though well capitalized due to bailouts, shed extraneous units and focused on what they could do best.

At UBS, executives slimmed down the investment bank that had almost brought the lender down with a disastrous bet on subprime mortgages and haunted it again with a rogue-trading scandal in 2011. The bank turned its attention to wealth management, the business of selling investment and savings products for the world's rich.

Credit Suisse didn't undergo the same overhaul -- in business or in culture -- former executives said.Under Mr. Dougan, who had cut his teeth as an investment banker, the company kept plowing resources into businesses such as leveraged finance, securitization and high-yield bonds after the financial crisis. When Credit Suisse did prune its investment bank, it was piecemeal.

Credit Suisse's business-as-usual approach emerged as a vulnerability. Regulations designed to stop a repeat of the credit crunch penalized many risky activities and forced banks like Credit Suisse to hold more capital.

The bank increasingly struggled to compete for deals and trade flow with the likes of Goldman Sachs and JPMorgan Chase & Co. U.S. megabanks had amassed fortress balance sheets since the crisis and had superior access to the American capital markets.

The investment bank around which Credit Suisse revolved began to disappoint investors with its returns. Smaller, it lacked some of the scale that helped the giant banks afford higher regulatory costs. Constant cost-cutting exercises followed, hindering investment in **technology** and other areas.

The bank's revenue kept falling. By 2019, its sales were about 25% less than those of UBS. The two had nearly the same revenue in 2010.

There was another problem: Credit Suisse's investment bank retained the thrill-seeking attitude rivals had sought to quash. And it took more risks to try to land business when coming up against U.S. banks with greater firepower. That culture seeped into other arms of the group, which one former executive said lacked the command-and-control structure needed to rein in risk taking.

Blowups and scandals became frequent. Fines and litigation added up rapidly, hurting results and hindering the bank's ability to plow money into areas such as **technology** for tracking risk.

"Credit Suisse's problem for decades, and I really mean decades, is terrible **operational risk management**," said Mayra Rodriguez Valladares, a U.S.-based consultant who advises banks on regulation. "Everyone lets them get away with it: The U.K., the U.S., the Swiss."

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THE WALL STREET JOURNAL.

Buybacks Set Pace for Record --- Repurchases among S&P 500 companies are projected to top $1 trillion for first time

By Hannah Miao
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U.S. stocks have received support from a key source during 2023's shaky market environment: companies repurchasing their own shares.

Stock buybacks by companies in the S&P 500 are projected to top $1 trillion in 2023 for the first time in a calendar year, according to S&P Dow Jones Indices. Authorizations for repurchases are picking up pace: As of Feb. 17, they totaled more than $220 billion, a record for that point in the year, according to a Goldman Sachs analysis of S&P 500 and Russell 3000 companies.

Among the biggest share repurchase announcements have been Chevron Corp.'s $75 billion buyback program, the $40 billion plan of Facebook parent Meta Platforms Inc. and Goldman Sachs Gro up Inc.'s $30 billion authorization.

The S&P 500 rose 0.3% Monday but is set to record a decline for February after dropping for three consecutive weeks.

The broad stock index has trimmed its year-to-date gains to 3.7% as hot economic data recently have forced some investors to reconsider their expectations for the Federal Reserve's interest-rate trajectory. Hopes that the Fed could soon cut rates helped boost U.S. stocks at the start of the year, but the enthusiasm has quickly lost steam.

Although share-repurchase programs are typically executed at the company's discretion and over several years, they are viewed as a vote of confidence by management. And the buyback spree has supported stocks while dueling views about the path of monetary policy play out in the market.

"Buybacks continue to be robust and provide a buoy for individual stocks and the market broadly," said Ben Silverman, director of research at the investment-research firm VerityData.

Hot economic data recently have forced some investors to reconsider their Fed policy expectations.

When a company buys back its own stock, the increased demand typically raises share prices. Buybacks don't accrue additional taxes for taxable investors until they sell shares and realize capital gains, unlike with dividend payouts, which are taxed as income.

Corporate clients at Bank of America Corp. have repurchased about $13.5 billion of shares on a net basis this year, according to the lender's equity-flows data. That is tracking roughly in line with last year's record levels and compares with about $9 billion of net outflows from hedge funds, institutional investors and individual clients, the data show.

