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 Fourth Quarter 2019 Earnings Conference Call. This call is being recorded today, January 15, 2020.

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

Heather Miner

Good morning. This is Heather Kennedy Miner, Head of Investor Relations at Goldman Sachs. Welcome to our fourth 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 audiocast 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 with brief highlights on our financial results, give an update on the broader operating environment, including developments related to 1MDB, and provide context for our upcoming Investor Day. Stephen will then discuss the recent enhancements we've made to our segment financial presentation, and cover fourth quarter and full-year 2019 results in detail. They'll be happy to take your questions after that.

I will now pass the call over to David. David?

David Solomon

Thanks, Heather, and thanks everyone for joining us this morning. I'm happy to be here with you.

Let me begin on Page 1. In the fourth quarter, net revenues were $10 billion, up 23% versus a year-ago marking our highest fourth quarter since 2007.

Net earnings were $1.9 billion resulting in earnings per share of $4.69 and an ROE of 8.7%. I would note that we took a $1.1 billion litigation charge during the quarter, which burdened EPS and ROE by $2.95 and 5.3% respectively. Overall, our business performed well and against an improved market environment relative to the challenging backdrop experienced a year-ago.

For the 2019 full-year, we generated firmwide net revenues of $36.5 billion, nearly matching last year, which was our highest year in eight years. We reported a return on equity of 10% and a return on tangible equity of 10.6%. Litigation impact to ROE and ROTE was approximately 150 basis points for the year.

We had a number of accomplishments in 2019. Our incumbent businesses across the firm performed well. And our new business initiatives progressed as planned, as we navigated a dynamic operating environment over the course of the year. On the revenue side, our Global Markets business produced stronger results in an environment that improved over the year, driven by strong leadership and a clear focus on client service.

We generated solid growth in FICC driven by strength across our franchise, including rates, commodities, and mortgages. We grew firmwide assets under supervision to record levels. We also delivered strong equity investment performance, which is an important precursor to our alternative platform expansion plans.

In Investment Banking, our performance was solid in the context of lower industry deal volumes.

We held a commanding lead in our M&A business, and maintained our number one position in equity underwriting.

While our operating expenses grew as a function of litigation and investments in our businesses, we actively controlled our costs across both compensation and non-compensation providing capacity to fund our growth.

From this position of strength, we achieved important milestones in 2019 across our key growth opportunities. We continue to institutionalize our One Goldman Sachs operating philosophy, keeping clients at the center of everything we do. We launched the firm's first ever credit card platform in partnership with Apple, and generated over $850 million in net revenues across our broader consumer banking business.

We completed the initial build of our digital transaction banking platform and processed over $2 trillion of payments on behalf of the firm. Our platform roll-out to third party clients remains planned for the first half of this year.

We acquired United Capital bolstering our capabilities to provide a full spectrum of wealth management services to individuals. We realigned our investing businesses into a cohesive unit to support our alternative growth platform.

We enhanced the effectiveness and efficiency of the firm by integrating major portions of our operations and engineering teams into our businesses. And we strengthened our engineering capabilities with strategic hires of a new Chief Technology Officer and a Co-Chief Information Officer, and added talent across the firm.

Importantly, we made significant investments to expand our client franchise, grow and diversify our revenues, and operate more efficiently. Including these investments, our overall performance was solid even though our investments reduced our returns in 2019. We are confident that they are improving the long-term profitability of Goldman Sachs.

Turning to the operating environment on Page 2. In the fourth quarter we had solid engagement with our institutional clients and strong growth with our individual clients. Notwithstanding, corporate client sentiment remained more measured. During the quarter, we saw steadily rising asset prices, improvement in the secured funding market as the Federal Reserve took steps to bring stability throughout the quarter and particularly over year-end. We also saw progress towards Brexit resolution following the UK general election, and improvements in the U.S., China trade tensions, including the Phase 1 agreement. These conditions contributed to a supportive market making backdrop relative to a year-ago.

Looking forward, our economists continue to expect global GDP growth in excess of 3% over the next two years.

In the U.S., the fourth quarter provided a backdrop of solid growth, evidenced by a steepening yield curve and continued strong consumer sentiment. Conditions remain supported by the Federal Reserve's three mid-cycle rate cuts in 2019. Going forward, we expect U.S. growth to continue to run at about 2% given robust labor markets, low inflation, and strong wage growth.

In Europe, growth continues to remain relatively low given manufacturing weakness. However in China trade headwinds appear to have moderated with both monetary and fiscal stimulus supporting growth estimates of nearly 6%.

While we continue to monitor economic data, and emerging geopolitical risks, including escalating U.S. Iran tensions, based on what we see today, we remain optimistic that the current constructive environment for economic growth can continue.

Next, I would like to take a moment to discuss the situation with 1MDB. As we mentioned last quarter, we are in ongoing discussions relating to a potential settlement of issues related to 1MDB with relevant authorities across multiple jurisdictions, including most notably the U.S. and Malaysia. Given the nature of these negotiations, we determine the need to take a litigation charge in the fourth quarter. As I noted earlier, our legal provision in the quarter was $1.1 billion with the preponderance related to 1MDB.

While there can be no assurance of reaching a settlement, or the timing if we do, our conversations with authorities are progressing and remain active. We're working hard to bring closure to this matter as quickly as possible.

As I've said in the past, we do not believe this matter is representative of our longstanding values. Over the past several years, we've taken the time to be self-critical and reflective to ensure that our culture of integrity, collaboration, and escalation only improves from this experience. These efforts will continue.

Lastly, before passing it over to Stephen, I would like to briefly address our upcoming Investor Day, which will be held on Wednesday, January 29. Through a series of presentations from John, Stephen, and me and our business and control side leadership, we hope to provide our stakeholders additional insight into the firm strategic direction. We'll provide a detailed review of our strategic priorities by business including new products and services that we have highlighted to you previously. We will also provide financial targets and goals by which our progress can be measured. We hope you will join us to the day either in person or via webcast.

With that, I will turn it over to Stephen.

Stephen Scherr

Thank you, David.

Let's turn to Page 3. Before reviewing our financial results, I'd like to spend a moment discussing our new financial disclosure. On January 7, we announced a realignment of our segments, which form the basis of our earnings presentation today. We now report the following four businesses: Investment Banking, Global Markets, Asset Management, and Consumer & Wealth Management.

We believe our revised financial reporting reflects our ongoing commitment to transparency. The segment is more closely aligned to how we now manage the firm with clear lines of management responsibility and leadership over each segment. The segments importantly also reflect how we serve our key clients, including corporations, governments, institutions, and individuals. And lastly, the segments provide for greater accountability in the execution of our forward strategy, as our initiatives are executed and reported.

