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CEO's statement

**FROM THE
DESK OF**



Nicolaas Kruger
CEO, Momentum

Over the past year, our strategic objective to transform Momentum from a successful to a significant insurance-based financial services company gained further impetus.

At the end of March 2010, we announced our intention to merge with Metropolitan, based on the compelling business case emanating from the complementary nature of our operations. The merger will be one of the largest transactions in the South African financial services industry in 2010. The response of analysts and commentators to the transaction was overwhelmingly positive from the outset.

During the extensive due diligence investigations, the filings for regulatory approval and the process of finalising the terms of the merger, Momentum's employees continued to focus on "business as usual". This was not only to comply with the stringent requirements of competition law as it pertains to mergers, but to ensure our clients enjoyed uninterrupted and high quality service.

The process of merging distinct entities such as Momentum and Metropolitan is long and complex. It has been important to keep our employees positively engaged in light of the significant changes implied by the merger, and informed of progress in the merger process on a regular basis. Throughout the process, it was vital that our people remained committed to living our values of *Innovation, Awesome Service, Accountability, Integrity, Teamwork and Growing People*. Employee communication over this period required a careful balance between these important objectives and the strict confidentiality limits of competition law.

The merger announcement and subsequent planning process dominated the final quarter of the financial year. However, the significant events that took place in South Africa, and Momentum's contribution in relation to these, are important to note.

The FIFA 2010 Soccer World Cup™ was an incredible opportunity for our country as well as for positive employee engagement. Momentum created a fan zone at our head office in Centurion to ensure our employees were able to enjoy this once in a lifetime experience to the full. Momentum also took the opportunity to host our employees and clients at various matches around the country. These were truly special occasions and I would like to congratulate the organisers and volunteers that made the 2010 FIFA World Cup such a success.

Most of all, I congratulate the people of South Africa for standing proud and united, and for being such gracious and enthusiastic hosts to the world. I believe the spirit of togetherness we showed as a nation, and the reputational benefits of successfully hosting the greatest sporting event on Earth, will continue to be evident for a long time to come.

South Africa's emergence from the economic recession has been slow but steady. Our country remains exposed to the developments in the global economy and the risk of a slow-down in the global economic recovery remains very real. In this uncertain economic environment, Momentum posted solid financial

results despite slower new business growth. While the disposable income of South African consumers has recovered to an extent, debt levels remain high. Further strengthening of consumers' balance sheets is required before new business growth will recover.

Momentum continues to engage with our stakeholders regularly to anticipate and manage the issues that are most material to them. During the past year, we again conducted customer satisfaction surveys to measure our service levels. Our primary goal here is to ensure we meet our clients' expectations in their interactions with Momentum. This is in line with our value to provide Awesome Service and to retain clients in the current economic climate. The survey confirmed that we are meeting, and in some areas, exceeding their expectations in the service we provide.

In relation to our employees, the implementation of the Standard Integrated People Practices (SIPP™) and the People Expedition projects are significant initiatives that underpin our value of Growing People. Our people are our greatest asset and the roll out of these projects will go a long way to ensure our people are empowered to take control of their careers, and we are able to attract, develop and retain the top talent in the industry.

Corporate Social Investment (CSI) continues to be one of the primary ways in which we interact with the communities where we operate. Momentum allocates one percent of our post tax operating profit to CSI. Due to the impact of the economic downturn, our CSI spending was reduced. However, our commitment to get involved in our communities has not diminished. Momentum's volunteers continue to give of their time and skills to social projects in various communities. I am very proud that they were finalists in the 2009 Mail and Guardian CSI awards.

As a financial services company, Momentum is considered to be a medium contributor to carbon emissions with an average of 4 Tonnes of CO₂e per employee per year. Our largest source of emissions comes from electricity usage. Given the problems South Africa faces in its electricity demand and supply balance in the next few years, and the need for greater energy efficiency, Momentum has implemented measures to reduce electricity consumption, while at the same time ensuring continuous supply so we can guarantee our service commitments to our clients.

There have been a number of significant regulatory developments in the year, most of which focus on consumer protection. Our primary regulator, the Financial Services Board (FSB), finalised new legislation and engaged the industry in relation to further regulatory interventions in the industry. We expect the implementation of the FAIS Code on Conflict of Interest to be completed in April 2011. We support the objectives of the Code to establish arm's length relationships between life insurers and intermediaries, which will help to ensure that customers receive unbiased advice.

The FSB issued a discussion paper on Treating Customers Fairly at all levels within financial services companies. Momentum welcomes the discussion paper as we have already created structures at board level to instil this important objective. Momentum's *Fair Practices* board committee is mandated to consider the fair treatment of Momentum's customers, which includes evaluating our progress in embedding the principles of fair treatment in Momentum's culture, strategy and day-to-day operations. We look forward to engaging further with the FSB and industry bodies in this regard.

Momentum is a business that has been built on organic growth as well as strategic acquisitions and mergers. The planned merger with Metropolitan is therefore a natural progression in our strategic journey from successful to significant in the financial services landscape in South Africa and elsewhere in Africa. I am confident the next year will be an exciting one for the company and our stakeholders as we identify and realise the combined opportunities for sustainable growth with Metropolitan in the new combined group MMI Holdings. We remain positive that all the regulatory and shareholder approvals for the transaction will be obtained by October/November 2010.



Nicolaas Kruger
CEO, Momentum

Report parameters

The information reflected in this report pertains to the financial year ending 30 June 2010 which is to be read in conjunction with FirstRand's integrated report for the year ending 30 June 2010. A detailed review of the accounting policies employed by the FirstRand Group is available in the integrated report which can be accessed on the company website: www.firstrand.co.za.

Use of guidelines

Momentum's non financial accounting policies are aligned to the Global Reporting Initiative's ("GRI") G3 guidelines and financial sector supplement, incorporating recommendations set out in the King Committee on Governance's Code of Governance Principles for South Africa (2009) (King III Code), the JSE Socially Responsible Investment ("SRI") index, and the BEE transformation requirements set out by the Financial Sector Charter, and the Department of Trade and Industry's ("dti") Codes of Good Practice.

Materiality

Material topics are defined as those reflecting significant economic, environmental and social impacts or those that would influence the decisions of the company's stakeholders. The material topics disclosed in this report have been informed by regulatory obligations, internal financial and non financial management reports and voluntary disclosure standards.

Stakeholder inclusiveness

The principle of stakeholder inclusiveness has been employed to ensure that disclosures are material and relevant to the legitimate interests and expectations of FirstRand's stakeholders. The primary vehicles informing stakeholder disclosures are the Group's integrated financial and non financial risk management reports and significant regulatory events.

