Operator

Good morning my name is Dennis and I will be your conference facilitator today. I would like to welcome everyone to the Goldman Sachs Second Quarter 2020 Earnings Conference Call. This call is being recorded today July 15, 2020. Thank you, Ms. Miner, you may begin your conference.

Heather Kennedy Miner

Thanks, Dennis. Good morning. This is Heather Kennedy Miner, Head of Investor Relations at Goldman Sachs. Welcome to our second 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. No information on forward-looking statements and non-GAAP measures appear on the earnings release and presentation. This audio cast is copyrighted material of the Goldman Sachs Group, Inc. and may not be duplicated, reproduced or rebroadcast without our consent.

Today I'm joined by our Chairman and Chief Executive Officer, David Solomon, and our Chief Financial Officer Stephen Scherr. David will start by reviewing the second quarter and first half performance. He will then provide an update on several key strategic growth initiatives and the macro economic backdrop. David will also address the firm's commitment to diversity and discuss our return to office strategy. Stephen will then discuss the recent stress test and our second quarter results in greater detail. David and Stephen will be happy to take your questions following their remarks.

I'll now pass the call over to David. David?

David Solomon

Thanks, Heather, and thank you, everyone for joining this call this morning.

I would like to start by saying that all of us at Goldman Sachs hope that you, your friends and your family remain safe and healthy during this unprecedented global health crisis.

Let me begin on Page one of the presentation to review our financial results. In the second quarter, we produced net revenues of $13.3 billion up 41% versus a year ago. The strength and breadth of our client franchise was evident this quarter as we delivered solid net earnings of $2.4 billion, earnings per share of $6.26, and a return on equity of 11.1% and return on tangible equity of 11.8%.

Our results in the quarter were strong, even while incurring higher credit provisions and litigation expenses, both of which impacted our returns. Our second quarter results contributed to solid first half 2020 revenues of $22 billion net earnings of $3.6 billion, and an ROE of 8.4% and ROTE of 9%. Litigation cost burdened our first half returns by approximately 280 basis points. Returns were also impacted by higher reserve build for credit losses.

The second quarter demonstrated the strength of our diversified business and was driven by significant new issue volumes and the counter cyclical performance of our market making activities. We maintained our leading position as a strategic advisor of choice for investment banking clients and our strong lead table positions across underwriting markets, with extraordinary volumes and both debt and equity enabling us to pick up market share. We delivered exceptional performance in FICC and equities on high levels of client activity, to point our risk intermediation expertise in our balance sheet on behalf of clients in a volatile market.

We continue to provide high-quality advice to our wealth management clients and generated another quarter of solid consumer deposit growth. In asset management we recognize gains from market appreciation and our public investments; continue to harvest private equity positions and experience the partial recovery in our credit portfolio from the first quarter. Importantly, we maintained a strong and highly liquid balance sheet with an improving capital position and then high levels of market volatility and economic stress.

Turning to the operating environment on Page two. We are navigating uncertain macroeconomic backdrop brought on by an extraordinary global health crisis. During the second quarter, we experienced both positive and negative forces, reflecting the near term economic challenges related to recent business shutdowns, counterbalanced by continued support from central banks and governments and market optimism as certain economies began to reopen.

However, as we speak today, the past three opening in many U.S. states and corresponding economic consequences remain unclear. Since our April earnings call, our economists estimates for 2020 U.S. GDP improved from expected contraction in 2020 of 6.2% to 4.6% today, driven by expectations of a faster rebound from a deeper trough. That says on a global basis, growth expectations for 2020 deteriorated from an expected 2.5% decline in April to a 3.4% contraction expected today with the second quarter, reflecting a deeper decline in activity than expected three months ago.

The prospect for a steeper recovery in the second half is in no small part due to the forceful and rapid action by governments central banks and governments by global central banks and governments, which are providing exceptional levels of liquidity and ongoing fiscal stimulus. These actions have been key to market resilience, tempering the economic impact of the virus.

In the United States, we are seeing early indications of economic improvement, including the better than expected 18% rebound in retail sales and notable improvement in unemployment June to approximately 11% for more elevated numbers in May. As markets assess the impact of the virus in the second quarter and its potential economic consequence, we experienced the rise in the valuation of risk assets.

During the second quarter the S&P 500 rallied by 20%, marking its best quarter since 1998. While broader global equity markets rose a similar amount, investment credit spreads tightened by over 80 basis points and high yield spreads tightened by roughly 140 basis points this quarter. In the context of these moves in financial assets, strong levels of client engagement during the second quarter demonstrate the breadth and the strength of our franchise.

As we go forward as risk managers, we continue to prepare for the prolonged economic challenges and look beyond market valuations in our overall assessment of risk. We maintain a strong financial profile and we remain agile with our balance sheet as we continue to serve our clients.

Pivoting for a moment, I am pleased to note that volatility in the first half of 2020 did not hinder our progress on most of our key growth initiatives. On June 16, we officially launched our transaction banking service to U.S. clients on-time and below budget despite the unexpected challenges of shifting our global team to work from home and launching the platform remotely.

As of quarter end, we have over 175 clients on the platform and $25 billion in deposits, many of which we expect will become operational as clients begin to utilize -- begin their utilization of the platform over time. Second, in alternatives, we accelerated the marketing of a new credit fund called West Street Strategic Solutions as a part of our transition to fund driven investing. Client receptivity has been very strong. We believe the strategy is well-timed to capture opportunities in the market today and provide critical private financing to companies in need.

Our approaches highly differentiated, leveraging the broad global sourcing capabilities of Goldman Sachs. Just this week, we have closed over $6 billion of commitments. Ultimately, we expect to raise an excess of $10 billion in the coming months. What is most impressive is that our first close occurred in less than 90 days entirely via virtual meetings. We're broadening our client base to include leading institutions and pension fund investors that have not partnered with Goldman Sachs before. These expanding relationships will be helpful to our efforts as additional strategies when funds are launched. You will recall that this initiative was part of our strategy discussed in Investor Day in January and promises to be significant in our move toward a less capital intensive, more fee driven model for our investing platforms.

Third, in wealth management, we continued to integrate our new high net worth business, which we recently rebranded personal financial management. Year-to-date, we've generated over 400 client referrals between personal financial management and our flagship ultra high net worth private wealth business, representing $1.5 billion in assets under supervision opportunity, as we now have a credible offering to serve high net worth clients. That said establishing new health management relationships in the current environment with only virtual communication is challenging, we would expect our progress to accelerate under more normal circumstances.

Fourth, we continued to expand our digital consumer business. We were pleased to announce our new small business lending partnership with Amazon, which will allow us to leverage our proprietary digital underwriting decision platform using data shared by Amazon third-party sellers to provide inventory and operational financing to support their growth. This partnership, which is being launched on a smaller scale at this moment is another example of our innovation and our ability to partner with leading corporations to deliver differentiated value to our customers.

Our consumer partnership also included a recent point of sale financing engagement with JetBlue, and of course, our credit card with Apple.