Importantly, I would note the key structural change to eliminate the investing and lending segment is consistent with our business strategy and will allow you to track our lending and financing activities alongside the relevant businesses as well as to allow our progress in a more transparent way.

Also of note, and consistent with our broad commitment to transparency, we elected not to create a corporate segment. This is a different approach than many of our peers who retained costs or capital at the corporate level. We believe our process of allocating all firmwide costs and capital is a prudent management tool, and a more comprehensive way of evaluating the true performance of our businesses.

Next, let me itemize several of the more significant elements of our segment changes which we listed in our recent 8-K filing.

As I mentioned, the most significant change was the elimination of investing and lending. Now the results of our lending and financing activities are included within each of the four segments. For example, corporate lending activity is included in our Investment Banking segment. This encompasses relationship lending, transaction-related financing, and broader lending to our corporate clients.

Secured or collateralized financing activity on behalf of institutional clients of our securities business is now reflected in FICC and equities financing within our Global Market segment.

Lending related to our alternative investing businesses, including investments in debt securities and real estate credit is reflected in the Asset Management segment and lending to our individual clients across all wealth plans is in the Consumer & Wealth Management segment.

Additionally, we now report the firm's on balance sheet equity, credit, and real estate investing activities in our Asset Management segment. This segment houses both GSEM and our merchant banking activities for Asset Management clients, supporting our third-party alternatives business expansion.

Consolidating our on balance sheet and third party Asset Management investing activities is consistent with our forward-strategy. To that end, this segment includes management and incentive fees associated with Asset Management clients across the full spectrum of asset classes from cash to alternatives, and will also include the impact of quarterly valuation changes, the balance sheet positions held in public and private equity investments.

Another significant change is additional disclosure in our new Consumer & Wealth Management segments, including wealth management fees, incentive fees, private banking and lending revenues, as well as consumer banking revenues. This segment houses our longstanding private wealth business, as well as our newer consumer offerings.

Broadly speaking, and as I noted earlier, the new segments align with the client orientation of the firm Investment Banking, Global Markets and Asset Management encompass the firm's engagement with corporate, governments, and institutions, and Consumer &Wealth Management includes our engagement with individuals.

With that as background, let me review the financial results of the firm on the basis of our new segments. Starting on Page 4, Investment Banking produced fourth quarter net revenues of $2.1 billion, up 12% versus the third quarter, but down 6% versus a robust fourth quarter last year. For the full-year, Investment Banking net revenues were $7.6 billion, our second highest ever down 7% from a record 2018 reflecting lower industry deal volumes.

Fourth quarter financial advisory revenues of $855 million were up 23% sequentially, but down 29% versus last year consistent with lower industry volumes.

In 2019, we participated in $1.4 trillion of announced transactions and closed 375 deals for nearly $1.3 trillion of deal volume, contributing to our number one M&A league table rankings. Looking forward conditions for continued M&A activity remains solid. Client dialogues are healthy, financing markets are open, and we're seeing active interest across a variety of sectors. We also continue to see strength in our backlog coming into the New Year, notwithstanding solid revenue bookings from deal closings in the fourth quarter.

Moving to underwriting, equity underwriting net revenues of $378 million were up 3% versus the third quarter and up 23% versus last year. For the year, we ranked number one globally in equity underwriting supported by $68 billion of deal volumes across more than 375 transactions. During the quarter, where we saw particular strengths in our U.S. and European equity businesses, we participated in leadership roles on several of the largest public offerings.

Turning to debt underwriting. Net revenues were $599 million, up 14% versus the third quarter and up 37% from a year-ago, reflecting higher asset-backed and leverage finance activity. Our franchise remains well-positioned, as evidenced by our number two high yield league table ranking.

Revenues from corporate lending were $232 million. These revenues relate to a net $28 billion funded portfolio of corporate loans now held in investment banking, as well as our portfolio of corporate lending commitments. As background, there are three components to our corporate lending portfolio: relationship lending to our corporate clients, credit extensions for strategic activity including acquisition financing, and lending to our broadening footprint of corporate clients where we target attractive returns.

Looking forward, given our active level of strategic dialogue, our expanding client footprint and strong corporate relationships, we remain optimistic about the continued level of commercial engagement by our corporate clients, aided by the current backdrop of well-functioning and constructive capital markets.

Moving to Global Markets on Page 5, net revenues were $3.5 billion in the fourth quarter up 33% versus last year. Our growth was driven by a better market backdrop in FICC versus the end of last year, and strong performance in our equities businesses.

For the full-year, Global Markets generated $14.8 billion of net revenues, up 2% versus 2018 driven by stronger FICC and higher equity financing performance.

In the fourth quarter, FICC net revenues were $1.8 billion, up 5% sequentially and up 63% year-over-year. Our growth versus last year was driven by higher FICC intermediation revenues, where we saw better performance, as well as higher FICC financing revenues, notably in repo.

Four out of five of our FICC market making businesses posted higher fourth quarter net revenues versus the prior-year reflecting the continued strength of our client centric model, and improved diversification of our business mix, our environment effectively.

In commodities, our business performed well across the board, driven by significantly stronger performance in oil, natural gas and power, and investor products.

In mortgages, net revenues rose aided by strong client activity and performance in agency securities.

In currencies, net revenues improved versus last year amidst a better geopolitical backdrop despite lower volatility. We saw strong performance and activity around the general election in the UK, and saw a healthy corporate deal contingent hedging activity in the quarter.

Lastly in credit, we saw better investment grade performance in the U.S. and EMEA offset by lower client activity.

As we've discussed previously, we are working to further improve wallet share with each of our clients across both risk intermediation and financing, while investing to expand our capabilities to automate workflows, serve our clients electronically, and deliver structured solutions in efficient formats.

Turning to equities on Page 6. Net revenues for the fourth quarter were $1.7 billion down 8% versus the third quarter, but up 12% versus a year-ago. Equities intermediation net revenues of $979 million rose 9% versus a year-ago on stronger cash revenues in the U.S. and Asia, and strong performance in low-touch and block trading, partially offset by lower derivatives activity.

Equities financing revenues of $732 million were up 17% year-over-year, reflecting improved spreads and higher client balances. Financing activity remains a strategic priority for the business, given it has historically exhibited attractive returns and considerable adjacent benefits to our broader equities franchise, particularly for our growing systematic client base.

Moving to Asset Management on Page 7. Collectively our Asset Management activities produced net revenues of $3 billion in the fourth quarter, up 52% versus last year, driven by stronger equity investment performance. For the full-year, Asset Management generated net revenues of $9 billion in line with a strong 2018 as growth in equity investment revenues offset lower incentive fees.

