

BANK NOTES

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Egg cracked and beaten into Citigroup

IT WAS with a hint of sadness that we learned of British assurer Prudential's sale of its Egg unit to Citigroup, the world's largest bank, for a measly £575-million — once worth £4-billion, it was valued at just £1-billion just a year ago when Prudential bought out minorities to facilitate a clean sale process.

Egg was a visionary (and first-class) online bank born into the optimism of the dotcom era. Its main objective was to capture maturing Prudential policies but its funky, user-friendly transactional banking platform soon attracted customers from outside the Prudential net.

Although it quickly became a — if not the — benchmark online bank, it struggled to wash its face, even as it became more established. It lost a whopping £145-million last year alone.

But Prudential has other eggs to fry, especially now that every other self-respecting assurer is trying to reinvent itself as a focused savings and wealth management powerhouse — our own assurers included.

Citigroup's online offering in the UK is top-notch, so it's a sensible — if rather more institutionalised — home for Egg clients, who have been spoilt by superb service levels.

Egg's disappearance brings back memories of the demise of much-loved — but also unprofitable — local online bank 20twenty, which might still have been with us had it not been injured in its infancy by the Saambou collapse. *Bank Notes* bets shareholders at Absa are relieved that Red Mouse, its planned online bank, never saw the light of day.

Staying with Prudential, which is Discovery Holdings' partner in the promising PruHealth healthcare joint venture in the UK, *Bank Notes* still reckons it offers a useful model for Discovery's crazy US expansion plans with Destiny Health.

Destiny needs a decent global partner — bigger even than the Guardian Life Assurance Company of New York — and needs a more permanent joint venture rather than a co-operation arrangement.

A source close to Discovery suggests Destiny has finally parted company with the Guardian. But executives can't comment because they are in a closed period. We live in hope. For now we must take solace from a trading update that points to a surge in Discovery's interim headline earnings a share of between 20% and 35% — if you exclude the effects of its empowerment deal.

Moving swiftly on from the rather sore wound of Discovery's American operations to consider its options closer to home, one cannot help wondering, given that Prudential is looking seriously at South Africa, whether purchasing Discovery might not be an option. That's if a private equity bidder does not get there first.

But who is to say that Discovery should always get to play the victim? *Bank Notes* reckons it has a good chance of becoming an acquirer in its own right, and should rather deploy any cash saved in the States on a local acquisition while it still can.

One easily forgets that CEO Adrian Gore cut his teeth in the Liberty stable. Armed with Discovery's convincing interpretation of life assurance and an established — some say maturing — healthcare insurance business, he has an ideal line-up to complement Liberty's own line-up.

If Discovery pulled finger before its life business overtakes its healthcare business, it could pounce on Liberty and, just maybe, get the deal past the competition authorities.

Why should we think Liberty is a target? Well, Standard Bank appears keener to buy a bank a year elsewhere (how worrying is that?) than to extract the value staring it in the face in the shape of Liberty, whose asset management and mass-market access would fit neatly into Discovery.

But there is no imminent Standard plan to buy out Liberty minorities. That increasingly looks like a task for CEO Jacko Maree's successor.

Staying with life assurance, talk that Metropolitan Holdings CEO Peter Doyle is considering jumping on the early retirement bandwagon continues to do the rounds in the industry.

The talk gained credibility when it emerged that Sanlam's strategy director Ian Kirk was moving his family to the Cape. When he was CEO of Capital Alliance, Kirk harboured engaging and at times entertaining thoughts of bidding for emerging segment specialist Metropolitan.

But Kirk emphatically denies that the move south is into Doyle's office: he'll continue to commute between Sanlam's Alhambra-esque outpost in Dunkeld and Bellville.

So Kirk is not a harbinger of Sanlam's long-awaited bid for Metropolitan. *Bank Notes* will dream on — safe in the knowledge that, for now, it remains the most compelling life assurance merger idea of all.