Before turning to Stephen, I would like to spend a moment on diversity and inclusion which is a critical priority for the firm and a personal focus of mine for many years. Like so many others over the past six weeks, I've spent a lot of time listening and learning about the challenges we face as a nation on racial equity. While Goldman Sachs has long sought to advance diversity and inclusion, we're still not where we need to be. There's both a moral and economic imperative that we make progress. We must be a diverse and inclusive organization to unlock our full potential, as we serve a global marketplace that is diverse in all aspects including race, ethnicity, gender and sexual orientation.

Lastly, let me review our business resiliency and return to office strategy, which has begun in our major offices globally. The firm continues to seamlessly serve our clients, while the vast majority of our employees work remotely, demonstrating the dedication of our people, the strength of our technology and our business resiliency.

Our firm has always had a team oriented apprenticeship culture and we benefit from being and working together, so as each of the communities where we operate reopens, we are taking the necessary steps to gradually return to office in a safe manner. We are following the lead of our Asia colleagues. We're in Hong Kong using a split team approach with up to 50% working from the office.

We're also making progress in Europe, we're on the continent 35% returned and in the U.K., where approximately 15% of our employees are back in office. Recently in New York, a small group of employees have returned to office.

Going forward, our progress will be dictated by circumstances in each region and we will adjust as needed. We are taking many new precautions to ensure safety including through masks and social distancing. And it's certainly not business as usual, but we're making tangible forward progress. As we take these steps, we will continue to keep the health and safety of our people as our top priority.

In closing, I would just like to say how proud I am of the people of Goldman Sachs. They have worked tirelessly during this time to engage and serve our clients, leverage technology to insert our resiliency and prudently manage our risk and financial resources.

With that, I'll turn it over to Stephen.

Stephen Scherr

Thank you, David, and good morning.

Let me begin with our summary results on Page three. During the second quarter, we saw a very strong performance from our investment banking and global market segments, as clients were exceptionally active in raising capital in the equity and debt markets, managing balance sheets, repositioning investment portfolios and hedging risks across asset classes. We also saw a year-over-year revenue growth in our consumer and wealth management segment as we continue to expand our private wealth, high net worth and consumer businesses. Gains across these three segments were partly offset by a decline in our asset management segment, given smaller gains on equity investments versus a year ago.

Before turning to segment results, I want to spend a minute on capital, particularly in light of the recent Federal Reserve stress test results. On June

29, we disclosed the Federal Reserve's indicative stress capital buffer estimate for Goldman Sachs of 6.7%, which implies a common equity Tier-1 requirement of 13.7% for the firm, effective October 1. While higher than anticipated, this requirement is just slightly higher than our reported standardized CET1 ratio of 13.6% as of June 30. In fact, our currency CET1 ratio improved by 110 basis points this quarter and is now 30 basis points higher than where we started this year, demonstrating our ability to effectively manage our capital while deploying balance sheet for our clients.

Consistent with the Federal Reserve's requirements for all large banks, we will extend the suspension of purchases into the third quarter. But it is our intention to maintain our dividends both common and preferred, while complying with the SCB rule upon implementation. Furthermore, we will continue to pursue our longstanding practice of deploying capital to our business will return to accretive and otherwise returning it to our shareholders as permissible and ever mindful of the environment.

As we consider the results of the stress test, it is important to bear in mind that the firm like the industry experienced an actual stress test over the past few months. The global economy contracted sharply and unemployment in the U.S. hit levels higher than contemplated in the Federal Reserve's severely adverse scenario. During this period, we maintained robust levels of liquidity and capital. And despite the stress, the firm emerged from the second quarter stronger and continues to serve clients from a position of financial and competitive strength and with the objective of producing attractive returns for our shareholders.

Looking forward, we continue to believe that the 13% to 13.5% standardized CET1 target range provided at Investor Day is appropriate for our firm on a medium term basis, but we recognize our near term capital requirement is higher in light of the stress test results.

We do not control the Federal Reserve's scenarios and models. But the results only serve to reaffirm the importance of executing the strategy outlined at Investor Day with a focus on diversifying our business mix and reducing the stress capital intensity of our balance sheet.

As David highlighted, our execution of this strategy is advancing. We have sold or announced the sale of nearly $4 billion in equity investments year-to-date, including or agreed sell of Global Atlantic just last week, which will have positive implications for capital and balance sheet. We remain committed to capital efficiency as we diversify our business and grow more durable revenues.

With that, let's now turn to our business performance on Page four, beginning with Investment Banking. Investment Banking produced second quarter net revenues of $2.7 billion up 36% versus a year ago, financial advisory revenues of $686 million remained healthy, but down 11% versus last year, amid fewer transaction closings consistent with the industry.

Year-to-date, we participated in nearly $290 billion of announced transactions and closed over 140 deals for $600 billion of deal volume. We maintained our number one position in both announced and completed M&A, league table rankings by a considerable margin. While recent M&A announcements have slowed, our Investment Banking client dialogues remained very active with client interactions up over 30% versus last year, notwithstanding the continuing work from home dynamic.

In the second half, we are watching for a potential pickup in M&A activity, both from companies coming from a position of strength, as well as those challenged by the environment. Dislocated asset prices will help drive those opportunities as will the significant amount of private capital available for deployment. That said macro and political uncertainty remain relevant and will influence outcomes.

As M&A announcements declined in the quarter, the headline for investment banking was in underwriting. In these turbulent markets, we have seen our underwriting market shares increase as clients have turned to Goldman Sachs, particularly for more complex and innovative financings where execution matters.

In equity underwriting, we delivered record quarterly net revenues of $1.1 billion, year-to-date, we ranked number one globally in equity underwriting, as our volumes jumped to over $50 billion across more than 270 deals. We saw strong activity this quarter across IPOs, follow-ons and private issuances. Convertibles also had record activity, where we ranked number one.

In debt underwriting net revenues were $990 million up 93% from a year ago, as we help finance record U.S. investment grade volumes and supported a broader reopening of the high yield market. Since the crisis hit, our market shares in investment grade and high yield have increased globally, driving our number four ranking in global debt underwriting. This performance amidst the volatility of the last several months is the product of many years of strategic focus and investment in our client franchise.

Given the pace of activity, our investment banking backlog decreased significantly versus the first quarter. This is a function of both the volume of our recent deal execution and slower replenishment. It is also important to point out that the timeline from discussion to execution, notably in financing has shortened in this period, and therefore, backlog may for the moment be an incomplete indicator of forward activity.

Revenues from corporate lending were negative $76 million reflecting $200 million of hedge losses. For risk management purposes we maintain single name hedges on certain larger relationship lending commitments. As credit spreads tightened during the quarter, we reverse much of the $375 million hedge gain we saw last quarter.

With respect to relationship lending, we also saw a meaningful reversal of corporate commitment draws in the quarter totaling $9 billion in net pay downs as financing conditions improved and we help clients access the capital markets. The strong issuance market also enabled us to reduce our underwriting commitments in the deals book. For example, we successfully syndicated acquisition financings, including €10 billion for [indiscernible] and $27 billion for T-Mobile, thereby reducing exposure to the firm.

Moving to global markets on Page five, where we experience considerable strength and performance. Net revenues were $7.2 billion in the second quarter. Growth in the quarter was driven by significantly higher client activity, continued wider bid ask spreads and strong risk management amid continued market volatility. The business benefited from expanded market share as investment in the client franchise and our continued strategic commitment to a global business model with scale across asset classes bolstered performance.