"I'll take a buyback all day long," said L. Joshua Wein, a portfolio manager at Hennessy Funds. "When you stack up the alternatives, the buyback is, in my mind, the most efficient use of capital."

The fewer shares outstanding on the market as a result of buybacks also have the effect of lifting a company's per-share earnings. As profit margins are squeezed, some investors expect firms to continue doing buybacks to maintain earnings-per-share growth.

With about 94% of companies in the S&P 500 having reported fourth-quarter earnings, about 68% have topped Wall Street's expectations, a weaker beat rate than usual, according to FactSet.

Companies can more easily adjust share buybacks to respond to bumps in the markets and economy, compared with dividends and capital expenditures, which are more set in stone once initiated, according to investors and analysts.

"The dividend yield is much more sacrosanct in investors' minds," said David Waddell, chief executive at Waddell & Associates. Mr. Waddell said he likes buybacks for their tax efficiency. His firm is optimistic about stocks this year and is weighting portfolios toward international stocks, value shares and small-caps, he said.

Based on fourth-quarter results from roughly 90% of the companies in the S&P 500, share repurchases from reporting corporations have fallen about 18% from the prior year to $189 billion, according to S&P Dow Jones Indices data as of Saturday. Capital expenditures have risen around 18%year over year to $220 billion among reported results. Dividend payouts in the fourth quarter increased about 9% to $146 billion.

Megacap **technology** companies were among those spending the most on buybacks in the last three months of 2022. Apple Inc. spent about $19.5 billion on stock repurchases, Meta Platforms bought back about $6.9 billion of its shares, and Microsoft Corp. repurchased about $5.5 billion of its stock.

To some investors and analysts, the slowdown in stock repurchases in the fourth quarter actually signals good news for fans of buybacks. There wasn't a clear pull-forward in buyback spending ahead of the 1% federal tax on buybacks that took effect Jan. 1, so the excise tax likely won't deter companies from repurchasing shares this year, they said. "Companies were not concerned about the buyback tax," said Mr. Silverman of VerityData. "There was not frontloading" of stock repurchases.

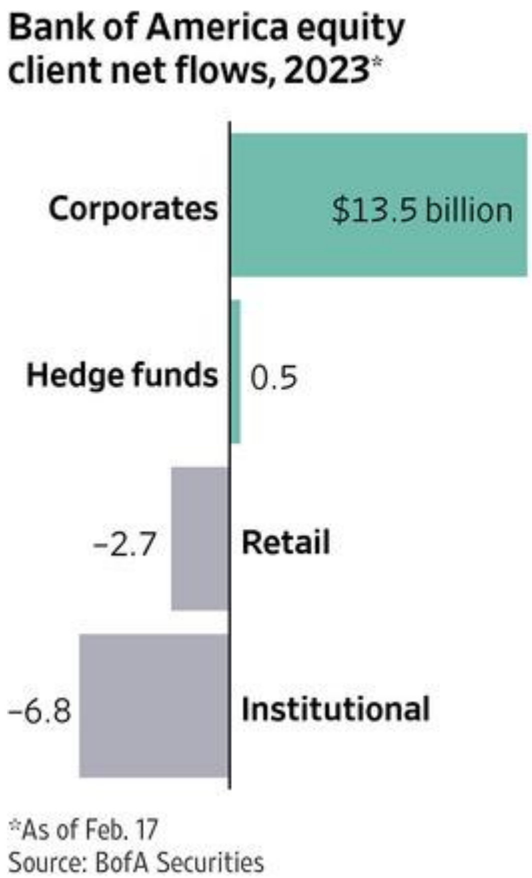
Companies continue to draw ire over their share-repurchase programs. President Biden in his State of the Union address this month criticized big oil companies that used record profits to buy back stock. He proposed a quadrupling of the current 1% federal tax on buybacks.