Data measurement

Data measurement techniques are replicable and information is not reported if the margin for error is believed to substantially influence the ability of stakeholders to make informed decisions about the company's performance. Measurement techniques, estimates and underlying assumptions are described when it is materially necessary to do so. Carbon footprint calculations are made according to the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard.

Combined assurance

FirstRand has commissioned the following independent sources to provide assurance and commentary on its 2010 divisional sustainability reports:

- BEE transformation performance has been externally audited by SizweNtsaluba vsp.
- FirstRand's carbon footprint data has been prepared by Merchantec Carbon and independently assured by FirstRand Internal Audit.
- Corporate Social Investment information has been prepared by Tshikululu Social Investment and externally audited by Delloite and Touche.
- FirstRand group internal Audit performed a limited review of the statements and quantitative data contained in the divisional Reports to society.

Internal Audit Assurance statement

Internal Audit performed an agreed-upon procedures review on the Momentum Report to society. The scope and focus of the engagement was as follows:

Report:

- Identify material qualitative and quantitative statements in the content of the report; and
- Verify the accuracy and validity of the selected material statements to supporting evidence.

Control Environment:

- Assess the adequacy of the procedures in place for collecting and processing Sustainability information;
- Assess the adequacy and effectiveness of the controls that have specifically been put in place to generate information for inclusion in the Sustainability report;
- Assess the adequacy and effectiveness of the controls that ensure alignment with FirstRand's reporting; and
- Confirm that the report is approved and signed off in accordance with agreed approval and sign off processes.

The following was excluded from the scope of the review.

- Adequacy and effectiveness of the controls in place over:
 - Alignment of the report with the Global Reporting Initiative's G3 guidelines, the JSE Socially Responsible Investment index, BEE transformation reporting requirements and the King III code;
 - Stakeholder inclusiveness; and
 - Boundary setting and completeness.

Based on the results of the work performed on Momentum's 2010 Report to society, Internal Audit confirms that:

- Statements included in the report that required improvement were identified and all suggested changes and identified anomalies and misstatements were corrected prior to the finalisation of the report. Additional improvements were recommended to management to reduce potential for anomalies and misstatements in future reports.
- Even though the data collection processes were not formally documented in all instances, guidance was provided by FirstRand. Momentum shows continued improvement and refinement on its method of collecting data for the Report to society.



J John
Chief audit executive
13 September 2010

APPROVED

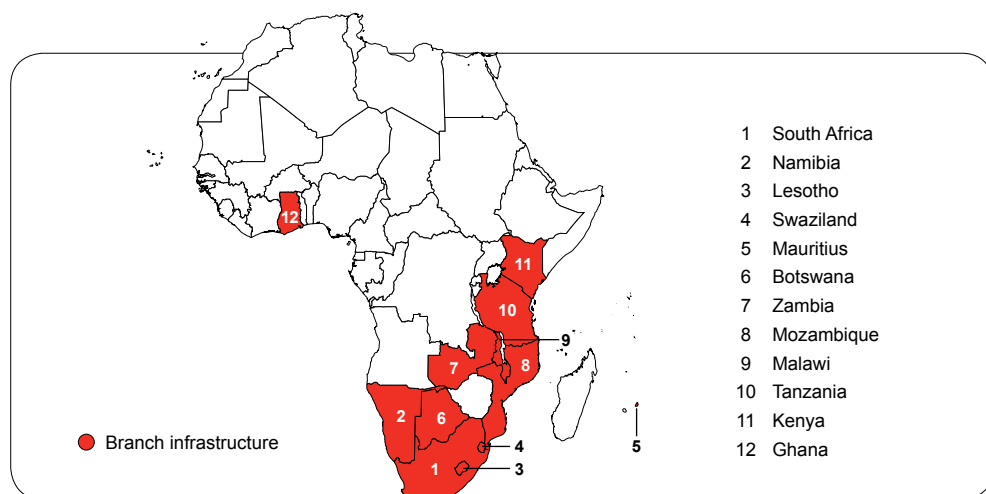
Corporate profile

Momentum was established in 1966 and has grown organically as well as through strategic acquisitions and mergers. The company became known as Momentum in 1973 when Momentum Assurance Corporation was acquired. Rand Merchant Bank Holdings (RMBH) was established with Rand Merchant Bank (RMB) as a wholly-owned subsidiary in 1987. Momentum’s growth escalated when RMBH took over Sankorp’s interest in Momentum Life in 1992 and RMB became a wholly-owned subsidiary of Momentum Life, which in turn became a subsidiary of RMBH.

Anglo American merged their financial services interests with RMBH in April 1998 and the new holding company, FirstRand Limited, became the largest financial services company on the JSE at the time. As part of the transaction, Momentum merged with Southern Life. The creation of FirstRand, along with Momentum’s merger with Sage in 2005 are two of the milestones that have contributed to making Momentum one of South Africa’s leading insurance based financial services providers today.

Momentum offers a variety of financial solutions including healthcare funding, retirement, savings, investment and short-term insurance products to individuals, corporates and institutions. We are an intermediary-focused financial services provider with a strong and diverse distribution network. Our financial solutions are available to all segments of the retail and group markets through appropriate distribution channels determined by the needs of the different market segments.

Momentum’s headquarters are located in Centurion, Pretoria, and it has over 5 000 employees throughout South Africa. Momentum operates in South Africa, the United Kingdom, Botswana, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Zambia, Swaziland, Tanzania, and Namibia. Head office practices are exported when conducting business internationally.



Momentum has transformed itself from a life insurer into a diversified insurance based financial services company. We use various brands to support our extended product range in the retail and corporate markets. Momentum has also traditionally catered for consumers in the middle to upper income groups. With the change in strategic direction of becoming a significant player in insurance-based financial services in South Africa, Momentum has expanded its offering to include a broad market. Our main product brands are described in the table below.