Turning to FICC on Page six. Net revenues were $4.2 billion, growth versus last year was driven by 163% increase in intermediation and 71% increase in financing revenues. In FICC intermediation, we saw elevated client flows with all five of our businesses increasing versus last year. In credit, our performance benefited from broad based client engagement and strength across investment grade, high yield and distressed as well as bank loans amid wider bid ask margins, tighter credit spreads and high new issue volume.

We also saw continued success in systematic and electronic market making including high utilization rates for a bond pricing engine and automated trading, all leading to higher market share for the business.

In currencies, we had another very active quarter with solid activity among corporates, banks and hedge fund clients. Revenues improved as higher volatility through a significantly higher client volume in the Americas and Europe. Our rates franchise also performed well on strong trading and high levels of client activity is elevated volatility, normalized amid coordinated global central bank stimulus.

In commodities, strong trading performance was aided by high volumes and volatility across all of our businesses, including oil, natural gas and metals. In mortgages, net revenues improved significantly on strength in agency and non-agency trading, partly offset by lower loan trading volumes. Lastly, in FICC financing, we saw considerable strength across repo and structured credit.

Turning to equities, net revenues for the second quarter were $2.9 billion up 46% versus a year ago. Equities intermediation net revenues of $2.2 billion rose 91% aided by robust performance in cash and derivatives amid elevated client volumes. We saw strength across the board in commissions, market making, electronic trading and ETFs, as we executed for a broad base of active, passive hedge fund and systematic clients. This reflects our multi-year efforts to leverage our scale and expand wallet share.

Equity financing revenues of $742 million declined 14% year-over-year, driven by tighter spreads, lower average client balances and weakness in Europe given recent dividend cancellations. Finally, across global markets, we continue to invest in technology platforms to enhance user experience and straight through processing. We also saw continued high levels of client activity on our marquee platform through the second quarter with our highest ever external engagement in April.

Moving to Asset Management now on Page seven, in the second quarter, we generated segment revenues of $2.1 billion down 18% versus a year ago. As a reminder, this segment includes our platform that serves clients across a full spectrum of asset classes, from liquidity to alternatives, as well as our own on balance sheet investing activities. As David mentioned, we expect third-party investing in this segment to grow over time as part of our broader strategic initiatives.

Management and other fees related to Asset Management clients totaled $684 million up 3% versus a year ago, driven by higher assets under supervision, offset by mix given growth in liquidity products. Equity investments produced $924 million of net gains in the second quarter, aided by asset sales and a significant rebound in the value of public equity positions. More specifically on our $2.6 billion public equity portfolio, we recognize $635 million of gains, including approximately 200 million in gains on Avantor and Sprout and significantly better performance across the broader portfolio. Despite recent gains, we reduced the size of our public portfolio by roughly 35% over the past five years.

On our $17 billion private equity portfolio, we generated event driven gains of approximately $500 million from various positions, including the sale of our U.K. student housing investment and AirTrunk an Australian data center, both of which we announced last quarter. These gains were offset by $415 million of negative marks relating to certain COVID impacted and other investments. This quarter approximate 20% of companies in our private equity portfolio saw their performance impacted by COVID-19.

Lastly, we also had positive revenues of $200 million related to our consolidated investment entities in the private equity portfolio. Finally, net revenues from lending and debt investment activities in Asset Management were $459 million, which include approximately $200 million from net interest income, with the remainder from gains on fair value debt securities and loans, reflecting tighter credit spreads, retracing nearly 25% of the losses taken last quarter.

Let me now turn to Page eight, where we provide further transparency on the composition and diversification of our asset management balance sheet. On the left of this slide, we show our equity investment portfolio broken out by sector, geography and vintage. We also provide new detail on our $20 billion portfolio of CIEs. These are primarily comprised of real estate investments of which $11 billion are finance predominantly by non-recourse debt.

At the bottom of the slide, we show the diversification of the portfolio with only 7% related to the retail sector and 4% to hospitality. On the right side of the slide, we reflect our $30 billion lending and debt investment portfolio, which includes $17 billion of loans that are predominantly secured and 13 billion of debt investments. We further break down these amounts by accounting classification, sector and geography. This portfolio comprises corporate and real estate loans and corporate debt securities. We will continue to refine this disclosure to be responsive to questions from the investor community.

I will now turn to Consumer and Wealth Management on Page nine. In this segment, we produced $1.4 billion of revenues in the second quarter, up 9% versus a year ago, driven by higher wealth management assets and higher consumer banking revenues. For the quarter, wealth management and other fees of $938 million rose 13% versus last year, reflecting organic growth in the United Capital acquisition, assets under supervision rose 14% versus the prior year to $558 billion.

Consumer banking revenues were $258 million in the second quarter, rising 19% versus last year, reflecting higher net interest income from credit card lending. Consumer deposits at quarter end totaled $92 billion across the U.S.

and U.K., reflecting $20 billion of growth in the quarter. Funded consumer loan balances remained stable at roughly $7 billion, of which approximately $5 billion were from Marcus loans and $2 billion from Apple Card. We continue to prudently risk manage these portfolios and have moderated growth relative to initial budget estimates.

Now let's turn to Page 10, for our firm wide assets under supervision. Total client assets increased to $2.1 trillion, approximately $240 billion versus the first quarter and up nearly $400 billion versus a year ago. This marks the first quarter in which we exceeded $2 trillion in assets under supervision. Our sequential improvement was driven by $100 billion of market appreciation $133 billion of liquidity inflows and $6 billion of long-term inflows.

On Page 11, we address net interest income and our lending portfolio across all segments. Total firm wide net interest income was $944 million for the second quarter, down sequentially and versus a year ago, amid lower rates and an increase in our liquidity pool. Importantly, and as I have noted previously, as a firm, our overall results are less sensitive to lower interest rates than many traditional banks. While our balance sheet is modestly asset sensitive, given our mix of high turnover or floating rate assets, and hedge floating rate liabilities, if interest rates remain stable, we expect NII to gradually expand over time as our consumer deposits reprice.

Next, let's review loan growth and credit performance across the firm. Our total loan portfolio at quarter end was $117 billion, down $11 billion sequentially, as we saw significant pay downs on corporate revolvers as I noted earlier. Our provision for credit losses in the second quarter was $1.6 billion, up $650 million versus last quarter.

Let me break this provision number down for you. On the wholesale portfolio, we took pool reserves of $700 million, as modeled losses under CECL were higher relative to the first quarter, principally as a function of macroeconomic indicators, such as unemployment and GDP, worsening in the second quarter relative to similar inputs during the first quarter. The $700 million included both higher loss expectations and lower recovery rates.

We also took impairments on wholesale loans of $540 million primarily related to credits in the industrials, TMT and natural resource sectors. Included in the $540 million of impairments, was $155 million related to Hertz as the company declared bankruptcy. This impairment was the largest in the quarter and was offset by gains on hedges which served as a risk mitigant. With hedged gains reported in the lending sub-segment of investment banking.