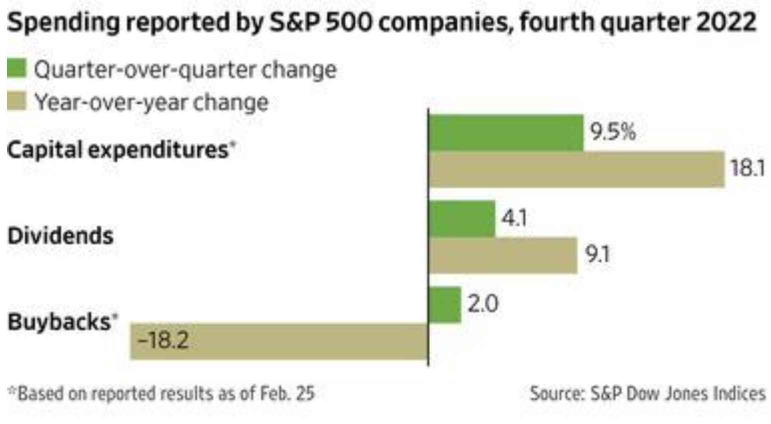
Although few market watchers believe a 4% buyback tax could make it through a divided Congress, some investors and analysts said they are continuing to monitor the political situation regarding buybacks.

"What would change things is political pressure," said Mark Hackett, chief of investment research at Nationwide. "The political pressure will be nonzero. But it's very difficult right now to predict."

Warren Buffett defended the practice of stock buybacks in his annual letter to investors on Saturday. Mr. Buffett said they can benefit shareholders if they are executed when a company's share price is trading below its value.

"When you are told that all repurchases are harmful to shareholders or to the country, or particularly beneficial to CEOs, you are listening to either an economic illiterate or a silver-tongued demagogue," he said.





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Big Investor Directs Goldman's New Consumer-Lending Push

By AnnaMaria Andriotis and Peter Rudegeair
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A billionaire entrepreneur who owns more of Goldman Sachs Group Inc. than Chief Executive David Solomon is leading an effort to refresh the Wall Street stalwart's Main Street lending ambitions.

Goldman is shrinking Marcus, its homegrown consumer-banking business. But it is doubling down on GreenSky, a home-improvement lender it bought last year over the objection of some senior executives.

At the center of the expansion is GreenSky co-founder David Zalik, an Atlanta entrepreneur who became a Goldman partner and one of its largest individual shareholders in the deal.

GreenSky employees were largely spared recent layoffs that hit other parts of the Goldman consumer operation hard, people familiar with the matter said. While Marcus is getting out of the business of making personal loans, one of its original consumer offerings, GreenSky is hunting for borrowers. It is preparing to roll out new credit offerings, including financing plans for homeowners looking to install solar panels, the people said.

The stakes are high for Mr. Solomon, who is trying to assure investors that Goldman is headed in the right direction. Under his leadership, the bank has realigned itself to focus on businesses like wealth and asset management that generate steady fees regardless of market conditions.

GreenSky is another priority, Mr. Solomon has said. "We think GreenSky is a good business that can be accretive," or expected to boost earnings, he told analysts last month.

Yet the deal has had its doubters. Some deputies advised Mr. Solomon against buying GreenSky in 2019, people familiar with the matter said. He pounced when another bidder emerged, according to the people familiar and a regulatory filing.

Mr. Zalik and others are still ironing out exactly how GreenSky fits inside Goldman. The bank tried, and failed, to sell a GreenSky unit that financed cosmetic surgery and other elective medical procedures last year, people familiar with the matter said. It wants to focus on GreenSky's business of lending to mostly creditworthy homeowners.

Executives are exploring ways to pitch Goldman's transaction-banking services to the more than 10,000 contractors and other companies that offer GreenSky loans to consumers, according to people familiar with the matter. Some business owners could also be pitched wealth-management services, they said.

One of Atlanta's richest men, Mr. Zalik, 49 years old, stands apart from the Ivy Leaguers and MBAs that populate Goldman.

The son of a math professor, Mr. Zalik skipped high school to enroll at Auburn University just shy of his 14th birthday but dropped out after starting his first company. He went on to launch ventures in **technology**, real estate and banking before co-founding GreenSky in 2006.

Home-improvement loans came first. GreenSky recruited retailers such as Home Depot Inc. to offer financing for shoppers looking to renovate a kitchen or install new windows. By 2018, it was making $1 billion in loans per quarter, funded by a small group of regional banks. And it was profitable, a rare feat for an online lender at the time.