Fourth quarter management and other fees related to client assets under supervision totaled $666 million, up 6% versus a year-ago offset by lower incentive fees. Across the Asset Management segment, we managed AUS totaling $1.3 trillion at year-end, and we'll cover firmwide AUS trends in a few moments.

Next our equity investments generated record quarterly net revenues in the fourth quarter of $1.9 billion, up significantly versus last year, driven by gains on our public and private investments. Approximately 90% of the gains were event driven, including sales or marks on public securities, as we took advantage of harvesting opportunities. The fourth quarter showed material improvement relative to the third quarter, where we experienced headwinds on certain large equity positions, including Avantor, Tradeweb, WeWork and Uber. During the fourth quarter, those positions taken together rebounded and for the full-year produced gains of approximately $400 million.

In the quarter, we also exited our position in Uber and reduced our position in Tradeweb. Our public portfolio was $2.4 billion at year-end where appropriate we will continue to reduce the size of certain positions in the public portfolio.

Net revenues from lending activities in Asset Management were $427 million and primarily relate to loans backed by commercial and residential real estate. Lending revenues include net interest income and mark-to-market gains on debt investments.

On Page 8, turning to Consumer & Wealth Management, we produced $1.4 billion of revenues in the fourth quarter, up 8% versus a year-ago. That's driven by our leading ultra-high net worth business, Ayco, and our newly acquired United Capital high net worth business, and our consumer banking businesses.

For the full-year, Consumer & Wealth Management generated net revenues of $5.2 billion, essentially unchanged versus a year-ago, as strong consumer banking growth and higher management and other fees offset lower incentive fees.

For the quarter, Wealth Management net revenues included record management and other fees of $967 million, up 17% versus last year, reflecting organic growth in the United Capital acquisition. Assets under supervision rose to $561 billion at year-end. We also saw lower incentive fees, while private banking and lending revenues were relatively stable.

Consumer banking revenues were $228 million in the fourth quarter, up more than 20% versus last year, reflecting higher net interest income from strong growth in deposits and higher loan balances. Consumer deposits at year-end totaled $60 billion across the U.S. and UK, up nearly 70% versus last year.

Funded consumer loan balances totaled approximately $7 billion, of which $5 billion were from Marcus consumer loans and $2 billion from credit card lending. The slowing pace of growth in our Marcus unsecured loan business reflected the anticipated growth in our credit card lending from the launch of Apple Card. While still in early stages of growth, our consumer business generated a total of $864 million in revenues for the firm this year from a standing start just three-years ago.

Now let's turn to Page 9 for our firmwide assets under supervision. Total client assets for which we earn a management fee including those in Asset

Management, and Consumer & Wealth Management, totaled a record $1.9 trillion in the fourth quarter, up $97 billion versus the third quarter and $317 billion versus a year-ago.

Our 2019 growth was driven by $108 billion of long-term fee-based net inflows from fixed income and equity, including the acquisition of United Capital, $65 billion of liquidity net inflows, and $144 billion of market appreciation.

Switching gears on Page 10, let's address net interest income in our lending portfolio. Total firmwide NII was $1.1 billion for the fourth quarter, up 6% sequentially and 7% year-over-year, driven by loan growth. This NII measure is more comprehensive than the one we previously highlighted in debt I&L and most notably now includes all NII from Global Markets activities. For the full-year 2019, we reported NII of $4.4 billion, up 16% driven by deposit and loan growth in Consumer & Wealth Management, increased lending in Investment Banking, as well as more lending activity in Global Markets.

Next, let's review loan growth and credit performance. Our total loan portfolio was approximately $109 billion, up approximately $4 billion sequentially, and up $11 billion versus a year-ago, with the year-over-year increase encompassing corporate, commercial real estate, wealth management, and Apple Card loans.

Our provision for loan losses in the fourth quarter was $336 million, up $45 million versus last quarter, driven primarily by idiosyncratic wholesale impairments and loan growth in our Apple Card portfolio. Provisions related to our Marcus portfolio were modestly lower quarter-over-quarter.

Our firmwide net charge-off ratio increased by 20 basis points sequentially to approximately 70 basis points in the fourth quarter.

Our losses remain in line with our expectations given the current point in the cycle. We continue to monitor the portfolio and broader risk factors and believe our credit exposure remains appropriately sized. We also take note that in 2020, we will experience a full-year of loan loss provisioning related to growth in the Apple Card portfolio.

This growth in provisions will occur under the new CECL accounting standard, which requires reserves for the expected life of loan. Importantly, the reserve build for growing credit card portfolio does not reflect actual economic losses. Incremental reserve build will depend on loan growth but given our expectations for card growth, we expect our 2020 total firmwide loan loss provision to be higher than in 2019.

With regard to CECL adoption, based on our loan portfolio as of year-end 2019, we expect to record a day one increase to our reserves of approximately $825 million in the first quarter, which will not impact our income statement or EPS. This will result in a one-time after-tax reduction to retained earnings of approximately $625 million which for regulatory capital purposes, will be phased in over the prescribed transition period.

Next, let's turn to expenses on Page 11. Our total operating expenses of $7.3 billion increased $2.1 billion versus the fourth quarter of last year, reflecting higher compensation and litigation expense in the quarter, as well as our continued investment for growth.

On compensation, as we have said in the past, our philosophy remains to pay for performance. And we're committed to compensating top talent. Our full-year compensation ratio of 33.8% is roughly flat versus 2018 and our compensation expenses were flat year-over-year. Over the course of 2019, we reduced compensation expenses across many of our businesses to improve operating efficiency and to support incremental compensation expenses related to our growth initiatives where revenue production is beginning to materialize.

As we have said in the past, longer term, we view the compensation ratio metric as less relevant to the firm as we build new scale platform businesses.

On non-compensation expense, our cost for the full-year 2019 rose 13% versus last year with litigation expenses and investment spend contributing to that growth. Specifically, litigation expenses accounted for 300 basis points of the percentage increase. While investments in technology and new businesses, including specifically Marcus, Apple Card, Transaction Banking, and United Capital, added another 300 basis points. We also incurred additional expenses from our consolidated investments.

For the full-year, the total pretax impact of our organic business projects, including Marcus, Apple Card, and Transaction Banking is approximately $700 million resulting in a drag of roughly 70 basis points on our ROE.

At Investor Day, we will talk more about our plans for these businesses to scale over the coming years, and how we expect them to be accretive to our returns.

For the full-year, our efficiency ratio was 68% which includes a 340 basis point impact from litigation expense.