In our consumer portfolio, provisions of $305 million increased versus last quarter, reflecting $220 million of reserve build an $85 million of net charge offs. During the quarter we recognized firm wide net charge offs of $260 million, resulting in an annualized net charge off ratio of 0.9%, up 40 basis points versus last quarter. At quarter end, our allowance for credit losses for both loans and commitments stood at $4.4 billion, including $3.9 billion for funded loans. Our allowance for funded loans increased 120 basis points to 3.7% for our $105 billion accrual portfolio, including an allowance for wholesale loans of 2.8% and for consumer loans of 17%.

Next, let's turn to expenses on Page 12. Our total quarterly operating expenses of $8.4 billion increased versus last year. This includes higher compensation expense in line with revenue growth. Our non-comp expense growth was driven by $120 million increase in brokerage, clearing and exchange fees from higher client activity, $130 million of investments related to technology and new businesses including Apple Card and PFM and $100 million in CIE expense, which should decline as we harvest these investments, and roughly $900 million increase in litigation.

Our reported year-to-date efficiency ratio was 67%, which was burdened by over 5 percentage points due to litigation. We continue to make progress on our medium term, expense savings initiatives set forth at Investor Day and expect to realize additional planned reductions in non-compensation expenses through the back half of the year. Finally, our reported tax rate was 22% for the year-to-date, reflecting the impact of higher earnings on permanent tax benefits and non-deductible expenses. As noted previously, we expect our tax rate over the next few years to be approximately 21%.

Turning to our capital levels on Slide 13, as I mentioned common Tier-1 equity ratio for the firm was 13.6% at the end of the second quarter, under the standardized approach, up 110 basis points sequentially more than recouping the decline seen in the first quarter.

The improvement was driven largely by earnings and RWA management. Our ratio under the advanced approach increased 10 basis points to 12.4% as higher capital was partially offset by higher RWAs due to a full quarter impact of increased market volatility.

On the balance sheet, total assets ended the quarter at $1.1 trillion up 5% versus last quarter. We maintain strong liquidity levels with our global core liquid assets averaging a record $290 billion, with growth largely commensurate with balance sheet expansion amid strong deposit growth. On the liability side, our total deposits increased to $268 billion, up $48 billion versus last quarter, which should enable us to maintain low levels of wholesale financing activity for the balance of the year has had been our intention.

In conclusion, our second quarter results reflect the diversification and strength of our client franchise and our ability to provide differentiated [advice] [ph] and market access in a volatile environment. We maintain a prudent risk orientation, mindful of continued uncertainty in the markets and the ongoing health crisis.

Our core businesses are performing well and many of our new initiatives are advancing ahead of plan. We remain confident in our financial position, capital base and liquidity, which set the foundation for our ability to serve our clients through this challenging time.

With that, thank you again for dialing in and we'll now open up the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And your first question is from the line of Glenn Schorr with Evercore. Please go ahead.

Glenn Schorr

So my question on trading is, towards the beginning you said at Investor Day we were talking about little more focused on the financing side and felt like clients would pay for that and the intermediation has been more commoditized and volatility was low. So what do you know intermediation hikes because the world goes crazy? So I'm curious of two things on this front is, one is the pickup in intermediation just a function of volatility and that'll subside as the world calms down, has anything changed there in terms of pricing market share and the client's needs for you that's Part A. And Part B is on the financing front, he did show progress it is growing but is there anything in the way the [indiscernible] stress testing goes that would frown upon that or would change your intention on continuing to grow the financing side?

David Solomon

Thanks, Glenn. Thanks for the questions. David. Thanks for the question. I'm going to start at a high level on trading activity and I'll have Stephen answer the second point around financing and addressing your question as to potential impact from CCAR. There's no question that when we step back and we think strategically about our franchise, we want to be in a position to serve our clients. We've always had great confidence in the broad global footprint that we bring to global markets, that we're an all products all over the world. And as our clients look to intermediate markets, we have a full service capability to serve them.

There's no question that over the last decade, in a period of very low interest rates and low volatility that has been a more commoditized service, as you say, in a period where there's enormous change and enormous volatility in markets, we became super busy because our clients are super busy. And the reason you see this pick up in activity is because there was a lot of activity from our clients. I don't necessarily view that as permanent. But at the same point, it shows you that whether it's in a more low muted environment where we're well positioned to grow our financing business to serve our clients needs, or in a period where our clients be more access to liquidity, our franchise is very well positioned to serve them. And I think we got a benefit in this quarter from that positioning.

It's obviously very hard to predict, given the uncertain nature of the environment, how this would continue, I'd say up front, because I know it'll be a question from a number of you that the activity levels that we saw at the end of March and in April, we're really extraordinary. We've not seen the same level of activity over the course of the last five or six weeks, since the beginning of June, but I would say the activity levels over the last five or six weeks when looked at compared to activity levels in 2019, or 2018 still look pretty active. And so we continue to see clients very, very engaged in our markets business. I think Stephen should comment on financing CCAR and how we're thinking about that. So I'll pass to Stephen.

Stephen Scherr

Thanks, David, and thanks, Glenn, for the question. Just to sort of pivot off of David's comments, I would say the important thing to think about in the context of activity is that we were experiencing, as David put it, very elevated volumes at wider bid offer. And Goldman Sachs sort of went through the market and didn't pull back and away from the market. And in doing that, we picked up market share, which I think will have lasting effect, notwithstanding where the market goes in terms of its dynamic. And the other thing I would point out is that in working through those flows, we managed risk really well, meaning we were not with elevated inventory, we saw high velocity turn in our risk in serving the intermediation needs of the clients and I think that's an important point to make.

On the financing side of the business overall, it's important to bear in mind financing and FICC was up about 71%. We saw considerable strength both in repo and in structured credit. We saw similar activity on the equity financing side as well. As it relates to SCB and CCAR, I think that the ability of the firm to be agile and take our capital ratio up to 13.6% kind of takes SCB off the table and capital off the table in terms of our ability to present ourselves into the third quarter and beyond is ready and open to play the role we did in the second quarter, which is stand ready to meet the intermediation and trading needs of our clients.

And I think the final comment, I'd make just on capital is that, we said during Investor Day that we would be agile, meaning we would be agile with the deployment of capital in and around the businesses of the firm. Now, at the time, the questions that came to us were more about the ability to pull capital from the securities business not put to it, in this quarter, we moved capital to it, returns were extraordinary, super attractive and we were able to move that around, you know, as the kind of flexible organization that we'd like to think of ourselves as and we'll continue to do that based on what the market opportunity shows us.

Glenn Schorr

Very helpful and thank you for that one. One other question is, you mentioned the sale of Global Atlantic. I think that closes in a few quarters. I think you guys should get a lot of respect for growing that from scratch basically. Just curious how much of that, what percentage you own, Goldman Sachs own, not the private client, Goldman Sachs own sizing of the game, how much RWA that frees up anything you could help on that? Because it is a good business, it's just really dense RWA I guess?

Stephen Scherr

No, I mean, Glenn, I think you characterized it exactly well, and you hit the point, which was our motivation for the sale itself, which is, this was a business that began in 2004. It was spun-off in the second quarter of '13. And over time, because of its intensity as a financial institution, it becomes more capital intensive. So, obviously, our motivation is to free up that capital and deploy it elsewhere around.