A 2018 initial public offering, arranged in part by Goldman, valued GreenSky at about $4 billion. Mr. Zalik sold $384 million of stock in the offering and was left controlling a little less than half of the company. He bought a 164-foot yacht, Ocean Z, that he uses, according to people familiar with the matter, to travel to an enclave in the Bahamas where both he and Mr. Solomon have homes.

Soon though, investors soured on GreenSky. Banks pulled back from funding its loans and the company started missing Wall Street's expectations. In 2019, GreenSky started exploring a potential sale.

Goldman, on the hunt for deals to increase Marcus's user base, took notice. But some executives had their doubts after reviewing the company's prospects, according to people familiar with the matter.

Pitching deposit accounts or other Marcus products to GreenSky borrowers wouldn't be easy, they argued, because customers apply for their loans through third parties. The high price Mr. Zalik wanted for the company was another problem, they told Mr. Solomon.

Goldman offered to buy GreenSky in late 2019 for $7 per share, or roughly $1.3 billion, in cash, according to a regulatory filing, before merger talks ended a few months later.

The sale effort went dormant until mid-2021. Goldman came back to the table, and talks heated up after private-equity firm Apollo Global Management Inc. made a bid, people familiar with the matter said. Mr. Zalik told Mr. Solomon GreenSky was near a deal and Goldman needed to act fast if it was still interested, according to a regulatory filing.

Mr. Solomon and Stephanie Cohen, then Goldman's global co-head of consumer and wealth management, wanted to show momentum in the consumer business, according to people familiar with the matter. The company upped its prior offer to about $12 per share, or roughly $2.2 billion.

Mr. Zalik agreed to forgo hundreds of millions of dollars that would be due to him under a tax-receivable agreement and to forfeit Goldman shares worth about $120 million if he quits before the second anniversary of the deal closing.

The two companies announced the deal in September 2021. It closed in March 2022 at a final price tag of about $1.7 billion due to a decline in Goldman's stock price.

Almost immediately, Goldman put GreenSky's healthcare-finance unit up for sale, according to people familiar with the matter. Goldman executives were concerned about the reputational risk of being involved with a business that finances cosmetic surgeries, some of the people said. The loans, which accounted for a small share of GreenSky's volume in 2021, attracted less creditworthy borrowers, the people said. Goldman pulled the offering, following lackluster interest.

In October, Goldman announced a sweeping reorganization that largely dismantled the consumer business. The bank, Mr. Solomon told analysts, had tried to do too much, too fast.

GreenSky is now part of Goldman's Platform Solutions business, which also houses its Apple Card partnership. The bank recently disclosed that the unit has lost billions of dollars since 2020.

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DEALBOOK NEWSLETTER
Business/Financial Desk; SECTB

'Buy Now, Pay Later' Model Is Facing a Crisis

By James Ledbetter
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The New York Times
NYTF
Late Edition - Final
4
English

What once seemed like attractive economics have been upended by increasing competition and rising interest rates.

Last Tuesday was a rough day for Goldman Sachs. The share price fell 6 percent after the Wall Street giant reported its worst earnings miss in a decade. On a call that morning, analysts peppered David Solomon, the bank's C.E.O., with questions about its consumer banking strategy, and about one unit in particular, GreenSky.

Goldman closed its $2.2 billion acquisition of GreenSky, a pioneer in the "**buy now**, **pay later**" (B.N.P.L.) lending sector, in March, calling it a key piece in its strategy to build "the consumer banking platform of the future." It flew under the radar until last quarter, the first in which Goldman broke out earnings for its "platform solutions" business unit, which includes GreenSky. The picture wasn't pretty. Revenues were up, but the division lost $1.66 billion in 2022.

Goldman's troubles with GreenSky are indicative of a cloud hanging over the sector. B.N.P.L. was one of the fastest-growing areas in financial **technology** for years, spawning Europe's most valuable start-up, Klarna, and promising to revolutionize how we consume and how banks could reach tech-savvy new market segments. The growth should continue; according to Worldpay, B.N.P.L. accounted for 3.8 percent of North American e-commerce transactions in 2021 and is projected to grow to 8.5 percent by 2025.

