

Bulletin:

LGT's Planned Acquisition Of abrdn's Discretionary Fund Management Business Has A Manageable Impact On Capital

February 28, 2023

This report does not constitute a rating action.

FRANKFURT (S&P Global Ratings) Feb. 28, 2023--S&P Global Ratings today said that Liechtenstein-based LGT Group's (LGT; A+/Stable/A-1) plans to acquire the U.K.-based discretionary fund management business of abrdn to expand its U.K. franchise is unlikely to deplete the LGT's strong capital buffer. Closing of the transaction will remain subject to regulatory approvals in the respective jurisdictions and is likely to happen toward the end of 2023. The deal is in line with our expectations for LGT's continuing merger and acquisition activity. The group pursues occasional acquisitions to broaden its customer base in a consolidating industry, as highlighted by its transactions over recent years.

abrdn's discretionary fund management business will contribute about £6 billion in assets under management (AUM) to LGT's private banking AUM, which was worth Swiss franc (CHF) 286 billion (about £247 billion) as of the first half of 2022. LGT already has a solid presence in the U.K. The acquisition complements LGT's existing business, broadens its geographic footprint in the U.K., and increases the customer base in overlapping locations. LGT's increasingly diversified global franchise well positions the group to benefit from additional growth in global wealth.

The acquisition price will have a mild and temporary negative impact on our risk-adjusted capital (RAC) ratio. We expect the acquisition to result in a decline of the ratio by about 50 basis points compared to 10.7% at year-end 2021, before accounting for profits and development of risk-weighted assets in 2022. However, the transaction is unlikely to derail LGT's credit metrics and we expect the RAC ratio to trend toward 11% over the next two years, which in our view indicates sustainable capitalization through the cycle and a rating strength.

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