We were about 25% of the ownership we're selling out, if not all, then, the preponderance of our position on that sale will release about $2.2 billion of risk weighted assets and about $400 million of attributed equity.

I'd also point out that this is part and parcel of kind of a larger move that will take place over the course of the entire year, which is this will be part of about $4 billion of sales, off the balance sheet, all part of our broader strategy of looking at lower capital intensity, lower balance sheet, intense investments and moving more towards third-party funds.

And so we will by the end of the year, reduce that down by about $4 billion. That will relieve us of about $2 billion of capital and about $13 billion of risk weighted assets, again, Global Atlantic being part of that. I would say roughly speaking, almost half of that is done, with the other half announced and spoken for and expected through the balance of the year.

Operator

Your next question is from the line of Christian Bolu with Autonomous. Please go ahead. Christian, please go ahead and check your phone to see if it's on mute.

Christian Bolu

Maybe just following up on the capital question just asked. I guess I think about your CET1, potential for another 50 basis points of GCP surcharge. Maybe you might want in as a management buffer on top of what will be a minimum SCB number, your actual capital requirements could be approaching 15% on the standardized side. So maybe just help us think about how you think about getting that number back down to -- more like 13%, 13.5%, which is a long-term target. And then sort of, what are the strategic or what are the implications for sort of your strategic growth initiatives potentially you have to bring down capital by that much?

Stephen Scherr

Sure. Thanks, Christian. So, as I said in the prepared remarks, we remain committed over the medium term to the range of 13% to 13.5%. I think we're executing at the moment in the moment, meaning we're in the midst of a pandemic. Obviously, the results around CCAR and the SCB fixing was higher than what we had expected and perhaps reflects a view about where we are at a moment in the market. But I think our strategy as articulated and Investor Day and frankly speaking what I described in the path toward reducing down capital intensity of our balance sheet investing are all part and parcel of our ability to take down, what is otherwise meant to be represented in the peak to trough in the SCB.

And so we're executing now, we are in a position having grown back our capital ratio to be within narrow distance of what's required. But again, that's a moment, I wouldn't fix a permanent capital buffer, nor look to amend what I view is our medium to long-term objective for a profile of the business, which will benefit from key strategic initiatives, which will lower the capital intensity of where we're going. And I think that's the forward path. And so, we'll remain quick on our feet as it relates to this. But I just want to give you a sense of what the forward direction is for the firm itself.

Christian Bolu

Great, thank you. And then on cost, a very strong core cost control ex-litigation in the quarter, I believe you mentioned, you'd expect more non-comp benefit in the back half. So maybe help quantify that for us? And then, maybe look longer term, you've had a bit of a chance now to get a sense of the post COVID world. So how do you think about sort of structural expense trajectory, particularly in light of that sort of 1.3 billion target, can how much upside could that be in that number? Thank you.

Stephen Scherr

Sure. Sure. So a non-comp expense is, as you suggest ex-litigation, our non-comp expenses are up about 9%. And a good portion of that increase is attributable to variable expense like BC&A. So this is expense, obviously related to the nature and level of activity that we experienced in the business. And the other portion of that increase is largely related to new businesses or larger size businesses than where we were a year ago. So think, the acquisition of United Capital expenses associated with it, or Apple Card. And so expense control has been on the front of our mind.

What I expect to play out in the back half of the year, we'll be as we've said previously, the benefits from a reduction in double occupancy expense relating to real estate, two buildings, both in London and in Bangalore that roll off and so as we've long planned and expected, that will benefit us in terms of the reduction in non-comp expense overall.

On a more structural plane and thinking back to the $1.3 billion of expense reduction that we articulated, frankly, I think we come at that number now, with greater confidence in the in that number and frankly the ability to exceed it over the medium to long-term. And part of that is informed by judgments that we are making and analysis that we're undergoing, not just simply about the size of the firm, but where the physical location of the firm can be. That is our ability to take aggregation of people or whole businesses and look to move them to different locations either around the world or around the country.

And I think the flexibility and the agility that we can take from what we've witnessed in the context of the last several months, only feeds our confidence in the ability to do that and therefore our ability to hit the $1.3 billion target or better over time.

Operator

Your next question comes from the line of Steven Chubak with Wolfe Research. Please go ahead.

Steven Chubak

Wanted to ask just a follow-up on the funding optimization efforts that you guys have talked about before. Certainly the deposit growth continues to surprise positively both on the consumer side as well as within transaction banking. Now given that some of the growth appears to be tracking ahead of plan, or it sounds like you're quite confident on your expense savings targets from Investor Day. I was hoping you can give us an update on the funding side as well whether you're still quite confident in that billion savings goal, recognizing that a lot is going to be dependent on term structure shape of the curve, what have you.

Stephen Scherr

Sure. So on deposits, your observation is right. I mean total deposits for the firm now is $268 billion that's up $48 billion quarter-on-quarter. Marcus deposits now, again, through the retail channel are at $92 billion that was up $20 billion in the second quarter. And we're also seeing deposits commence or not yet operational in the transaction banking deposit side. So the growth in the deposit channels overall has been really, really positive.

The question of whether we can harvest the precise level of savings of $1 billion that we forecast, rests largely on market sort of developments. What I mean by that is, the deposits in retail currently are from a financial point of view, less valuable in the moment than where they were in the January Investor Day, meaning we've seen Fed funds come down by about 150 basis points but we haven't experienced corresponding beta on the downside in the retail deposit channel. That will come over time as we develop a more sort of substantive and profound level of engagement with retail customers, the reliance on rate will become less so and we'll be able to sort of capture back where we were.

But I'd say that much of what we premised our Investor Day presentation on was an assumption about normal markets were not normal markets, the precipitous decline in rates but not a corresponding decline in deposits will lessen some of the savings but I wouldn't sort of put too much of a permanent conclusion to that, let's wait until we get to a more permanent state of a normal market to sort of judge that.

By the way, by contrast, we do see positive beta in other channels which play that way, particularly in the high net worth channel. But I think we'll need to sort of assess just the magnitude. By the way, none of that is to take away from the strategic value of this consumer and the overall deposit channel, which is enabling us, frankly, faster than we thought to take out the wholesale funding channel. And just by way of reference, we've got about $10 billion of wholesale debt through the balance of this year, either maturing or subject to call and we'll be able to sort of act on that reducing down the liquidity that we hold all as a consequence of the growth that we've seen in the deposit channel overall.

Steven Chubak

Great. Thanks for that helpful color Stephen. Maybe this is a question for you, David on the M&A outlook. And one of the concerns we heard from folks is the challenging M&A backdrop could very well persist just given low levels of CEO confidence and just uncertainty around the election and future tax policy. And I was hoping you can give some color as to what you're hearing from the C-suite, regarding appetite for M&A and willingness to do deals and maybe what ingredients needs to be in place to help reinvigorate deal activity here.

David Solomon

Thanks for that question. And of course, you're right at a high level. And we've always said this, the number one thing that drives M&A activity is CEO confidence. And there's no question in this environment given the high level of uncertainty, it's much harder to see those same levels of confidence as a result of that as we highlighted in our opening commentary that M&A volume -- M&A announced M&A transactions in the second quarter were down 75%. And so as you would expect, we saw withdrawal of activity. We obviously saw closings on previous activity. But we did not see replenishment in advisory transactions that we would normally see.