But what once seemed like attractive economics have been upended. B.N.P.L. providers rely on loans for the money that they lend to customers for free, and with rising interest rates, those loans have become more expensive. Passing higher costs onto customers may be difficult: Those who like the idea of paying for a jacket or a dishwasher in installments may not be willing to pay extra for the privilege.

The industry is now facing an existential crisis, as profits remain elusive, valuations plummet, competition increases and regulators ask tough questions about the lending practices behind B.N.P.L.

A victim of its own success

Klarna, the SoftBank-backed B.N.P.L. company, until recently was the largest start-up in Europe, with a valuation of $45.6 billion. The Swedish company, started in 2005, hit the U.S. market with a splash. It lined up Maya Rudolph, the former "Saturday Night Live" actress, for a 2021 Super Bowl ad (average cost: $5.5 million for a 30-second spot). That may have helped it make inroads into the United States, but it has since fallen on harder times. The company has slashed jobs, and its valuation has plummeted to $6.5 billion, according to The Wall Street Journal.

"Candidly, '**buy now**, **pay later**' is just a feature," David Sykes, Klarna's chief commercial officer, told DealBook. "If all you're doing is offering the ability to break a purchase up into installments, we don't think, long term, that's dynamic enough." Two of the other big global B.N.P.L. players, Affirm and Afterpay, have never turned an annual profit; Klarna says it was profitable in its early years.

What happened? Initially, the heaviest B.N.P.L. users were young women buying clothes and beauty products, and the option then grew among consumers of all ages, for any imaginable purpose or product. In the early days of the lockdown, Peloton exercise bikes were a popular purchase for B.N.P.L. customers. Ahead of its initial public offering in 2021, Affirm flagged its reliance on Peloton as a business risk, noting its biggest merchant partner accounted for more than a quarter of its revenue.

As B.N.P.L. has become more popular, however, more and more companies -- from American Express to Citibank to PayPal -- have muscled in. In June, Apple announced a plan to enter the market, although its rollout has been delayed until later this year. Increased competition is expected to drive down margins even further, as merchants drive harder bargains with the army of providers.

Regulators are ratcheting up scrutiny, too

At the same time, regulators are beginning to act on concerns about how B.N.P.L. providers handle late fees, customer privacy and disputes. Plans are underway to strengthen B.N.P.L. regulation this year in Britain, where some consumer rights campaigners complain the service is marketed as a benign payment option but is actually debt. And a September report by the Consumer Finance Protection Bureau concluded that B.N.P.L. companies ''are not providing the same rights and protections ... that credit card companies provide,'' according to a statement by the agency's director, Rohit Chopra.

For these and other reasons, public and private markets have punished B.N.P.L. companies. Affirm shares, for example, have fallen more than 90 percent from their November 2021 peak, in line with other unprofitable growth stocks, including Peloton.

Low valuations make B.N.P.L. companies acquisition targets for big banks, financial services companies, or an outside player such as Amazon or Apple. (Affirm has enjoyed its status as the exclusive B.N.P.L. provider to Amazon, but that agreement expires at the end of this month.) In 2021, Square (now Block) bought Australia's Afterpay for a hefty $30 billion; today a leading B.N.P.L. company could be purchased at half that price or less.

B.N.P.L. executives point out that markets often fluctuate wildly, and that as long as a business can control its unit economics, it has the basis to make a profit eventually. Still, they're building other types of businesses.

Mr. Sykes said Klarna was at least as focused on improving the overall shopping experience as it was on helping consumers pay for products. This means offering comparison shopping within the Klarna app, and providing discounts.

''We spend as much time now talking to the C.M.O.s of businesses as we do the C.F.O.s and the people who own the payments part,'' he said.

In Goldman's case, GreenSky targets customers with high credit scores who are paying for home improvement projects rather than small-ticket items, a spokesperson said.

Affirm offers other types of loans, such as monthly installments at 10 percent interest. A spokesperson for the company said B.N.P.L. was ''the beginning of a whole new domain of products and even companies.''

Jason Kupferberg, managing director in U.S. equity research at Bank of America, said that in the 2021 fiscal year, 43 percent of Affirm's loans were at zero interest. In the latest quarter, he said, only 36 percent were. Last month, he downgraded his rating on Affirm stock to a ''hold.''