[Independent assurance](#)
[Business strategy](#)
[Stakeholder engagement](#)
[Stakeholder controls and performance](#)
[Risk management controls and governance](#)

Retail market brands

Product	Lower to Middle Income segment	Middle to Upper Income segment
Individual risk	Assure	Myriad
Investment		Wealth, RMB Unit Trusts
Retirement and savings	Assure	RMB Investment Services, Investo, RMB Unit Trusts
Short-term insurance		Momentum Short-Term Insurance
Healthcare administration	KeyHealth, Ingwe	Momentum Health
Loyalty and reward programmes		Multiply

Corporate market brands

Product	All Income segments
Healthcare administration	MMSA
Loyalty and reward programmes	Multiply
Umbrella pension funds	FundsAtWork
Group risk	FundsAtWork/BenefitsAtWork
Pension funds administration	ServiceAtWork
Asset management	RMB Asset Management, Advantage, FRAIM
Structured products	Momentum Specialised Insurance, Ability
Africa	Momentum Africa

Significant changes and awards

Merger with Metropolitan

During the year, Momentum announced its planned merger with Metropolitan Life. The merger will create one of the top three insurance-based financial services group in South Africa. The merger presents an opportunity for Momentum in terms of a larger distribution force and greater access to the low to middle income market currently serviced through Assure and the partnership with First National Bank. Opportunities also exist for greater product diversification and expansion into other African countries.

King III

The directors of FirstRand and the Group's divisional boards endorse the Code of Corporate Practices and Conduct contained within the King Report on Corporate Governance for South Africa 2009 ("King III Code").

The King III Code came into effect for companies starting a financial year on or after 1 March 2010. During the year under review significant progress has been made in respect of applying the King III Code. The Group has undertaken the following:

- conducted an enterprise wide gap analysis of the Group's governance practices compared with those recommended in the King III Code
- updated Board and Board Committee charters to reflect recommendations made in King III
- identified actions for achieving timely application of King III in cases where gaps have been identified
- initiated projects and Board reporting against these for timely application of the Code

Key areas being addressed include more formal oversight of:

- enterprise-wide Information Technology (IT) governance
- the institutionalisation of the Group's code of ethics
- the strategic management of sustainability and stakeholder considerations
- the development of more clearly defined processes for alternative dispute resolution taking all parties into account and perceiving business relationships as a fundamental of good governance.

Awards

Momentum's Corporate Social Investment (CSI) initiatives have been recognised over the years as part of the FirstRand CSI programme. Momentum during the year under review became a finalist in the 2009 Mail and Guardian CSI Award of the Year – Investing in the Future.

Momentum Health, one of the top five open medical schemes in South Africa, achieved second place in the Sunday Times Top Brands Awards survey.

Momentum's asset management brand RMB Asset Management received three Raging Bull awards, Best Domestic Equity Smaller Companies Fund for its Small Mid-Cap Fund, Best Foreign Equity General Fund for its International Equity Fund of Fund, and Best Domestic Equity Smaller Companies Fund.

Momentum's umbrella fund FundsAtWork received best Employee Benefits Product of the year at the 2010 Financial Intermediaries Association (FIA) Awards. The FundsAtWork product has also been awarded a Professional Management Review (PMR) award consistently since 2005, for 2010, FundsAtWork received a Silver Arrow for Investment product, Bronze Arrow for group pension and provident funds and Bronze Arrow for group risk products.

Key performance areas

Financial highlights

The global and local economic recovery as well as prudent financial management has had a positive impact on Momentum's earnings. On the other hand, South African consumers continue to feel the strain on their disposable income and this has had a negative impact on insurance new business, which is the core business of the Momentum Group. The value of new business however grew by one percent from the previous year as a result of strong lump sum inflows.

R million	2010	2009	% Change
Normalised earnings	1 810	1 649	10
Return on equity based on normalised earnings (%)	21.9	22.6	–
New business from insurance operations	56 774	60 470	(6)
Value of new business	549	544	1
Group Operating Profit	1 530	1 328	15

Momentum's financial statements are shown in greater detail in FirstRand's annual financial statements which are available on the company website (www.firststrand.co.za).

Non-financial highlights

Momentum's non-financial highlights provide an overview of progress and engagement with our key stakeholders namely our employees, customers and suppliers, as well as our interaction with our communities and impact we have as a business on the environment. More details according to each stakeholder is presented later in the report.

Employee performance indicators

Momentum increased its staff complement by four percent from the previous year. The significant increase in the skills development spend can be attributed to an increased focus in developing and retaining a leadership pipeline within Momentum.

	2010	2009	% Change
Staff complement	*5 225	5 012	4
ACI staff	3 125	2 949	6
White staff	2 087	2 063	1
Female staff	3 131	3 025	4
Male staff	2 081	1 987	5
Skills development investment (R mil)	52	25	108
Skills development investment per employee (R 000)	10	5	100

*Including foreign nationals

Customer performance indicators

Momentum's customers remain at the centre of our business. Awesome service and innovation are two of our values directly related to fostering long-term relationships with our consumers. During the reporting period, the number of Momentum customers decreased by seven percent, this is largely as a result of adverse economic conditions which started to improve in the last quarter of 2009.

	2010	2009	% Change
Number of customers ('000)	5 296	5 700	(7)
Zimele policies in force	53 965	63 324	(15)
Ombudsman complaints	531	577	(8)

Supply chain performance indicators

Momentum has increased its spend on procurement by one percent compared to the previous year. Fifty eight percent of the procurement spend is spent on Broad Based Black Economic Empowerment (BBBEE) suppliers, this is on course to meet the 2014 dti target of 70 percent.

R million	2010	2009	% Change
Procurement spend (R 000)	1 086 487	1 080 098	1
BBBEE procurement spend (R 000)	629 840	570 578	10
BBBEE spend as a % of total spend	58	53	9

Corporate social investment

Momentum's target for corporate social investment is one percent of post tax operating profit, the target set by the dti is 1 percent.

R million	2010	2009	% Change
Total direct CSI (R 000)	13 626	14 372	(5)
Employee volunteer funds donated (R 000)	573	676	(15)
CSI as a % of post tax operating profit	0.93	1	-

Carbon footprint

The total Greenhouse Gas (GHG) emissions of our head office amounted to 18 929 metric tonnes of carbon dioxide (TCO₂e) emissions for the financial year ending June 2009. This accounts for 5.5% of the FirstRand Group's total emissions.

R million	2010	2009	% Change
Total CO ₂ e	18 929	18 384	3
Total CO ₂ e per employee	4	4	-

Key risks and opportunities

Momentum’s approach to the responsible provision of financial services is driven by our values determined with input from the various sectors of our business. Our value of “Innovation” ensures the development of value for money products that appropriately address the needs of our customers. Our value of “Awesome Service” pledges service excellence to our clients and supports sound financial advice. Momentum’s values of “Teamwork” and of “Growing people” are closely linked to our “Integrity” and “Accountability” values, all of which define a unique values-based culture. This culture, combined with our comprehensive compliance and risk management processes strengthen the Momentum brand and our ability to manage sustainability issues.