And I'd say that in March and April, in particular and into the first half of May, dialogue with CEOs around forward strategic decision-making was very, very limited. People were in crisis mode and we're very focused on dealing with the immediacy of the healthcare crisis and the crisis as it was affecting their businesses.

We have seen over the course of the last six weeks or so as economies around the world have started to reopen, or reengagement by clients and CEOs in their forward strategic view. I would say that the dialogue levels right now are particularly robust. I don't believe that we'll see short-term activity but I would expect over the course of the next 2 to 4 quarters, those activity levels will build, as we have a clear understanding as to the overall direction of the healthcare issue that we all face, and the overall economic impact that comes out of this. And as people have more confidence, they'll be able to move forward, you did see one or two significant M&A transactions during the course of the last week. I want to be clear, it's not shut down, but I think you need a more certain environment with better insight into the healthcare situation and the economic situation to see that replenishment normalized. My guess is, we'll get that but it'll take a couple of quarters for sure.

Operator

Your next question is from the line of Mike Carrier with Bank of America. Please go ahead.

Mike Carrier

First one, just on the private equity sales this year, I think you mentioned freeing up about 2 billion of capital. And if I'm not mistaken, I think during the Investor Day, you guys mentioned I think it was about 4 billion over a period of three years. So just curious, is this more accelerated has that opportunity set, expanded? Just trying to get an understanding of maybe the pace of that kind of strategic shift?

Stephen Scherr

Yes. So, you have the facts, right. I mean by the end of the year, as I said, will free up about $2 billion, which is 50% of the way toward the objective of four. I would say that, I don't view that four as being in any way, the limit of what we can get done, the more we can advance and increase the cadence on the migration to low our capital density investing, the better will be and we'll continue to pursue that.

Obviously, there's two sides to this that are both progressing. I mean, on one hand, we're effectuating sales that will relieve us of capital, but we're doing that not leaving ourselves in kind of a canyon of activity in that as we said during the prepared remarks, we've really advanced on the raise of our first fund inside of 30 days, having a first close in excess of 6 billion with a target of greater than 10. And while we set out the objective of doing about $100 billion of raise in and across a range of different funds, I think we all have an expectation that will exceed the $20 billion target we thought we would get to this year and look to revise targets across all of this as in when we think it appropriate. But, this is good forward progress and we're very determined to see it happen.

Mike Carrier

Okay, that's helpful. And then just a follow-up just on the trading activity. David, I think you mentioned just higher activity year-over-year even in the past couple of weeks. Just when you think about it across that products client side, obviously, we have ongoing volatility and uncertainty that kind of benefits the industry. But are you seeing any point it's a structural shifts in terms of Goldman share gains, more use of the electronic platforms, additional client relationships that can maybe be more sustainable once some of this volatility surfaces.

David Solomon

I appreciate the question, Michael. There number of things going on that we've highlighted, but to summarize or maybe put it in a different context of frames to your question. One of the things we've done over the last two years is we've thought very, very carefully about our global markets franchise, the way we wanted to center that franchise, which was really around our clients. And we invested in a one GF approach that we've talked about, that really tries to improve the client experience for our clients across that franchise. And we started making an investment in those relationships, improving wallet gaps, improving shares. That's an investment we started two years ago, that was paying dividends. But I think what you saw, given the increased volatility and the heightened activity on the part of our clients, we saw an acceleration of the benefits of some of that investment during the course of the end of the first quarter and the second quarter.

I think the real share gains there. I'm getting a lot of feedback from clients directly, that they really appreciate the way we've invested in the client centricity of that business, the way we've kept a strong investment and really meeting their needs. And I think we've reaped some dividends from that investment.

Now, as that continues, we'll work to protect those share gains. But I'd also highlight, I still think there's upside for us when I look across the hundred largest players in that business and I look at our share across the hundred largest players and we're top three with 100 largest players. While we've made progress, I think we still have upside in the medium term if we continue to execute on our strategy to take more wallet share, given the strength and the breadth of our franchise and we're going to continue to remain focused on that.

Operator

Your next question is from the line of Betsy Graseck with Morgan Stanley. Please go ahead. Betsy, please go ahead and check to see if you're on mute.

Betsy Graseck

So, just a couple of questions. One, I know that earlier, there was a question around capital and how to utilize capital most efficiently. And I wanted to raise it how I'm seeing the VAR trajectory over this past quarter. And I'm wondering, is there an opportunity here given the capital generation that you've been unable to do and also the RWA, compression that we lean into the VAR and keep VAR relatively high. I know in the quarter it was up significantly q-on-q. But how much of that is market related? And how much do you anticipate running it maybe a higher VAR than you have had in the past given, your capital flexibility that you have.

Stephen Scherr

So, I think the premise of your question Betsy sort of strikes at the answer, which is, we do have capital flexibility to elevate our VAR using VAR as a basis or as a metric if you will, for extending into client needs. So, both responding to the need for intermediation and positions deploying capital against it, and equally being responsive to the possibility of the market inflating, such that VAR increases in the context of inflated notional positions with particular credits. And so I think we feel very comfortable and part of the reason to take up our capital to sort of adequate levels relative to where we will be required to be, I mean, gives us greater confidence to see VAR inflate to the extent that we are in a position to serve our clients in periods of continued uncertainty as David's been speaking about in the markets more broadly.

Betsy Graseck

Was there anything this quarter in particular, that's [row] [ph] VAR, I guess last quarter was A1 average VAR and this quarter was 122 and I know that total one, but it was up across the board in the various categories. May speak to what you saw in this quarter that drove that VAR up and what you think could be sustained into the second half of the year and what that means for trading revenues. Jamie [indiscernible] I should cut in half your trading revenues, for 3Q but where do you stand on that kind of question?

Stephen Scherr

Well, I don't think any of us are in a position to make such a declarative judgment about the exact direction of trading revenues in through the second half of the year. I think that, what we need to do is set ourselves up to be in the service of clients and avail ourselves of the benefit of our shareholders of the opportunities as they present. And I think David characterized it well, which is, the second half will be more characterized by uncertainty than any ability to forecast up or down in the market itself. And I think we're well positioned from a liquidity from a capital and from a risk point of view to be able to avail ourselves.

The one thing I would say, as we think about risk in markets like this is drawing the distinction between, what's liquid and what's not. So when I look at the firm, I think that inventory was managed in the pursuit of intermediation in the trading business exceptionally well. We saw very high velocity as we've long been looking to work with our securities leadership to do, in terms of seeing quicker turnover in inventory in support of trading activity.

When I look at illiquid, this is an area where from a risk point of view, we use market opportunities to lower for example, commitments made in the deals book and took that book down and took risk down and position ourselves now to take on more risk in through the second half of the year, to the extent that those opportunities present themselves. And so, I feel quite good and confident about where we stand from a risk position, not limited to what we do in trading activity, which will present itself but equally around other areas of the firm, with more structural and kind of less liquid risks to take on board.

Operator

Your next question comes from line of Mike Mayo with Wells Fargo Securities. Please go ahead.