Finally on taxes, our reported tax rate was 17% for the fourth quarter and 20% for the year. Our tax rate this quarter reflected the impact of updated guidance from U.S. Treasury regarding the BEAT tax and incorporates an adjustment to prior quarterly accruals relating to this guidance. Given this updated guidance, we expect our tax rates over the next few years to be approximately 21%.

Turning to select balance sheet data on Slide 12, let's begin with capital. Our common equity Tier 1 ratio was 13.3% using the standardized approach, down 30 basis points sequentially driven by lower shareholders equity. Our ratio under the advanced approach increased by 30 basis points to 13.7% due to enhancements in loss given default severity modeling that were favorable to the ratio. Our SLR of 6.2% was flat sequentially.

During the full-year 2019, we returned a total of $6.9 billion of capital to common shareholders through both share repurchases and common stock dividends. Our basic share count ended the quarter at another record low of 362 million shares down over 30% from our peak in 2010.

Our book value per share was $219, up 5% versus a year-ago.

As you will recall, our share repurchase authorization for the 2020 CCAR cycle, beginning in the third quarter of 2019 was $7 billion or $1.75 billion a quarter. In the third quarter, we repurchased only $673 million carrying forward the unused authorization. In the fourth quarter, we repurchased $2.2 billion utilizing approximately $400 million of the prior quarter’s unutilized capacity. Going forward, we carry a repurchase authorization of approximately $4.2 billion over the next six months. As we make capital return decisions, we will continue to balance our priorities of prudent capital management, and the return of capital in excess of what is needed for investment that is shareholder accretive. As such, the magnitude of our forward repurchases will as always depend on our earnings, capital levels, and competing investment opportunities.

Now, turning to the balance sheet, total assets ended the year at $993 billion, essentially unchanged versus the third-quarter and up 7% versus last year, driven by higher plan activity and areas of growth across the firm.

On the liability side, our total deposits increased to $190 billion, up $32 billion versus last year, while our total unsecured long-term borrowings were $207 billion down $17 billion over the same period.

Over the full-year, we refinanced approximately $20 billion of parent vanilla debt maturities with approximately $5 billion of issuance, relying more significantly on our growth in retail, and other deposits, as we continue to diversify our funding sources.

This trend toward deposit growth and reduction in unsecured long-term borrowings should continue.

Before taking questions, I would like to spend a moment to discuss the $5 billion organic growth initiative announced in 2017. That initiative comprised a number of important efforts on which we continue to execute, including client expansion in investment banking, wallet share growth in global markets, consumer loan and deposit growth, lending and financing deployment and asset management growth. As we go forward, we will continue to execute on these initiatives but our focus and communication will instead reflect more ambitious firmwide performance targets to be introduced on Investor Day. We will not be focused on revenue targets but rather on returns and efficiency, consistent with our broader long-term strategic plans to drive shareholder value.

These targets will also reflect growth opportunities that were not included in the original $5 billion, such as transaction banking and credit cards. We look forward to discussing our new targets in detail at the end of the month.

In conclusion, our fourth quarter was strong, leading to full-year performance that was in line with the evolving macro environment and reflective of our continued investment in new businesses. We aim to operate more efficiently and drive higher returns in the future and look forward to sharing our medium and long-term objectives at Investor Day in approximately two weeks' time.

With that, thanks again for dialing in, and we will now open 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

Hi, thanks very much. I don't know what to expect on this one. So doing more lending across the franchise and it clearly is working. And you now break out for us intermediation versus financing in trading or in markets and I think there's opportunity to do more there. Some of your peers do a lot more on the financing side. So the small question is, are we going to see more at Investor Day in terms of metrics that we can help model and build and evaluate performance on and that's question one on that. And question two on that is how quickly can you expect those to a) grow and b) enhanced returns over the next year or two?

Stephen Scherr

Sure. Thanks, Glenn. It's Stephen; I'll take your question. I guess on this small question you asked, which is should you expect more disclosure and the frequency of it, I think the answer is ultimately, yes. As it relates to lending broadly around the firm, there are a number of categories of lending that will over time become more material and as they become more material, we will both by obligation but equally by interest look to provide incremental, more information on that lending. I would say consumer is a good example of that as between unsecured consumer lending, and equally what we're doing on the credit card side.

I think broadly speaking in lending, I would say mindful of the cycle; our clear plan is to grow financing revenues in both FICC and equities to answer your direct question. And I would say, the type of lending that's going on there is largely in the repo business and FICC is in prime and equities. I think from a credit risk point of view, we like and can digest and evaluate that risk, notwithstanding where we sit in the cycle more broadly, and I think metrics in Global Markets around that lending again will continue to grow out.

Last thing I'll say as it relates to Investor Day, look we're going to lay out certain targets at the enterprise level, we will be more disclosive about individual businesses. But I think equally important Investor Day will be the beginning and not the end of a dialogue around this so that the numbers just don't stand alone and we give you context for rate of growth and how we're managing it.

Glenn Schorr

Okay, I appreciate anything there. And then on the expanding the corporate client base, the specific question I have is, are you fully cut over on processing Goldman's cash management payments? And where are we in terms of dialogue with signing on any clients?

Stephen Scherr

Sure. So in transaction banking, as we have said from its inception, we would be the first customer and then we would look to bring on clients of the firm. We are the first customer. And I think, as was mentioned during the script, we've been processing payments on behalf of the firm across five currencies and totaling about $2 trillion in terms of what's getting processed.

And so, that's going well, and the firm is obviously benefiting from that as deep as a customer, lower operational deposits on deposit with commercial banks in that regard.

We have all along been in dialogue with clients of the firm first in the context of getting their sense and input as to what this platform ought to look like. How would we design it so as to meet pain points that they are experiencing. That collaborative engagement has been going on and we are now engaging these clients as future customers of the firm in the context of transaction banking with certain of them already putting operational deposits on deposit with the bank. And I think as we've said in 2020, you'll see that client roster and that participation in the business grow.

Operator

Your next question is from the line of Christian Bolu with Autonomous. Please go ahead.

Christian Bolu

Good morning, David and Stephen. Firstly, thank you for the new disclosure. It's very helpful. My first question is on credit provisions. It looks like about a third of the credit provisions are and the vast majority of sequential quarter increase in provisions came from the Asset Management division. But when I look at sort of the NII disclosure on Page 10, it looks like only 15% of NII comes from Asset Management. So I'm not sure what the mismatch is there. But just to step back here a little bit, help us understand what exact kind of lending goes on in the Asset Management division. Maybe a bit more color on the credit quality there and the overall return profile of that portfolio.