The table below provides a summarised view of Momentum’s top sustainability risks and opportunities and how these have been responded to.

Risk/opportunity	Response
Staff turnover Employment Equity Skills development	Implementation of the Standard Integrated People Practices (SIPP™) supported by Oracle HRMS platform, that will enable Human Resources to play a more strategic and transformational role in the people realm.
Customer satisfaction	Annual customer satisfaction survey

Sustainability opportunities: Sustainability opportunities are identified via two main mechanisms. The first is through organic growth of the business and the implementation of sustainability solutions at business unit level. The second is through the work of FirstRand’s Sustainability forum and Environmental forum. Both of these forums actively pursue sustainability opportunities through research and development and, where necessary, incubate new projects until mature enough to be fully integrated into the operations of the business unit concerned.

Stakeholder engagement

Momentum differentiates its engagement and communication with stakeholders by business unit in order to optimise its effectiveness. Our processes include formal processes such as customer and employee surveys, as well as informal processes that involve direct contact, internet sites and a presence in the media.

Information and feedback obtained via these communication channels is addressed by the business unit concerned. In cases where customer feedback warrants escalation to senior levels of management, Momentum's governance structure provides channels for board oversight of relevant information via the Exco.

Regulators

Compliance with the relevant regulations affecting financial services is regarded as being of the utmost importance.

FirstRand works closely with law-makers and regulators to protect its stakeholders' interests, avoid reputational damage and prevent or mitigate the potential negative impact of either new, or changes to existing, statutes or regulations. Detail in respect of FirstRand's relationships with regulators is available in the company's integrated report.

Shareholders

Momentum engages with shareholders via FirstRand Limited. FirstRand actively distributes information to shareholders through the Stock Exchange News Service (SENS), the print media and its website (www.firstrand.co.za). Communications to shareholders include information about Momentum's performance alongside information concerning the performance of other FirstRand brands.

Employees

Momentum continually engages employees through a range of methods including face to face communication, our intranet, electronic communication, surveys, forums, our staff newsletter, conferences, company-wide functions and presentations.

Customers

Momentum employs a broad range of communication channels for customers. These channels include face to face communication, electronic media, transactional communication, surveys, circulars and newsletters, media briefings and press releases.

Suppliers

Primary engagement channels for suppliers include face to face communication, transactional communication, and surveys. Information and feedback obtained via these communication channels are addressed with an appropriate delegation of authority of the Exco via the procurement function.

Communities

Momentum's direct community engagement relates to the Corporate Social Investment (CSI) activities of the Momentum Fund and employee volunteers. Engagement channels include one on one face to face engagement, stakeholder meetings, newsletters, television and a range of electronic media.

The Natural Environment

During the year Momentum engaged with the following external stakeholders in the development and implementation of measures for effectively managing its direct and indirect environmental impacts via FirstRand's Environmental forum: Business Unity South Africa (BUSA), South African National Business Initiative (NBI), The British High Commission and The British Commonwealth and Foreign Office, South African Department of Energy, South African Department of Water and Environmental Affairs, and the United Nations Environmental Programme Finance Initiative (UNEPFI).

Stakeholder controls and performance

Employees

Employees are one of the most important stakeholders in any business. Matters relating to human resources have been identified as the most important Environmental, Economic and Social Governance (ESG) risk. Specifically, staff turnover, meeting employment equity requirements and skills development are areas where Momentum faces challenges. We have therefore embarked on various Human Resources' projects that aim to address these issues and turn these challenges into opportunities for career development, meaningful employee engagement and interaction and a greater diversity within the Momentum Group.

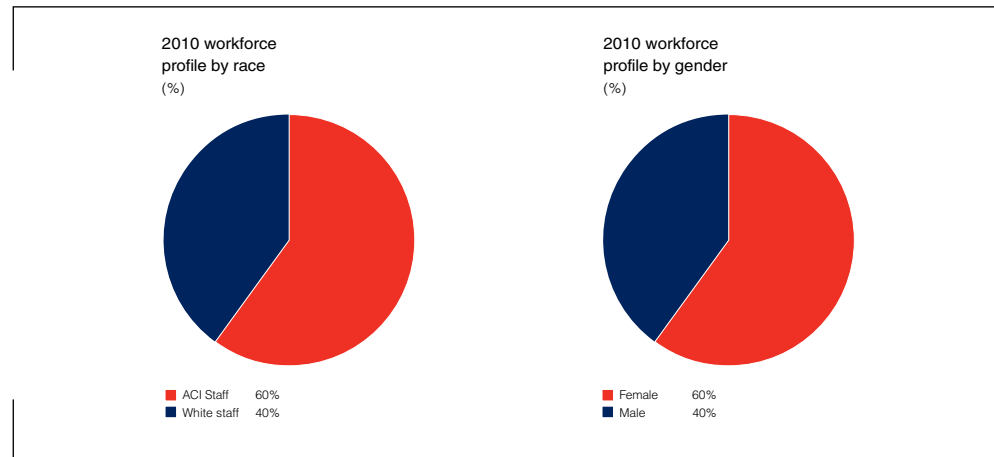
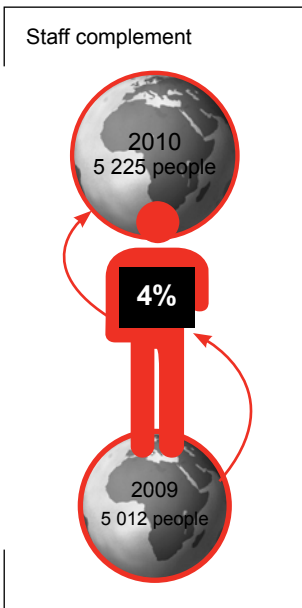
Employee performance indicators

	2010	2009	% Change
Staff complement	*5 225	5 012	4
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Skills development investment (R mil)	52	25	108
Skills development investment per employee (R 000)	10	5	100

*Including foreign nationals

Skills development remains a key focus for Momentum. The large increase in the spend reflects new projects that Momentum has embarked upon in terms of leadership development programmes discussed further down under key employee projects.

Momentum employs 5 225 fulltime employees. The diagram below demonstrates the composition of our workforce by race and gender.



KEY EMPLOYEE PROJECTS

Momentum Values Based Culture Campaign

Momentum has embarked on establishing a values-based culture as one of its strategic objectives. A culture survey was conducted to identify the values Momentum would need to achieve the business objectives of taking the company from successful to significant.

All senior leaders attended a work session on values to finalise Momentum's values. This year we focused on a development process equipping leaders with skills to living the Momentum values.