Mike Mayo

Hi. Well, my short question is as, look, you're the number one advisor. So what are you advising clients to do? And how are you allocating the firm's resources to back that up? And the color behind that is, it seems like the elephant in the room is, look COVID cases are going up. I think death rates followed by about four weeks per -- expert that we had on a call and then you have shutdowns, you're seeing the shutdowns like in California and elsewhere. So there's two scenarios here. One is maybe Goldman is needed less that investors and your clients go home and sit on the sidelines, too much risk, or maybe Goldman Sachs needed more, as you said, more complex deals, wider bid offer spreads, elevated volumes, more of a freak out market where you guys stay open for business. So what are you advising clients? How are you reallocating your resources for that and what are your thoughts on my question?

David Solomon

Well, it's a very uncertain environment, Mike. It's a very uncertain environment. And so one of the things we're advising clients is that it's a very uncertain environment and they have to bring caution and planning to everything they do. I watch TV and read the news like everyone else and sometimes quite surprised by how certain people are. I continue to be relatively uncertain as to the trajectory of all this. As I've said before, we need to understand the healthcare risks associated with the virus and get to a point where people feel safe and comfortable. Obviously, a vaccine would be a meaningful step forward with respect to that. While there is no question that there's progress with respect to a whole bunch of companies that are making significant investments in a vaccine. And there was positive news again this morning, the exact trajectory of that and how we deploy it and whether the work and the effectiveness of all that is still unclear and uncertain.

I'm confident we will get through this but the timing and the impact is relatively uncertain. We've also because of the shutdowns economically all around the world have slowed economic activity. There's no question as reopening occurred, we've seen a pickup in that activity. But with an increase in viruses and this uncertainty persisting, I think you'll see a flattening on that economic pickup and that will slow the progress we make economically from here. So we continue to advise clients to be thoughtful and cautious about that,

With respect to Goldman Sachs being open and ready and willing to serve our clients, there's no question in the second quarter that our clients were extremely active and we were there to support them. It's unclear how active we'll be in the third quarter, but there will be activity, we'll be open and at the end of the third quarter, we can kind of look back and say how that unfolded. But I think we've proven and will continue to prove with great humility, that we can be flexible, we can work remotely, we can adapt. And we can also help clients adapt. And so this is a very challenging time for everyone. The human toll of this crisis is really very significant. Everyone is focused on their employees, everyone's focused on their businesses and their stakeholders and the shareholders. And I think that people need to be cautious, because the economic repercussions of this will play out over the medium term. And this is not going to be in my opinion, a quick resolution. And we'll continue to try to be nimble and flexible and help our clients navigate what I think will continue to be a very uncertain period.

Mike Mayo

As a follow up, just as it relates to capital markets, we're all trying to fill in our models for the next several quarters. What could be the next step in capital markets, in terms of repositioning of portfolios due to the election and another government stimulus or [indiscernible] continuing or you mentioned mergers, or you said volumes are still above the level last year even if coming down. People tend to give you a [PE of one] [ph] on your earnings, like a quarter such as this, whereas you talk about the annuity with your clients. So I'm just trying to figure out kind of what's the next step with capital markets at Goldman Sachs?

David Solomon

Well, I think our capital markets, businesses have long been a leader. And we've been positioned as a very, very strong leader in M&A advisory activity and equity underwriting activity for decades we've made a significant investment over the last decade in our debt capital markets business. And I think over the last few years, you've seen the benefits of that investment. And I think we're very well positioned to help our clients meet their capital markets needs.

Capital Markets is a volatile business yet through the cycle our capital markets, businesses produce significant activity and significant profitability. I don't have a crystal ball as to what's going to happen in the next six months. I've had some time discussions with people where people talk about some capital markets activity being pulled forward. And there's no question that some refinancing has been pulled forward. At the same point, there's been a whole bunch of activity that we could have never imagined would have occurred because of the virus and the economic consequences of the shutdown. So when you look at industries like airlines and cruise and travel and leisure, there's been an enormous amount of capital at markets activity that was completely unanticipated. And so as we look forward over the next six months, I think there'll be other things based on the macro environment that will either lead to a pickup in some places or a decrease. The one thing I know for sure is our franchise on a global basis is very well positioned to meet our clients' needs as that activity occurs.

Stephen Scherr

Mike, the only thing I would add to David's comment is that and this goes back to the initial question you asked which is what are we doing with our clients? I mean, you can look in the capital markets at, the need to apply more creativity to structured solutions for clients than perhaps what we've seen in kind of straightway issuance in more normalized markets. Look at the deal that was completed for United Airlines, which I think brings some interesting ingenuity and structure to what otherwise in the normal course, would have been a fairly straightway financing. And I think that's the nature and level of engagement with the clients that we're experiencing. And I think, it responds a bit to the question of where the capital markets going. There may be more of a need of that right in the uncertainty that David's been addressing.

Operator

Your next question comes from the line of Brennan Hawken with UBS. Please go ahead.

Brennan Hawken

This quarter, you guys made a purchase of Folio an RIA platform and just kind of curious if you can maybe give a little color on that, was that purely used by United Capital, or is there interest in providing third-party custody services in the RIA space, which is a market where we're seeing some consolidation and there's a lot there -- if they are going from three to two strong providers of pure custody. So just curious if that's part of the plan there?

Stephen Scherr

Yes. I think the way to think about it is that, in the end we're looking to continue to build out kind of three components of that business, there's obviously our ultra high net worth business, there's a high net worth business PFM, which was the United Capital, I think Folio serves to clearly provide added heft to that component of what we're trying to build. The third leg in that stool would obviously be a more mass affluent consumer piece. But the acquisition of Folio was clearly aligned with the strategy begun under United Capital and the provision of third-party custody more broadly. So I think it fits both a generalized strategy, but equally it is entirely consistent with what we were trying to build out in the high net worth or PFM space, which was the United Capital asset itself.

Brennan Hawken

Okay. Thank you for that Steve. And then, when we were thinking about your comments on the M&A market, interesting and very helpful about the pickup and dialogue in the last six weeks and clearly there's a lot of uncertainty, as you flagged with healthcare and the economic trajectory, but we also hear about the election uncertainty holding back some component of activity in the U.S. Are you seeing a difference or a significant divergence in the level of dialogue in the United States versus other geographies? And is it the other geographies that's leading to the greater engagement or are you seeing it pick up in the U.S. as well just a nuance on that?

David Solomon

Sure, Bren. And what I would say is I don't see a difference in engagement levels in the U.S. versus let's say the rest of the world. Engagement levels were way down, engagement levels are picking up everywhere. While the election is certainly something that I think will get a lot of attention over the next five months. It's still five months away and I think that the healthcare crisis and the economic crisis as a result of the healthcare crisis is at a much bigger impact on engagement levels than the election, as to how the election starts to impact decision-making. I can see it in some ways being an accelerant and in some ways, potentially creating uncertainty and slowing things down. But I don't think the election cycle is yet playing a big role in client engagement.

Operator

Your next question is from the line of Devin Ryan with JMP Securities. Please go ahead.

Devin Ryan

So, just want to drill a little bit more into the progress in transaction banking. And really just trying to think about do the scaling in that business, 175 clients today and making some progress on deposits. I guess, where do you feel like you are in terms of market share with those clients? So are they kind of test driving the platform today, but they're still kind of a huge opportunity of maybe more penetration? And then, as you think about kind of scaling that platform, kind of what are they using today, why are they using Goldman Sachs and what's the opportunity to do more with him?