Stephen Scherr

Sure. Thanks, Christian for the question. So let me start with kind of the geography and the segment. So in our Asset Management business sits alternative lending. So think about that as a portion of the old debt I&L, so this is mezz and lending, that's made on a principal basis. So what you see reflected in that line is both net interest income that's derived from those assets, and equally volatility in the valuation of those debt assets themselves. So that describes the geography of it.

In terms of what played out over the course of the year in provisioning. So the delta in provisioning for the full-year was $390 million. About $100 million of that was found in the Consumer &Wealth management business and the vast majority of that was related to provisioning to the growth in Apple Card. I should point out it was not related to any either impairments or off-model if you will; provisioning related to the balance of the consumer business, it was related to the growth in Apple Card.

The balance of the $390 million call it $300 million or so related to impairments on loans across a variety of different segments, Asset Management being one, Investment Banking being the other, and that was around corporate wholesale credit, it involved impairments across a range of different industries, most notably in energy, some in manufacturing, none of which were material in the context of the firm. And so that's the way the provisioning divided up as between impairments and loan loss provisioning for the growth largely in the Apple Card portfolio.

Christian Bolu

That’s okay, thank you, helpful. Maybe just stepping back on the balance sheet as a whole, you’re kind of sitting close to a $1 trillion, which is more or less kind of the highest levels of financial crisis in a way. So just help us understand just broadly speaking, what's driving growth and sort of the returns you're getting for deploying incremental balance sheets and then just longer-term, how critical is balance sheet growth to driving revenue growth and how does that sort of factor your longer term thinking around capital return?

Stephen Scherr

Yes, so I would say a couple of things. First, as a general matter, our balance sheet growth is itself purely a function of being in the service of client demand. So we're guided entirely by where demand lies for client petitioning of the firm in the context of the flow of our business. So over the course of 2019, we've deployed balance sheet by example against repo where there was demand for liquidity, particularly in the context of the various uncertainty that existed in the repo market, we grew balance sheet. So as to stand there is an intermediary of liquidity for our clients. So it grows as a function of client demand.

I think as we think about areas of balance sheet growth, we think about it purely in the context of accretive returns for the firm. It's not a revenue driven proposition, it's really about can we deploy balance sheet on behalf of clients so as to generate accretive returns to the firm. And that's kind of the true north, if you will, that's where the compass points in terms of how our balance sheet ultimately -- ultimately fluctuates. And candidly as the CFO, I look at balance sheet much as I do liquidity or any other resource around the firm as allocating in the pursuit of accretive growth oriented opportunities and shareholder return for our stakeholders.

Operator

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

Michael Carrier

Good morning, and thanks for taking the question. Maybe first this revenue trends are strong in the quarter. I think you mentioned corporate sentiment is still a bit muted, which I think can take more time. I'm just curious if you're seeing any improvement on the corporate front. And then on the institutional side, were there any asset purchases during the quarter that had much impact on global markets?

David Solomon

Sure. Thanks for the question, Michael. There's no question I think that the environment during the course of the year improved as the year went on. And while I say corporate sentiment has still lagged a little particularly given some of the macro overlays like U.S., China, trade et cetera. There's no question in the fourth quarter the environment improved. Based on the data or information we can see across activity and dialogue with clients, I would say that it's improved in the fourth quarter and the trends that we're seeing early into 2020 are a little bit more positive. And so those would be the usual things that we could look at across activity set.

With respect to your second question, there were no material asset purchases that impacted global markets.

Michael Carrier

Okay. And then just quick follow-up on the efficiency ratio, I'm sure you guys will get into that in two weeks. And there was a lot of noise this quarter, but I think in the past, you mentioned, I think 2019 kind of being the height of investments. I just want to get an update on does that still pertain and we should start to see some improvement on the efficiency ratio as the revenues in some of the newer areas start to gain traction?

Stephen Scherr

Sure, thanks Michael. So on the efficiency ratio, at Investor Day in my presentation, I will go through kind of that migration and give you the elements of it. Obviously, it feeds both in the context of revenue and expense. And so we'll go through that.

In terms of your question on the height of investment, I have said and would reiterate here that 2019 is the depth of investment, when you look at investment across three of our discrete products, namely Marcus, Apple

Card, and Transaction Banking, and equally I've made that reference and again, reiterate here excluding the reserve calculation which I obviously spoke of in the context of the prepared remarks. So when you look at the investment ex-reserve 2019 for those three initiatives is the lower point and I think we'll start to see reduced expenditures relating to that.

I would say that overall, and then again, this relates back a bit to your efficiency question, my expectation around non-complex -- non-compensation expense ex-litigation is that it would run roughly flat in 2020 relative to where we are. The whole ambition of what we're doing around expenses is trying to create operating leverage and efficiency so as to continue to fund investment around the firm. And that's not investment limited to the three products that I spoke about, but equally across technology investments around the infrastructure of the firm and the like. And so we'll start to see that play out.

Obviously, in the context of flat expenses year-over-year, our hope and expectation is that we'll start to see higher revenue generation from some of these investments, which will play out positively in the context of the efficiency ratio itself.

Operator

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

Steven Chubak

So I wanted to start-off just taking into some of the new segment disclosures, particularly the consumer and wealth side of the business. And clearly what stood out most to us and you alluded to this earlier in the call was the pretax margin coming -- running much lower somewhere close to 10% on clearly the new business initiatives, the significant drag that that's had on the margin is quite evident. I was hoping you could speak to what inning you’re in currently, just in terms of the platform build out and new investment for that strategy specifically and just through the cycle, how we could think about long-term pretax margin potential for that segment, as you continue to scale and maybe begin to run a bit closer to some of the peer comps?

Stephen Scherr

Sure. So let me answer the question generally. We have disclosed, obviously, information around expenses and pretax. Our intention at Investor Day is to go to pretax margin and returns across the whole of the business. And then in the context of that will provide you in Investor Day, our intent is to continue to do that on quarterly earnings calls like this. So you should have an expectation that we will continue along that path.

I'd also say and I'll reflect on this here generally but more specifically in our Investor Day, our intent is not to leave you in the dark as to the Consumer & Wealth management segment in terms of overall margins, meaning, we want to give you a sense of where the wealth business sits that is the PWM business, which obviously demonstrates a much higher margin than what the segment reveals with the segment being in effect burdened by the continued growth in investment spend in the consumer space. So, we will separate that out.

My guidance to you in terms of expectation is that the wealth management segment or sub segment within that performs at a much more market level margin than the way in which the segment otherwise illustrates but again we will decompose that for you with context as we move forward.