Momentum also embarked on a values awareness campaign, which was launched in December 2009. The campaign aims to unpack each of the values to make them part and parcel of the Momentum's culture.

FIFA World Cup 2010 Campaign

Momentum remains a proud South African company and as such took part in the celebration of hosting of the FIFA World Cup 2010. Our campaign was extensive, ranging from providing an opportunity for employees to win tickets to various matches to a dedicated intranet site where employees could participate in soccer themed activities. The aim of the campaign was to instil pride in our employees for working in a socially aware and connected company.

People Expedition Project

Momentum began the implementation of its People Expedition Project in earnest in September 2009. The project consists of the adoption of the internationally recognised Standard Integrated People Practices (SIPP™) and the integration of the Oracle human resource IT system. The three year project will enable Momentum's Human Resources' function to play a more strategic and transformational role within the company and therefore address employee related sustainability risks (skills development, retention and transformation).

Remuneration

Momentum's remuneration practices align with those recommended by FirstRand's Remuneration committee and approved by FirstRand's Board of Directors and shareholders. A detailed review of the FirstRand Group's remuneration practices is available in the integrated report which can be accessed on the company website: www.firststrand.co.za.

Salaries are reviewed annually in the context of individual and business unit performance, inflation and specific industry practices and trends. Reference is made to independent industry-related salary surveys and employee labour unions are consulted.

All employees are required to belong to a medical aid scheme and new employees join a defined contribution pension plan.

Debt Counselling

The economic slowdown impacted the lives of our employees and their families, and although there are signs of a recovery, the impact continues to be felt. In order to assist our employees who are in dire financial difficulties we continue to provide a debt management programme which includes debt counselling and financial planning.

Employment equity and diversity management

Momentum's employment equity and diversity management objectives are measured against the Department of Labour (DoL) employment equity requirements in conjunction with the South African Department of Trade and Industry's (dti) Codes of Good Practice employment equity objectives.

Momentum applies FirstRand's employment equity and diversity policies which provide clear guidelines for the management of human resources' development across the Group and in accordance with the targets set out by the DoL and the dti. Performance in respect of employment equity is reported to the Board by the Chief Executive Officer via FirstRand's Transformation Monitoring Committee.

Training and development

Momentum manages training and development performance against targets set by the dti Codes of Good Practice and according to specific internal objectives. During the 2009 calendar year Momentum invested 3.2 percent of its payroll on skills development for its employees, 1.9 percent of this was spent on ACI staff.

An important training and development initiative for Momentum is our Learnership Program. This program assists unemployed candidates to obtain the necessary skills to secure permanent employment. During the 2009 calendar year, 64 unemployed candidates completed the Momentum Learnership Program, permanent employment was offered to 39 of these candidates.

Talent management

The development of new skills bases is viewed as a means to addressing medium and long term skills shortages.

Talent management is addressed through three interdependent mechanisms. These are attracting, growing, and retaining talent. Effective performance management processes will provide a foundation for the Group to achieve these objectives.

Leadership development

Momentum values the important role that leadership plays and a big focus for the company is to develop the leadership pipeline. In this regard we have embarked on three leadership development initiatives:

1. Executive Leadership Development Programme
2. Senior Leadership Development Programme
3. Leadership Development Programmes, aimed at leaders in middle and senior management positions.

Innovation

The Momentum Innovate Challenge continues to strengthen our “Innovation” value. The challenge provides a platform for staff to submit ideas that can make a difference to any aspect of Momentum’s business. The top innovator in Momentum is crowned the “Innovator Grande” and wins a monetary prize.

CUSTOMERS

Momentum has three main types of customers. We provide investment, retirement, insurance and healthcare funding products to retail clients and to institutional clients, while our third client type is financial planners and advisers, who provide financial advice to the retail and institutional clients who use our products.

We provide financial solutions to 5.3 million clients, across all income segments. Momentum also underwrites the benefits of 2.6 million FNB Life clients.

Momentum utilises the services of 8 257 independent brokers and employs 603 financial agents to provide financial advice to our clients.

Customer performance indicators

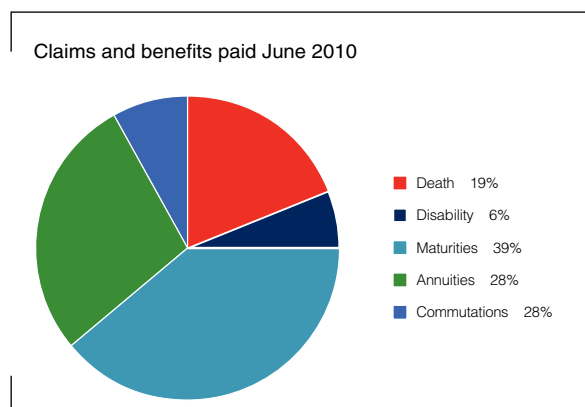
	2010	2009	% Change
Number of customers ('000)	5 296	5 700	(7)
Zimele policies in force	53 965	63 324	(15)
Ombudsman complaints	531	577	(8)

Claims and benefits paid

Momentum paid claims and benefits to the value of R11.5 billion during the 2009/2010 financial year. A break down on the claims and benefits paid is provided below.

Claims and benefits paid R million

Benefits paid R million	Year-ended 30 June 2010
Death	2 194
Disability	641
Maturities	4 476
Annuities	3 173
Commutations	984
Total benefits paid	11 468



Customer satisfaction

Momentum conducts regular customer satisfaction studies, details of which are reported to the Momentum Group Executive Committee and used to improve the service provided to our customers. The results of the most recent survey are summarised below.

Ques-tionnaire	Stakeholder Group	2009 Customer Experience Measurement	2008 Customer Experience Measurement
1	Intermediaries rating Marketing Advisors	Exceed expectation and Momentum target (88.1%*)	Exceed expectation (88.1%*)
3	Intermediaries rating Call/Administration Centres	On par with expectation (87.2%*)	On par with expectation (87.5%*)
2	Clients rating Financial Planners (New Business)	Exceed expectation and Momentum target (93.4%*)	Exceed expectation (95.5%*)
4	Clients rating claims process	On par with expectation (88.4%*)	Below expectation (85.2%*)
5	Client rating Call/Administration Centres	On par with expectation (84.5%*)	On par with expectation (87.2%*)
6	Client rating Direct Sales	Exceed expectation and Momentum target (82.3%*)	Exceed expectation and Momentum target (80.5%*)
8	Employers rating Administration Centres	Below expectation (77.8%*)	Below expectation (82.4%*)
10	Provider rating administration Centre (Introduced in 2009)	On par with expectation and close to Momentum target (87.2%*)	

*Percentage customers that reported experienced exceeding expectations.