David Solomon

Sure. I appreciate the question. And I know there's been a lot of interest in this. There's also been a lot of questions about our ability to execute on this. If you go back strategically, one of the reasons that we were very confident of building this platform is we were a big customer of other institutions. And we saw a need based through our own experience. And we've really put together what we think is a very, very friction free digital platform that advances the connectivity that clients have to their financial institution and ease of use in very, very meaningful ways.

The rollout has gone very, very well. I think we've been very cautious and conservative, as we talked about it, particularly at Investor Day around client take up. I think one of the reasons we felt comfortable that we could build a platform and attract clients to it, if we build a good platform, is that we have relationships with all these clients whose relationships are real. They rely on us we lend to these clients. And if we had an offering that was competitive, we felt that was a reasonable ask of our clients to consider our offering.

I think what you've seen in this initial rollout is a lot of clients have considered our offering and the first and easiest way to consider it is to leave deposits with us to onboard, get an account, see the ease of use and doing that and leave deposits with us. And so, I think that's accelerated at a much faster pace than we expected. We have had a handful of significant clients turn operational, which is obviously where the business becomes much more attractive to us. And I would expect over the course of the medium term, we will grow a very substantial business where these clients become operational on our platform. And that will lead to significant fee-based revenue streams that will help that business grow.

But we're in the very early stages, our market share is tiny, we don't have enormous market share aspirations, but we will grow this business we believe nicely over the medium term and it will make a meaningful -- it will make a reasonable contribution to the overall diversification of Goldman Sachs.

Devin Ryan

Okay, terrific. Appreciate that. And then just a follow up question just around the comp ratio, so year-to-date, accruals 35% versus 36% last year in the first half. So I'm trying to just kind of parse through how much of that is actually some of those expense savings coming through versus maybe leverage on mix or the fact that revenues are up 20%, or trying to think about the accrual and how you guys are thinking about that relative to where you were last year.

Stephen Scherr

Sure. So the way we think about it is that each and every quarter, we've taken accrual as at that quarter as to what we forecast, we need to pay the organization and compensate the organization on a pay for performance basis. And it's not more than that there's no signaling that's embedded in it or otherwise. I think a good deal of the savings is not anticipated in the context of lowering our comp ratio. It's really looking at the balance of expenses that I was addressing to an earlier question in terms of what we can do to bring down some of the non-comp expense and overall bring our operating expenses down.

But fixing this at 35%, as you may remember, we were at 33.8% last year, and so this is an ongoing quarter-by-quarter assessment of what we need to do taking a look at the overall performance of the business itself.

Operator

Your next question is from the line of Jim Mitchell with Seaport Global Securities. Please go ahead.

Jim Mitchell

Maybe just a question on the SCB and DFAST, just trying to, if we look at trading, as you pointed out and I agree, you've seen almost a counter cyclicality in trading revenues holding up very well in this kind of stress test we just had from COVID. Yet count, losses in trading through DFAST are still pretty high. So when we think about your SCB going forward, do you think there is any opportunities that have sort of the Fed sort of recalculating how they think about trading losses, which could be a benefit to you or is, simply the view to get the SCB sort of down is to just continue to do what you're doing over time and remix assets. Just trying to see if you think there's a potential for a little benefit from the performance over the last six months?

Stephen Scherr

Sure. So I would say that for us pursuing both passive petition and action is right meaning there's a do it yourself proposition here, which is to drive what we've been talking about that is lower capital intensity, balance sheet investing, third-party funds and the like. All of that is subject to self help. And we are minded to aggressively address that, so as to bring the intensity down.

As a related matter, I think as you would imagine, we have been very active in our engagement and discussions with the Fed about the very observation you're making, which is when we look back historically, at our own performance, volatility carries a positive correlation for trading revenue and it's not uncorrelated and we have a view about what that means in the context of what the downdraft would be and have been engaged in a very active dialogue with the Fed on that topic. How to handicap the outcome of that is an impossibility and so it is why not withstanding that petition we continue to engage in self-help and look to remedy this on our own terms.

Jim Mitchell

Well, it's good to hear you're [least] [ph] asking. And just maybe one quick follow-up on the advanced CET1. Given the SCB is based on standardized, I mean is there any constraints, does it matter the advanced CET1, I hate to say it that way, but does it?

Stephen Scherr

Well, I think the rating agencies appropriately take a look at the advanced and remember, this has the CVA component in it that's not represented in standardized. And so you've got to be mindful in managing all of these capital ratios that there's not one but many constituencies to bear in mind. And so we do that and obviously pay attention to all of these ratios in the context of how we carry ourselves.

Operator

Your next question is from the line of Brian Kleinhanzl with KVW. Please go ahead.

Brian Kleinhanzl

Just one real quick one on credit, is there anyway you guys give an update on kind of where you're at with regards to the frozen delinquencies? And then, also how you're thinking about reserve builds from here and I mean you build reserve a decent amount this quarter, is this the peak, or I guess, sufficiently reserved for go forward losses? Thanks.

Stephen Scherr

Sure. So why don't I start on deferrals or forbearance, so, it's quite light across our whole portfolio, there's only about 3% of our total credit that is itself subject to forbearance. It's higher in the consumer portfolio, it's been about 10% of the total portfolio that has taken up forbearance, interestingly of those that do about 50% are current on their payments. But bear in mind, that's a very small component of the overall risk profile of the firm at $7 billion total. So overall, across the whole of it, it's about 3%. It's not significant in the context of how we operate and how we think about the risk overall, given how low it is.

I would say as it relates to the consumer, it is one reason why the coverage ratio that we have through our reserve on a consumer portfolio is as high as it is at 17%. That's not at all a reflection of our current experience in terms of losses. Losses actually are trending lower, notwithstanding the moment in the market, but out of prudence and caution and given how young that portfolio is and given the fact that forbearance can match risk. We've taken up our provision there.

More generally on your question about provisioning, as you know, we've took a provision of $1.6 billion in the quarter, the methodology we use is the same, we did in the first and we'll hold ourselves going forward, which is we look at macro economic indicators, including unemployment, that sort of correlate well to expectations around default rates, and then pull that through to avail ourselves of pool reserves. And we broke that down in the prepared remarks, which amounted to about $700 million of the 1.6 that's there, with the balance being impairments and the consumer component of provisions that I spoke about. It leaves us with a coverage ratio of about 3.7%, which I think is roughly in line with where the market is and accurately reflecting risk that's there.

So what happens in the forward, it'll purely be a function of what plays out in the market and whether certain of these macro economic indicators worsen or improve from here and that obviously, will flow through our model and dictate the level of provisioning, we take.

Operator

At this time, there are no further questions. Please continue with any closing remarks.

David Solomon

Okay. Since there are no more questions, I'd like to take a moment to thank everyone for joining the call on behalf of our senior management team. We look forward to speaking with many of you in the coming weeks and months. If there any additional questions that arise in the meantime, please do not hesitate to reach out to Heather and her team. Otherwise, please stay safe and we look forward to speaking with you on our third quarter call in October. Thank you.