Steven Chubak

That's great to hear, Stephen, and just one follow-up for me as it relates to the provision. I appreciate the detail you provided in earlier question. The guidance calling for higher provision in 2020, I don't think that comes as a big surprise to anyone. But just given expectations for a healthy step-up in provision, simply due to CECL implementation and some loan -- consumer loan seasoning, I was hoping you could maybe just help us frame a bit better, what's a reasonable provision level or run rate expectation if there's no change in the macro, but we simply have to reflect the impact of CECL with an assumption that you'll see relatively steady growth in consumer loans?

Stephen Scherr

Yes. Look I think generally speaking, our own budget is in the realm of call it $1.1 billion to $1.3 billion in terms of a broader budget. I would say a lot of that reflects continued growth in the Apple Card portfolio as well as lending more generally but again as you grow from a negligible level at the inception through to what we hold both in terms of roughly $1.9 billion of where we are and what that growth will be in the ensuing year. Obviously, that provision through 2020 will be exaggerated; you'll see it that way. But that's just part of the overall growth.

As an aside, the provisioning growth related to Apple Card again, more from a standing start is itself burdened by CECL relative to where provisioning would have been. So it's marginally more exaggerated in the context of the life of loan component to CECL and the like.

Now what I offer you by way of budget is just that. It obviously will depend on the pace of loan growth broadly, the pace of loan growth in Apple Card, which we are going to calibrate that based purely on risk parameters and our own judgment about the tone and nature of the market in which we're operating.

Operator

Your next question comes from the line of Betsy Graseck with Morgan Stanley. Please go ahead.

Betsy Graseck

Hi, it's a little bit of a philosophical question around lending and how you're thinking about your various loan books. And the question is kind of coming from the perspective that I'm thinking you're -- you've been working with a balance sheet that’s a high velocity balance sheet. And I'm wondering if you perceive your various loan books as moving more from a velocity balance sheet towards a storage balance sheet? Is there anything in there? I'm thinking about, do you hedge some of your loan books now? Are there some that you're going to continue to hedge, some that you would not consider hedging? Does it impact how we think about the capital and the capital allocation to loans? I'm wondering if that resonates at all with how you're thinking about the loan books in the various segments.

Stephen Scherr

Sure. Yes, no, no, no, it's a very good question. I’d say the following. First, there's nothing about what we're doing in growing our loan book particularly around consumer for example that is in effect substitution for business that we’ll continue to do of a capital markets orientation around lending. So for example, and we look at the two, consistent with trends that each market shows and kind of risk parameters and levers that we hold to manage risk.

I'll give you an example. If you think about corporate lending, so for example, lending we make by way of acquisition financing that we provide to our clients. When I look at in the context of our deal book has a lot to do with size, but equally with velocity turn. So right now, our deal book turns that inside of three months, that's an important metric to think about; as we manage corporate lending and capital markets related lending that's going on. That's less of a relevant consideration, if you will, in the context of growth in our consumer loan book, or what we do around Apple Card as a component of that. There we’re quite careful to consider what we do about provisioning, how we think about the qualitative overlay to the size of our provisioning as we look at a maturation of that portfolio, start to look at more on-premise data as it relates to our consumer portfolio, as opposed to third-party metrics. And so we think about these two things, in some sense differently in terms of what you apply by way of the rigor and metric and overlay in managing that risk. But equally we obviously look at the totality of lending that's going on and the rate of growth as it relates to the overall balance sheet and the firm itself. So I hope that's helpful in sort of our broad philosophical approach to lending.

Betsy Graseck

And does it then come back towards capital and what kind of capital ratios you need. What I'm hearing is on the consumer side maybe more capital consumptive, but obviously there's an ROA associated with that that should pay for it. Whereas on the banking side that velocity suggests that it might not be as capital consumptive as commercial whole loan in a different organization?

Stephen Scherr

Yes, we know we had answered that question, again to sort of stick to sort of a broad view of it all from the firm. We are driving and growing new businesses at the firm that inevitably will carry with them more durable and recurring fee revenue. They will therefore will by definition carry with it less stress loss in the context of it. They will in some sense be less capital dense than where they've been. And so we're going to evaluate risk return against the capital that's required against each individual business and render judgments there as to what those returns look like on a capital adjusted basis, where we want to deploy capital, where we don't. I guess what I'm suggesting to you it's a much more dynamic process than not. And but overall, it fits within the component of growing and building businesses that have less stress draw, and therefore the potential for lower density from a capital perspective.

Operator

Your next question is from the line of Mike Mayo with Wells Fargo. Please go ahead.

Mike Mayo

Hi. Stephen I think you said non-comp should be flat in 2020. But in 2019, almost every non-comp category went higher. So is that simply because of jus why you said is the question? What's changing?

Stephen Scherr

Yes. So Mike, maybe the best way to answer that is let me decompose a little bit of the growth year-over-year in non-comp expense. So as you know, we reported a 13% increase in non-comp expense, about 3% was related to litigation. I'm not going to -- I'm not going to sort of foreshadow where that will be. But just to understand in the component of growth, 3% of the 13% was just that.

About another 3% -- 3% to 4% was related to broader investment around the firm, whether that's tech investment, consumer, transaction banking and United Capital. Now, that's going to grow but that segment of non-comp expense is going to start to sort of graduate off as those businesses start to hit a certain level of maturity. And as I said, we’re looking to prune expenses all around the firm, so as to create operating leverage and fund the continued investment expense that's there.

And then, finally, I would say, there is -- there are certain elements of investment entities and other components of expense growth in non-comp that equally will come off over time. So I just draw that out. What I do want to tell you is that as we get to Investor Day, we're going to give you a certain expense target that we're going to look to harvest out of the firm in very concrete terms that will help feed what I've been describing, which is an objective of creating capacity for reinvestment in the firm over time.

And so that's why when I guide you that direction as being flat, it is consistent with creating that capacity. There will be growth, some of the growth will come off, others will be funded by capacity, we create in and around the firm.

Mike Mayo

That's helpful. And then just one big picture question both David and you Stephen mentioned what functioning and constructive capital markets. You said the trends early 2020 are more positive. Why do you think that's the case? And do you think this time is different versus the past decade? Do you think these improvements are sustainable or not? What's your level of conviction? In other words, we haven't heard you on the earnings call Dave or Stephen for a long period of time, so we can't tell your relative constructiveness on the market? So I guess little more color on that.

David Solomon

All right, well I appreciate the question, Mike. And I don't know that I can help you with my relative. I'll try to reiterate some of the things that I said. And hopefully, it'll be helpful context.