Independent
assuranceBusiness
strategyStakeholder
engagementStakeholder controls
and performanceRisk management
controls and governance

In addition to internal customer satisfaction surveys, the Ombudsman for Long-term Insurance investigates complaints by members of the public, mediates between the parties on the dispute, and where the mediation is not successful, makes recommendations for the settlement of the complaints. During the reporting period Momentum represented 14% of the South African life insurance sector's premium income, but registered only 6.8% of the sector's customer complaints taken to the ombudsman.

Product line integration and cross-selling

We believe that clients can benefit significantly by changing their current view of life insurance products as stand-alone solutions, to a mindset of integrated financial solutions. This will help our clients and their financial advisers to optimise the holistic management of both their savings and protection business.

Momentum has embarked on a project to ensure integration across all our product lines and as a result is exposing current and potential clients to the entire suite of Momentum products. This will assist in creating awareness of the potential financial risks facing clients and provides an opportunity for cross-selling.

Access to insurance

One of Momentum's key objectives is to become a leading product provider across all market segments. This includes the emerging market, where we will be launching new initiatives to increase our exposure to this segment. Currently FNB Life is an efficient distribution channel for Zimele compliant funeral plans.

Product Development

Momentum follows a rigorous product development process that governs all steps from the initial idea to the launch of the product. All products sold by Momentum should meet the following requirements:

- Compliance with legislation
- Value for money to customers
- Financial viability for Momentum

Regulations

Momentum implemented a range of regulatory requirements dealing with customer relationships. The implementation was overseen by our internal compliance team, with board oversight of FirstRand's Audit, risk and regulatory risk committee via the Momentum Risk committee.

The Financial Advisory and Intermediary Services Act, also known as FAIS, aims to regulate financial service providers by protecting customers against improper conduct by such financial services providers. The Financial Services Board issued an amendment to the *General Code of Conduct for Authorised Financial Services Providers and Representatives (General Code)*. The amendment, called the **Conflict of Interest Code**, requires intermediaries to steer away from situations that may cause an actual or potential conflict of interest that may influence the objective performance of their obligations to their client. Momentum is in the process of making sure that our business units identify conflict that is in contravention with the Code and implement plans to mitigate these contraventions, and that a code of conduct management policy is in place to manage situations where a conflict of interest does arise.

The *Consumer Protection Act (CPA)* is in the process of being implemented. Momentum is engaging with the regulators and Association for Savings and Investments SA (ASISA) in order to implement the CPA in the most cost effective manner, taking cognisance of overlaps between the CPA and Pension Funds Act, Collective Investment Schemes Act, and the Long- and Short-term Insurance Acts.

The Financial Services Board released its discussion paper on *Treating Customers Fairly* (TCF) in April 2010. TCF will have a retail focus and balance principle-based versus rules-based approaches. Outcomes at each product lifecycle stage will be considered:

- Product design and promotion should be appropriate for the target market;
- Advice should be suitable;
- In terms of point of sale the product should behave as expected and service be acceptable;
- Information after point of sale should be clear and appropriate;
- There should be no unreasonable post-sale barriers in relation to complaints and claims handling.

The FSB's approach follows the UK's TCF campaign quite closely, but visible enforcement and sanctions (eg prohibiting the writing of new business) will be important.

Momentum supports the objectives of the discussion paper and has had processes in place that ensures the fair treatment of our clients. Momentum established a *Fair Practices Committee* in 2007 that reports to the Momentum board and whose mandate it is to consider the fair treatment of Momentum's customers, including the evaluation of Momentum's progress towards embedding the principles of fair treatment of customers in its strategy, culture and day-to-day operations. The Committee's scope also includes business practices pertaining to Momentum's linked (LISP) products, unit trust products, healthcare funding business and group companies that use the Momentum life licence.

SUPPLIERS

Momentum acknowledges procurement practice as a way of contributing to economic development, and finding sustainable efficiencies within our value chain. We traded with various suppliers during the year, ranging from emerging and micro enterprises through to large corporates. During 2009 we spent just under R1.1billion, of which 58% went to Broad-Based Black Economic Empowered (BBBEE) suppliers. This represents a 1 percent increase on general spend and a 10 percent increase on BBBEE suppliers. Momentum remains on course to meet its target of 70% procurement from BBBEE suppliers by 2014.

Supply chain performance indicators

	2010	2009	% Change
Procurement spend (R'000)	1 086 487	1 080 098	1
BBBEE procurement spend (R'000)	629 840	570 578	10
BBBEE spend as a % of total spend	58	53	-

Procurement remains one of the most important ways that big business in South African can directly contribute to economic development. Through procuring from small and medium enterprises, businesses are building the foundation for transformation as well as economic and social development.

Procurement policy

Momentum has fully implemented the procurement system Procure2Pay which will guide our staff in selecting suppliers with specific reference to the need for contracts and measurable Service Level Agreements, BBBEE compliance and general supplier governance. The system is also aimed at addressing the audit and compliance risks that have been identified over the years.

Leveraging Group activities for efficiencies

We receive a monthly electronic file of suppliers verified by FirstRand or by its major operating divisions. This file provides us with the BBBEE verification status and data relating to suppliers. This helps us to:

- Access a base of potential suppliers
- Obtain competitive pricing and terms
- Access supplier corporation sizes to identify exempt micro enterprises

Procurement monitoring systems

Our performance in respect of BBBEE procurement is measured against the targets set by the dti Codes of Good Practice and the Financial Sector Charter.

Momentum monitors performance against this target on a monthly basis via the distribution of an internal dashboard for relevant decision makers. In addition a quarterly report is provided to FirstRand's Board of Directors via the Transformation monitoring committee.

The report includes a list of all non-compliant suppliers which are contacted on a regular basis to ensure that they submit their certificates, or to encourage them to start with the rating process.

COMMUNITIES

During the 2009/2010 financial year Momentum invested over R14 million in community projects and bursary programmes through the Momentum Fund, which is the primary vehicle for our direct corporate social investment spend. The Momentum Fund approved grants to 48 organisations, in addition, the Fund awarded postgraduate bursaries to 11 students.