B.N.P.L. is hardly a new financing option for the consumer. During the Great Depression, department stores began layaway programs, which allow customers to pay in installments. They were designed to keep people shopping rather than to generate profit directly. More than 80 years later, the **fintech** version may wind up with similar aims.

Goldman says it's committed to GreenSky, but, as it disclosed last week, the losses are piling up. It hopes B.N.P.L. will draw in new customers, but so far it's not driving profits that so many banks and tech firms are hunting these days.

James Ledbetter is executive editor of The Observer .

What do you think? Let us know: dealbook@nytimes.com.

Before it went public in 2021, Affirm flagged its reliance on Peloton as a business risk, noting it accounted for more than a quarter of its revenue. (PHOTOGRAPH BY EZRA SHAW/GETTY IMAGES) This article appeared in print on page B4.

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The New York Times

Business/Financial Desk; SECTB
Consumer Banking Foray Turns Costly for Goldman

By Rob Copeland and Emily Flitter
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14 January 2023
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English

Goldman Sachs will take a big hit from its ill-fated move into consumer banking, even as its other businesses weaken amid an economic slowdown.

Goldman Sachs is paying for its misbegotten foray into consumer banking.

Six years ago, Wall Street's most elite investment bank made a big pitch to the little guy, rolling out credit cards, high-interest accounts and loans. On Friday, the bank announced that it had lost slightly more than $3 billion tied to that business since December 2020.

It's the latest in a mounting pile of woes for Goldman, which is contending with an economic slowdown that has hurt its traditional investment banking business, at the same time that the changes instituted by David M. Solomon, who took over as chief executive in 2018, have caused upheaval inside the bank.

The announcement on Friday followed a major restructuring that Mr. Solomon unveiled in October as part of his efforts to streamline the bank's culture and practices, and to better orient the firm toward a future in which **technology** is likely to sap the ability of big banks to make money as intermediaries.

The reorganization involved combining one part of its consumer banking business, including its online bank Marcus, with an asset and wealth management unit. A second part of the consumer business -- including a credit card partnership with Apple -- was folded into a newly created unit. Its bread-and-butter investment banking and trading businesses were merged into a third unit.

Goldman's retail banking operation has been foundering for some time, but it's hardly the only challenge facing the bank. For the past few years, Goldman has dealt with uneven earnings and departures of top executives, some of whom were frustrated with Mr. Solomon's leadership style. This week, it let go of 3,200 bankers, its largest round of layoffs since the aftermath of the 2008 financial crisis.

Tony Fratto, a spokesman for Goldman Sachs, characterized the job cuts as a mix of slimming down in the face of slowing corporate deal making, a retrenchment in the firm's consumer ambitions and the ordinary culling of low-performing staff.

The fortunes of many Wall Street banks have swung widely in recent years. Big U.S. banks benefited from an easing of restrictions during the Trump administration. And in the early part of the coronavirus pandemic, volatile markets (which help trading) and government bailouts and easy monetary policy (which encouraged consumer spending and corporate activity) enabled many to turn record profits.

The frenzy, which included record deal-making activity in 2020 and 2021, came to a halt last year, largely as a result of the Federal Reserve's interest rate increases.

JPMorgan Chase, the nation's largest bank by assets, reported a better-than-expected fourth-quarter profit on Friday, but said investment banking revenue plunged 57 percent as big companies went into retrenchment mode.

The combination of high interest rates and fast inflation has hit Goldman especially hard because of the slowdown in its most profitable businesses. In sales and trading, Goldman's revenue last quarter shrank roughly twice as fast as that of its peers, according to estimates from Credit Suisse. And the business of advising companies on initial public offerings and mergers tapered off, strangling a big source of revenue for the bank.

Though Goldman maintained its place among peers as the leader in advising companies in 2022, the global revenue it brought in from deals fell to $4.2 billion from $4.8 billion in 2021 -- a record year for deal-making, according to Dealogic. Its equity capital markets business felt a far bigger sting, bringing in $323 million in the United States last year, much less than the $2.5 billion it brought in a year earlier.