So, I do think the economic environment at the moment is constructive. What I said on the call about the U.S. economy and our expectation of growth of about 2% in 2020, we have relatively high conviction on. I can give you a set of things from a macro geopolitical perspective that could change which would significantly shock confidence and therefore change that picture. But I think the chance of that happening in 2020 at this point seems low. It's not zero, but it doesn't seem likely.

I think that there's been a slight improvement and that's what I said when I was asked earlier, we were talking about corporate sentiment, a slight improvement in corporate sentiment as we came to the end of the year and there was some progress in the year on some of the macro overhang that would have a tendency to affect corporate sentiment. And so I think you have a slightly more positive corporate sentiment heading into 2020.

And I do see some indications around deal activities that looked a little stronger in the fourth quarter and as we stepped into the first quarter of this year. So I do think it's constructive. I make comments with respect to sluggishness in Europe, but a little bit more constructive on China. Again with a little bit of a clearing of the U.S., China as a step forward, that might remove some slight headwinds.

But I don't know how to give you a relative. I think our general point of view is in the distribution of outcomes. The highly most likely outcome is we have a relatively benign economic environment in 2020.

Operator

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

Brennan Hawken

Hi, good morning. Thanks for taking my questions. Just a quick follow-up on the target around the non-comp and your expectations. I think Stephen, you had said that you expect to it to be flat from here. Just to clarify, is that from here non-comp for the full-year of 2019 ex-litigation, or is that the 4Q run rate ex-litigation?

Stephen Scherr

No, I would say it's in the 2019 ex-litigation kind of where we stand on the full-year.

Brennan Hawken

Perfect, thank you very much. And then another one on expenses. There was curious about comp, and whether or not there might have been some noise in the comp ratio this year, there was an elevated level of partners retiring. Did that have any impact on that metric here this year or less so?

David Solomon

Thanks for the question, Brennan. No with respect to the comp ratio, partner retirements and the movement of partners in and out of the firm had no impact on the comp ratio. I would just comment because I've seen some commentary on this. When we look at the movement of partners through the cycle, the two-year cycle of partners and we have an election coming up this fall, there's nothing about the movement in 2019 that looks different to us than the movement we've seen over the first year of the last number of cycles.

So we have movement on our partnership, it's part of the culture of the partnership that younger partners have brought up. And despite some of the dialog around it, we don't see anything significant about the movement of partners at this point in the cycle.

Operator

Your next question is from the line of Jim Mitchell with Buckingham Research. Please go ahead.

Jim Mitchell

Hey good morning. Maybe we can talk a little bit about your expansion of the alternatives business and just maybe talk a little bit about the efforts to accelerate that growth and if there will be any kind of balance sheet usage associated with that, or is it really going to be just sort of AUM growth?

David Solomon

So what we've tried to do and at the Investor Day, we will give you more color on this and kind of walk you through a plan around it. So we went to an alternative business that has been some client capital and balance sheet capital. And in the context of that client capital and balance sheet capital, the business has been housed in multiple different businesses spread across the firm. We've now brought all those businesses together in one business. And we are -- we have put together and are moving forward with a plan to significantly increase the institutional client money that we manage with that infrastructure around the globe. Historically, we have managed some institutional money, but we've managed very significant private wealth money in addition to using our balance sheet.

On a go-forward basis, we don't plan to grow the balance sheet, but we will continue to use balance sheet. But we will remix that balance sheet. So that the RWA density is different and it's less capital intensive. But the primary growth plan for the business is to over time raise a significantly increased amount of institutional capital that appreciates the fact that our consolidated alternative platform is broad, global, and deep. And that we operate in all the different categories, private equity, growth equity, credit, infrastructure, real estate, and we also do it all over the world and have resources all over the world to execute on that.

And that is very attractive to the long -- the large institutional capital raisers and we have not traditionally attacked or partnered with him across this broad platform. And so at Investor Day, we will give you more color on how we plan to do that and what you could expect from that over the coming five years.

Jim Mitchell

That's really helpful. Is there any challenge or do you find in competing with your more pure play competitors that are publicly traded. Do you think there's some sort of disadvantage in raising institutional money having your hands in other businesses? Or do you don't think that's an issue?

David Solomon

Well, we've been in these businesses for 30 years, and we've executed well in these businesses for 30 years, we've also been a leader in providing services to those businesses that you refer to. We have an active dialogue with those companies about our activities and what we plan to do. And John, Stephen and I are extremely focused on the client orientation and the client nature in the context of the way we run the firm. The other firms that are out there has very, very ambitious institutional capital raising plans from institutions, but there's a lot of capital to allocate, and we're very comfortable that they can raise a lot of capital, we can raise a lot of capital.

What's interesting about this business is this is a business that actually is growing secularly. And so we think we're very well-positioned given where we are both to participate, but also to continue to service those clients in a differentiated and value-added way.

Operator

Your next question is from the line of Chris Kotowski with Oppenheimer. Please go ahead.

Chris Kotowski

Yes, actually my question is related to that last one, which is looking at the Asset Management segment and the $22 billion of mainly private equity investments. I guess the question is I mean, if you put it in the context of the publicly traded alternatives, Blackstone has a pretty big business and their GP investments is about $1.08 billion by comparison, and so what is the strategic need for and rationale for keeping that large of a balance sheet commitment?

David Solomon

So we have a differentiated model, and there's no question that Blackstone operate the business with very low -- with no capital. If maybe we were starting today from scratch with a white sheet of paper, you might develop the business differently. But what's happened because of the way we run our business is we built out a very, very broad deep global network of investors all over the world. And we think that's a real asset to capital allocators. We've done that because we've built up strength, investing off our balance sheet. And historically, candidly, one of the things investors have liked is they like the fact that we partner with them, and we have skin in the game. And we're committed to investments with them. That alignment, I think is a very, very good thing. And I think that'll be a differentiated component of our strategy here. And so strategically, that's something I think that differentiates us in the context of this strategy.

Also, as we grow new products and services in the space around the world and add to what we're doing, it is easier to fund the acceleration of that if you do have the capacity to use balance sheet to jumpstart some of those businesses. So again going back to what I said before, we would not expect the balance sheet to grow; we would expect to change the RWA density by shifting some out of equity into more credit or infrastructure type assets. But we think we have a competitive advantage or a different strategy that's a good advantage to partner with our clients and we plan to continue it.

Operator

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

Devin Ryan

Hey I guess first question here. So, I saw the Marcus App was rolled out last week. And I'm just curious what took so long, I guess to get that out. And how are you thinking about integrating that with some of the other products in consumer and really integrating it with Clarity Money in that app as well? And really, the question is, I'm just trying to understand some of the branding and consumer and what you're going to be using called as digital storefront?

