

## ANNEXURE E

### Equity-linked transactions

#### Equity compensation plans

##### Equity-settled share-based payments

Standard Bank's share incentive schemes enable key management personnel and senior employees to benefit from the performance of Standard Bank Group Limited and Liberty Life Limited shares.

Standard Bank Group has two equity-settled schemes, namely the Group Share Incentive Scheme and the Standard Bank Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the Standard Bank Group (SBG) share at the date the option is granted; this scheme is being phased out. The Equity Growth Scheme was implemented in 2005 and represents appreciation rights allocated to employees. From a group perspective, the eventual value of the rights are effectively settled by the issue of shares equivalent in value to the value of the rights.

The two schemes have three different sub-types of vesting categories as illustrated by the table below:

| Vesting category | Year    | % vesting   | Expiry   |
|------------------|---------|-------------|----------|
| Type A           | 3, 4, 5 | 50, 75, 100 | 10 years |
| Type B           | 5, 6, 7 | 50, 75, 100 | 10 years |
| Type C           | 2, 3, 4 | 50, 75, 100 | 10 years |

Refer the Corporate Governance report, page 44 for a detailed schedule of movements in share options issued to executive directors during the year. A reconciliation of the movement of all share options and appreciation rights is detailed below.

| Group Share Incentive Scheme                  | Option price range<br>(rands) |      | Number<br>of options |                   |
|---|-------------------------------|------|----------------------|-------------------|
|   | 2005                          | 2005 | 2005                 | 2004              |
| <b>Reconciliation</b>                         |                               |      |                      |                   |
| Options outstanding at beginning of the year  |                               |      | 57 879 500           | 61 051 100        |
| Granted                                       | 59,90 - 65,60                 |      | 874 100              | 11 669 300        |
| Exercised                                     | 12,50 - 65,60                 |      | (10 438 961)         | (12 323 700)      |
| Lapsed  | 12,50 - 65,60                 |      | (1 760 200)          | (2 517 200)       |
| <b>Options outstanding at end of the year</b> |                               |      | <b>46 554 439</b>    | <b>57 879 500</b> |

Share options were exercised regularly throughout the year. The weighted average share price for the year was R66,98.

The following options granted to employees, including executive directors, had not been exercised at 31 December 2005:

| Number of<br>ordinary<br>shares | Option<br>price range<br>(rands) | Weighted<br>average price<br>(rands) | Option expiry period     |
|---------------------------------|----------------------------------|--------------------------------------|--------------------------|
| 541 800                         | 17,10 - 31,90                    | 18,00                                | Year to 31 December 2006 |
| 1 231 100                       | 18,30 - 32,00                    | 20,74                                | Year to 31 December 2007 |
| 2 778 100                       | 13,50 - 32,69                    | 18,94                                | Year to 31 December 2008 |
| 2 617 800                       | 17,15 - 26,40                    | 18,26                                | Year to 31 December 2009 |
| 3 656 300                       | 25,00 - 29,50                    | 25,36                                | Year to 31 December 2010 |
| 6 913 539                       | 27,70 - 35,90                    | 31,84                                | Year to 31 December 2011 |
| 6 133 200                       | 27,25 - 35,70                    | 28,03                                | Year to 31 December 2012 |
| 11 154 800                      | 27,70 - 34,85                    | 27,97                                | Year to 31 December 2013 |
| 10 659 900                      | 39,70 - 62,00                    | 40,99                                | Year to 31 December 2014 |
| 867 900                         | 59,90 - 65,60                    | 65,02                                | Year to 31 December 2015 |
| <b>46 554 439</b>               |                                  |                                      |                          |

The share options granted during the year were valued, at grant date, using a Black-Scholes option pricing model. Each grant was valued separately. The weighted fair value of the options granted per vesting type and the weighted assumptions utilised is illustrated on the next page.

|   | Type A  |            | Type B  |         | Type C |         |
|---|---------|------------|---------|---------|--------|---------|
|   | 2005    | 2004       | 2005    | 2004    | 2005   | 2004    |
| Number of options granted                         | 430 800 | 10 272 500 | 443 300 | 746 800 | –      | 650 000 |
| Weighted average fair value at grant date (rands) | 20,43   | 12,15      | 21,93   | 13,33   | –      | 7,70    |
| <i>The principal inputs are as follows:</i>       |         |            |         |         |        |         |
| Weighted average share price (rands)              | 64,43   | 40,90      | 65,60   | 42,02   |        | 40,66   |
| Weighted average exercise price (rands)           | 64,43   | 40,90      | 65,60   | 42,02   |        | 40,66   |
| Expected life (years)                             | 6,1     | 6,1        | 7,0     | 7,0     |        | 4,0     |
| Expected volatility (%)                           | 30,0    | 31,9       | 30,0    | 31,7    |        | 32,0    |
| Risk-free interest rate (%)                       | 8,3     | 10,3       | 8,4     | 10,2    |        | 10,3    |
| Dividend yield (%)                                | 3,5     | 3,9        | 3,5     | 3,9     |        | 3,9     |