Corporate Social Investment (CSI)

R'000	2010	2009	% Change
Direct CSI			
Orphaned and Vulnerable Children Programme	6 005	6 076	(1)
Disability programme	7 561	8 236	(8)
Community Care Programme	60	60	–
CSI Total	13 626	14 372	(5)
Post Graduate Bursary Programme	412	1 000	(59)
Employee volunteer funds donated	573	676	(15)

Momentum's community impacts can be divided between direct and indirect impacts. Direct impacts relate to the impacts on stakeholders which form part of our communities, while our indirect impacts relate to the impacts of our activities on our stakeholders' stakeholders.

Momentum Fund

The FirstRand Foundation is one of the biggest corporate givers in South Africa and is a leader in CSI in the financial services sector. The Momentum Fund is part of the FirstRand Foundation, and is the CSI vehicle through which Momentum channels its CSI spend.

The main focus of the Momentum Fund is on people with disabilities and orphaned and vulnerable children. In addition to the above initiatives we also offer the Momentum Fund Bursary Programme which considers requests for academic support for postgraduate studies in fields related to disability and HIV Aids. Grants for the studies of 11 bursars were given during the year. The bursars come from a variety of academic institutions and provide an adequate split between race, level of study and course.

Momentum Volunteers Programme

The Momentum Volunteers Programme is an employee initiative which aims to “help people to help themselves”. We encourage volunteers to work with organisations for periods of 3 to 5 years to enable them to extend their impact and help projects become self-empowered.

The Momentum Volunteers Programme was a finalist in the Mail & Guardian CSI awards 2009 for Best Corporate Employee Community Involvement Programme. This category aims to showcase examples of how companies are actively encouraging and supporting their employees to play a role in the community as part of their broader commitment to community upliftment and development (awarded to South African businesses).

NATURAL ENVIRONMENT

Environmental issues are monitored by FirstRand’s Environmental forum and Sustainability forum, which are composed of representatives of FirstRand’s operating division, including Momentum, and report significant information to the board of directors via the audit, risk and compliance committee.

Environmental performance indicators

	2010	2009	% Change
Carbon emissions tonnes CO₂e			
Business Fleet Travel and Fuel Use	146	296	(51)
Electricity (Owned Buildings)	16 555	16 353	1
Paper Use	286	335	(15)
Business Air and Road Travel	1 675	1 400	20
Refrigerants	267	Not in scope	–
Total CO₂e	18 929	18 384	3
Total CO₂e per employee	4	4	–

The 2010 carbon footprint included new reporting sources of business road and flight travel, as a result, the carbon emissions are higher than they were for the previous year.

Through FirstRand actions Momentum supports the United Nations Global Compact (UNGC), the Carbon Disclosure Project (CDP) and has adopted the United Nations Equator Principles for the financial year starting on 1 July 2009.

Materials and waste management

Momentum currently disposes approximately 6 tonnes of waste per week. We have contracted an external recycling company to assist us with the efficient disposal of this waste. The benefit of this relationship is summarised below:

Recycled waste (%)

Waste Category	2010	2009
Cardboard	20%	20%
White paper	30%	30%
Plastics	15%	15%
Wet waste	35%	35%
Glass	100%	100%

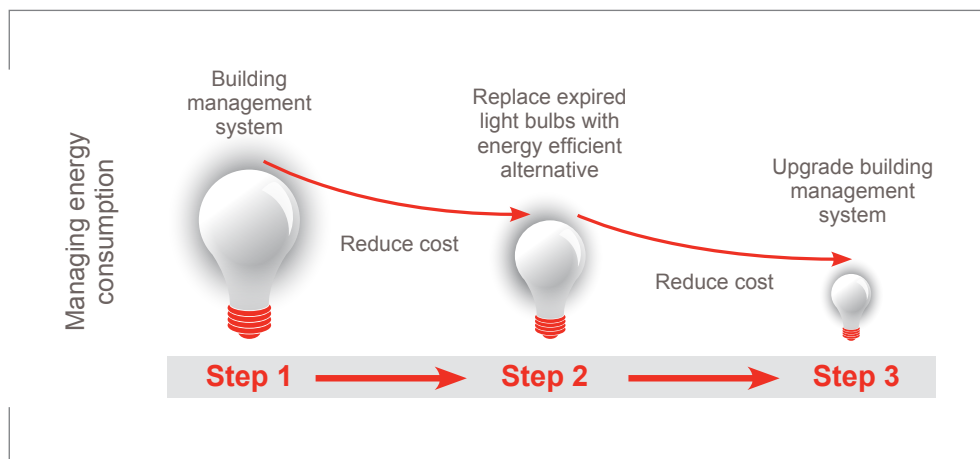
We have also undertaken a number of other initiatives to control our waste management and promote staff awareness on the need to conserve the environment. These are:

- Recycling printer and toner cartridges
- Printing our regular staff publication on recycled Sappi Triple Green paper
- An active campaign by all our business units to reduce paper usage. This campaign has been successful and we look forward to further reductions in the following year

Electricity Use: Momentum’s business operations are very dependent on a constant reliable source of electricity. With the current electricity shortage in South Africa only expected to be resolved within 5-8 years, we had to embark on a project to ensure that our critical operations can be maintained using diesel-powered generators. As a result of this project, we can now guarantee customers that our service will not be interrupted by power outages.

Although we have minimised the impact of power outages on our operations, we are still aware of the need to further reduce our electricity consumption. The initiatives below were implemented to achieve this.

- Most of our standard external flood lights have been replaced with LED equivalents. The benefits of LED technology is that it uses less electricity and has a longer lifespan
- Energy-saving light bulbs were introduced into our Head Office building
- Air-conditioners and lights are switched off during off-peak periods using a BMS timer
- Momentum participated in Earth Hour 2010 on 27 March.



Carbon emissions and management strategy

FirstRand is a signatory of the Carbon Disclosure Project, and contracted external auditors to undertake an independent analysis of the Group’s carbon footprint for the period 1 July 2008 to 30 June 2009. The analysis identified our direct and indirect emission-causing activities categorised in accordance with the Greenhouse Gas (GHG) Protocol and ISO14064-1.

Momentum has increased the scope of our carbon footprint calculation in order to provide a more accurate reflection of our impact on the environment. This has resulted in a minor increase in our carbon footprint. The analysis covered our Centurion head office, providing a good representation of our operations throughout South Africa. The total GHG emissions of our head office amounted to 18 929 metric tonnes of CO₂ emissions for the financial year ending June 2009. This accounts for 5.5% of the FirstRand Group’s total emissions.

Water Use: Our water consumption is largely driven by the basic water requirements associated with our staff. It is therefore important to us to ensure that our employees are made aware of the need to conserve water.