On Friday, Goldman revised its financial results, going back to 2020. For the first nine months of 2022, the new unit, called platform solutions, lost $1.2 billion, with more than half that loss in the third quarter alone, Goldman said in a securities filing. Its main trading and banking businesses made nearly $12 billion, while the asset management business eked out a $1.3 billion profit.

The bank is likely to provide more details on Tuesday, when it reports fourth-quarter earnings. Analysts project that the bank will report a steep drop in quarterly profit.

Since taking the top job in 2018, Mr. Solomon, 60, has made numerous changes. He has merged fragmentary fiefs inside its asset management division and eliminated antiquated rivalries between different groups of bankers.

With the backing of the bank's board, Mr. Solomon asserted that the changes were Goldman's only way forward in an era when **technology** threatens to weaken the traditional financial system's hegemony.

His compensation seems to reflect the board's approval. Mr. Solomon's pay rose to $39.5 million in 2021, the most recent year for which data is available, from $24.7 million in 2019, his first full year on the job. Since his ascension to chief executive, Goldman's stock price is up 65 percent, well ahead of its rivals' average.

Some of Goldman's biggest problems trace to a time before Mr. Solomon was in charge. For instance, the bank's move into consumer banking in 2016, with offerings of high-interest-rate checking accounts and a luxury-oriented credit card, happened under Mr. Solomon's predecessor, Lloyd C. Blankfein. In its early stages, the business ran largely independently of Goldman's operations, and its managers had the freedom to develop its customer base and **technology** offerings.

But Mr. Solomon's handling of the business has drawn widespread criticism from investors and analysts. Early in his tenure, he merged the fledgling consumer bank with Goldman's private wealth management arm. Suddenly, the oversight of Marcus was shared among many senior executives who previously had no input. Many of Marcus's original managers left.

And then there is Mr. Solomon's leadership style, which has created enough friction among senior employees that it could undermine the success of his strategy, according to seven people who spoke about his approach.

''David has a direct style, but he's running a big, complex business,'' said Mr. Fratto, the Goldman spokesman. Of employees' criticisms of their boss, he said that it was not unusual to have different views about a chief executive's style, but that Mr. Solomon had shown flexibility. ''If a strategy isn't meeting our aspirations, David has shown the ability to adjust and pivot,'' he said.

Goldman was founded in 1869 and evolved into a partnership not long after. Although it became a public company in 1999, the spirit of partnership and loyalty was a prized feature of Goldman's culture.

More recently, it has dissipated. Since Mr. Solomon started, at least nine senior executives have left the bank, some of them for more lucrative opportunities. And with bonuses shrinking as much as 50 percent across Wall Street as a result of the downturn in trading and investment banking activities, the incentives to remain are fewer.

Mike Mayo, a longtime banking analyst at Wells Fargo, said of Mr. Solomon: ''He has a mission, and that mission is not to be the most-liked person at the firm.''

Unlike Mr. Blankfein, who took a more genial approach and acted as a guiding force, according to people who worked for him, Mr. Solomon rules with an iron fist. To foster trust, Mr. Blankfein kept the firm going more like a partnership than a top-down organization, often using humor to defuse tense moments and win his employees' loyalty.

Mr. Solomon, by contrast, spurns dissent, appears unwilling to entertain criticism and has been known to yell at meetings, many high-ranking current and former employees said -- a style of management that has fallen especially out of favor after the coronavirus pandemic upended traditional notions of work and work-life balance.

Much of the employee discontent started during the pandemic, when Mr. Solomon was seen as lacking empathy and sensitivity. In July 2020, well before Covid-19 vaccines were available, Mr. Solomon was determined to issue a decree to employees to return to the office, five days a week, according to two people with knowledge of the matter. He had to be talked out of sending a memo mandating such a return, the people said.

Although he abandoned the effort to bring everyone back so early, Mr. Solomon insisted on in-person meetings with senior staff members when the New York State and New York City health guidelines allowed it.

Goldman has since mandated a policy that requires employees to be in the office five days a week. Some of its peers, including Citigroup and Bank of America, have been more flexible.

Lauren Hirsch contributed reporting.

Lauren Hirsch contributed reporting.

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Search Summary

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