Stephen Scherr

So on the Marcus App, when we first began Marcus three years ago, you recall that, our two products were deposits and unsecured loans. So the utility of the app early on was not quite high, meaning people who carry loan are not looking to check on it with the frequency of those that use apps for their day-to-day exchange. And so we sort of set a set of priorities for ourselves in terms of the direction we were going to build. And we would ultimately come upon the app.

I would say at -- from the moment we began to think about the design of the app and in fact, bringing Clarity Money into the house, the idea was to take the best of the technology, that is what Clarity Money had developed, which was super interesting in terms of prompts and the use of intelligence to do that and kind of a two-way engagement with the user consumer app, we wanted to embed that in a broader app that we would roll out.

So you're seeing the first phase of that now particularly as people will start to engage more and more with us again with greater frequency than they did at the start, and we're embedding the best of what is Clarity Money in the context of the creation of that app overall.

And so it was really a question of anticipated use, slower at the start, faster now, a question of priorities and now bringing it together.

On your question about branding, I think I'll defer you to Investor Day when we'll talk a lot more with much greater context than I could answer in a single question on the branding strategy around consumer and around Wealth Management more broadly.

Devin Ryan

Okay, terrific. Looking forward to that.

Stephen Scherr

Sure.

Devin Ryan

And then just a follow-up here modeling in the comp ratio and cadence moving forward. So the fourth quarter comp ratio was about 600 basis points below the first quarter level, I know that's much tighter than historical relationship and I also know consistent with how you're now looking to accrue on more of a real time basis? You also had a very strong fourth quarter for equity investment performance, which I would think I have a lower comp ratio to it. So I'm just trying to get some flavor for whether the 2019 relationship is a decent proxy on a quarterly basis or it is a stronger fourth quarter in the equity performance and maybe skew that a bit lower?

Stephen Scherr

Sure. So let me start from the top. As you know our comp and benefits line was flat year-over-year, and our comp to net revenue number was roughly in line slightly higher than where it was last year. So that's to look at the full-year.

Embedded in your question was in fact, the right reference, which is, as I've said several times, we are accruing for compensation each quarter as the accounting standards require, which is our best estimate of the compensation we would need. And so we've done that much more on a straight line without relying or waiting on the fourth quarter so as to be a bigger adjustment. And so you're seeing more straight line because of that, you're seeing this fourth quarter variability relative to where we were in the past. That's just a function of the way in which we are now accounting, again more of a straight line than not.

I would say just to step back from the particulars. You know, I think that from a compensation point of view, we had taken payroll and compensation expense down in a number of different businesses over the year in order to redeploy compensation to populations of people that are working on some of the growth businesses that we have. By definition, that compensation dollar is not producing an equal amount of revenue as it would in other areas, it will as those businesses grow and mature. And so part of this is a reallocation of compensation in that direction, while maintaining comp and benefits at a constant or flat year-over-year and reflecting in on the comp to net revenue number being roughly flat as well.

Operator

Your next question comes from the line of Gerard Cassidy with RBC. Please go ahead.

Gerard Cassidy

I was wondering -- and you may not be able to answer this question today, which is fine. And if you can’t possibly you may want to give us this detail at Investor Day. In the regulatory filings for all the banks, there's a category of loans called loans to non-depository financial institutions. And when we look at that for the top banks like your own, the growth has been pretty impressive since 2013. And when we look at it for your organization back then it was about $6.7 billion. And today, it's approximately $43 billion. So the question is what's in that portfolio? And again, if you don't have the details, I understand but maybe you could share with us on Investor Day some good details of what's in that portfolio?

Stephen Scherr

Yes. So I think I don't -- I want to give you an answer with some specificity. So let me suggest that Heather Miner and her team get back in touch with you and we can itemize as is publicly disclosed, what exactly sits in that category and we can give you some progression of how that's migrated. I just don't have the particulars around that to hand.

Gerard Cassidy

That's okay. And that's not unusual by the way. When we asked this question to other banks, most people don't really give us the details. But that's fine. Then a second question. Can you give us some color; obviously, the Apple Card has received a wonderful amount of publicity. And Apple is branded it of course, is a card created by them and not a bank type of logo. The question I have is Apple is obviously very respectful of their brand and their customers. And in a recession, we all know unemployment goes up, and we also know that credit card delinquencies are linked to unemployment. Had you guys -- is there anything that concerns you that as we go into a recession say unemployment goes to 6%, delinquencies for all the credit cards more than double from where we are today? Are you going to be hamstrung trying to collect those delinquencies because of the way it's been branded as an Apple Card and it's not a bank.

Stephen Scherr

Yes. So thanks for the question. I want to be really clear on this, notwithstanding whoever lays claim to the creation of the card. There's only one institution that's making underwriting decisions, and that's Goldman Sachs. So Goldman Sachs is making all of the underwriting decisions as it relates to it. We have set targets and goals and objectives along with Apple as a good partner would and Apple is completely in the know as to sort of how we are going about these underwriting decisions. But the ultimate decision sits with us and so we calibrate, manage our risk and collections in the context of that. And so I think I just want to be really clear about that, it is the bank that renders underwriting decisions in that regard.

Operator

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

Brian Kleinhanzl

Yes, thanks. I'll be quick here. Looks like on the consumer side, you saw deposits go up about $5 billion this quarter. So you seem to have better growth from your entry to new markets. Is there any type of geographic expansion that you're planning within the markets does anything kind of accelerate growth on deposits there?

Stephen Scherr

Yes, sure, thank you. The question has come up frequently. Obviously the primary growth is in the U.S., in the UK, we have seen considerable growth in deposits, which has really pleased us even relative to the early expectations. We have looked at a variety of other jurisdictions in terms of where we could raise deposits. Germany is a name has come up several times. It's natural that it would in the context of Brexit and planning and doing more asset generation in through our European business. I think we'll wait and see how things progress around Brexit, the size, magnitude and pace of asset growth there, before we make a decision about where we next plant the flag from a deposit perspective.

And so there are no immediate plans in terms of a next in terms of next jurisdiction, but we continue to evaluate it. And we have built the platform particularly in UK with embedding greater flexibility for us to open it or open a new jurisdiction without building from ground zero. And so it was planned with that in mind.

Operator

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

Stephen Scherr

So since there are no more questions, I would like to just take a moment to thank everyone for joining the call. On behalf of our senior management team, we hope to see many of you later this month. If any additional questions arise in the meantime, please do not hesitate to reach out to Heather. Otherwise enjoy the rest of your day, and we look forward to speaking with you at Investor Day.