We have put the following measures in place to control our water use:

- We use the services of a company that provides waterless car washes. The savings are approximately 30 litres per car
- We installed an automated sprinkler system that ensures our gardens are watered at the most optimal time of day. The Momentum sprinkler system is switched off during rainy periods. During the 2009/2010 season, the Gauteng area experienced above average rainfall and the use of Momentum sprinklers was rare.

Momentum Rose

The Momentum Rose has been planted on the grounds of the Momentum Head Office as well as our Doringkloof offices. The Rose is hardy, has a genetic disease tolerance and will reduce the need for harmful fungicides, pesticides and fertilisers. The result is a healthy rose that performs well with minimum care and reduces the negative impact on the environment. Momentum will be planting the Rose in other Momentum regional offices. The Rose will also be used extensively as a gift to clients and other stakeholders.

[Independent assurance](#)[Business strategy](#)[Stakeholder engagement](#)[Stakeholder controls and performance](#)[Risk management controls and governance](#)

UN Principles for Responsible Investment

Discussions around responsible investing are gaining momentum and an industry committee has been convened to consider a code for responsible investing for South African shareholders. Momentum is participating in the discussions through our industry body Association for Savings and Investment SA (ASISA). The industry committee's four main principles are:

- An institutional investor should incorporate ESG considerations into its investment analysis and activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries
- An institutional investor should demonstrate its ownership approach in its investment arrangements and activities
- Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of this Code and other codes and standards applicable to institutional shareholders
- Institutional investors should be transparent about how their policies are implemented, and how the Code is applied to enable stakeholders to make informed assessments.

RMB Asset Management and Advantage Asset Managers (both wholly-owned subsidiaries of the Momentum Group), are signatories of the UN's Principles for Responsible Investment. The signatories have a duty to act in the best long-term interests of their beneficiaries and believe that environmental, social and governance (ESG) issues can affect the performance of investment portfolios in varying degrees over time.

Integrated control framework

During the year under review progress was made in further integrating environmental, social and governance (ESG) risks within Momentum's internal control framework. The outcome of this approach is an even more integrated approach to managing and reporting on the financial and non-financial performance of the Group.

FirstRand's Board of Directors and its committees provide the highest level of oversight for ensuring that business strategy and risk tolerances are set in line with the realisation of sustainable profitability and the sustainable development of the Group's operating environment. This allows the Group to view every transaction with every stakeholder as a sustainability opportunity.

Risk Management controls and governance

The Momentum board embraces the principles of good corporate governance. Momentum Group's risk philosophy recognises that managing risk is an integral part of generating sustainable shareholder value and enhancing stakeholder interests. It also recognises that an appropriate balance should be struck between entrepreneurial endeavour and sound risk management practice.

Risk Management objectives

Momentum's key risk management objectives are to:

- enhance shareholder value by generating a long-term sustainable return on capital;
- ensure the protection of policyholder and investor interests by maintaining adequate solvency levels;
- meet the statutory requirements of the FSB, and other regulators;
- ensure that capital and resources are strategically focused on activities that generate the greatest value on a risk adjusted basis; and
- create a competitive long-term advantage in the management of the business with greater demonstrated responsibility to all stakeholders.

Risk management framework

The Business Success and Enterprise Risk Management Framework ("Risk Management Framework") of Momentum, governs the risk management process with reference to a matrix of risks inherent to the business of Momentum, being:

- insurance risk;
- credit risk;
- market and liquidity risk; and
- strategic and operational risk (including environmental, social and governance risks).

The purpose of the Risk Management Framework for Momentum is to establish:

- a risk governance structure that clearly allocates roles and responsibilities;
- well defined risk objectives that articulate the company's risk appetite;
- guidance around risk identification, risk assessment, risk monitoring, risk reporting and risk mitigation for all major risk categories affecting the business;
- the role of Economic and Regulatory Capital in the context of Risk Management; and
- the use of risk related information to further enhance management decisions.

The principles described in the Risk Management Framework and all of the supporting risk management frameworks apply to all of the divisions, business units and subsidiaries of Momentum.

Risk governance

Momentum recognises that clear accountability is fundamental to the management of risk. Momentum's board retains ultimate responsibility for ensuring that risks are adequately identified, measured, monitored and managed. In addition, effective risk management requires multiple points of control, or safeguards that should be applied consistently at various levels throughout the organisation. Momentum has adopted the "three lines of control" model for managing risk. This model distinguishes between functions owning and managing risks, functions overseeing risks and functions providing independent assurance.

Risk ownership and management

Momentum's CEO is accountable to the Board for the management of risks facing Momentum and is supported in the management of these risks by business unit executives and line management. Risk taking is inherent in the business unit activities, and as such, business management assumes the primary responsibility for the risks in its business. In particular, business management and staff within each business unit are responsible for the identification, assessment, management, monitoring and reporting of risks arising within their respective areas.

Risk control and oversight

The Statutory Actuary has a duty under the Long-term Insurance Act to ensure that the legal entity remains solvent and able to meet liabilities at all times. The Statutory Actuary reports on these matters to the board, independent auditors and the FSB. An actuarial committee was appointed by the board to ensure that the technical actuarial aspects specific to insurance companies are debated and reviewed independently.

The Chief Risk Officer ("CRO") and the Enterprise Risk Management ("ERM") function provide objective oversight and coordinate the enterprise risk management process. Business unit heads are supported in risk control activities by deployed operational risk management functions. The deployed risk management functions are overseen centrally by Operational Risk Management ("ORM"), that reports to the CRO. A group risk committee is also in operation at Momentum. The committee has been appointed by the board to approve risk management policies as well as to monitor group risk assessments and the effectiveness of risk management and high priority corrective actions.

Regulatory Risk Management ("RRM") is an integral part of managing risks inherent in the business, and forms part of the second line of risk control.

Independent assurance

For the year under review, the internal audit function was outsourced to FirstRand Group Internal Audit.

Independent, objective assurance on the effectiveness of the management of risks across Momentum is provided to Momentum's Board through the FirstRand Group Internal Audit function, the external auditors and Momentum's Audit committee.

The Momentum board retains ultimate responsibility to ensure that risks are adequately identified, measured, managed and monitored across the group. The board discharges its duty through relevant policies and frameworks as well as four board committees and their respective subcommittees.

Independent assurance

Business strategy

Stakeholder engagement

Stakeholder controls and performance

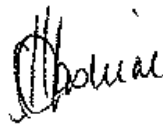
Risk management controls and governance

Signoff

This report was compiled by Lerato Mametse and Aadila Hashim, and signed off by Nicolaas Kruger, CEO, Momentum on 13 September 2010 at Centurion



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