The options granted during the year which are expected to vest, have an estimated fair value of R14 million (2004: R112 million).

|  | Average price range (rands) | Number of rights |
|--|-----------------------------|------------------|
| Standard Bank Equity Growth Scheme                       | 2005                        | 2005             |
| <b>Reconciliation</b>                                    |                             |                  |
| Rights outstanding at beginning of the year              | –                           | –                |
| Granted  | 60,35 – 75,01               | 7 761 900        |
| Exercised <sup>1</sup>                                   | 65,60                       | (4 200)          |
| Lapsed   | 65,60                       | (276 600)        |
| <b>Rights outstanding at end of the year<sup>2</sup></b> |                             | <b>7 481 100</b> |

<sup>1</sup>During the year 106 SBG shares were issued to settle the appreciated rights value, at a weighted average share price of R67,30, in terms of severance packages.

<sup>2</sup>At the end of the year the group would need to issue 1 020 399 SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised at 31 December 2005:

| Number of rights | Price range (rands) | Weighted average price (rands) | Expiry period            |
|------------------|---------------------|--------------------------------|--------------------------|
| 7 481 100        | 60,35 – 75,01       | 65,47                          | Year to 31 December 2015 |

The share appreciation rights granted during the year were valued using a Black-Scholes option pricing model. Each grant was valued separately. The weighted fair value of the options granted per vesting type and the weighted assumptions utilised is illustrated below:

|   | Type A<br>2005 | Type B<br>2005 |
|---|----------------|----------------|
| Number of appreciation rights granted             | 3 092 800      | 4 669 100      |
| Weighted average fair value at grant date (rands) | 20,88          | 21,88          |
| <i>The principal inputs are as follows:</i>       |                |                |
| Weighted average share price (rands)              | 65,50          | 65,43          |
| Weighted average exercise price (rands)           | 65,50          | 65,43          |
| Expected life (years)                             | 6,1            | 7,0            |
| Expected volatility (%)                           | 30,0           | 30,0           |
| Risk-free interest rate (%)                       | 8,4            | 8,4            |
| Dividend yield (%)                                | 3,5            | 3,5            |

The appreciation rights granted during the year which are expected to vest have a fair value of R121 million.

Equity-linked transactions *continued***Cash-settled share-based payments**

Corporate & Investment Banking International has a long-term incentive scheme (SIH Shadow Scheme) whereby certain employees are granted 'shadow' share options on the notional value of the shares in Standard International Holdings S.A. (SIH). The scheme, which was set up in 1998, provides for eligible employees to be rewarded in cash by reference to the growth in value of notional shares in SIH.

The SIH Shadow Scheme up until March 2004 had SBG share options underpinning the liability. From a group perspective the underpinning options do not affect the liability but are merely reserved for future allocation. From March 2005 SIH Shadow share options have been issued without any SBG underpinning options. At year end 21 652 568 (2004: 21 890 653) SBG options were allocated as underpins.

| SIH Shadow Scheme                             | Option price       | Number            |                   |
|---|--------------------|-------------------|-------------------|
|   | range (US\$ cents) | 2005              | 2004              |
| <b>Reconciliation</b>                         |                    |                   |                   |
| Options outstanding at beginning of the year  |                    | 22 633 263        | 20 547 552        |
| Granted                                       | 0 – 283            | 9 576 179         | 4 380 853         |
| Exercised                                     |                    | –                 | (1 785 533)       |
| Lapsed  | 159 – 283          | (1 992 901)       | (509 609)         |
| <b>Options outstanding at end of the year</b> |                    | <b>30 216 541</b> | <b>22 633 263</b> |

The following options granted to employees had not been exercised at 31 December 2005:

| Number of ordinary shares | Option price range (US\$ cents) | Weighted average price (US\$ cents) | Option expiry period     |
|---------------------------|---------------------------------|-------------------------------------|--------------------------|
| 3 666 510                 | 0 – 115                         | 100                                 | Year to 31 December 2008 |
| 2 303 311                 | 221                             | 221                                 | Year to 31 December 2010 |
| 2 846 664                 | 279                             | 279                                 | Year to 31 December 2011 |
| 3 948 132                 | 238                             | 238                                 | Year to 31 December 2012 |
| 4 514 954                 | 159                             | 159                                 | Year to 31 December 2013 |
| 3 898 064                 | 283                             | 283                                 | Year to 31 December 2014 |
| 9 038 906                 | 0 – 220                         | 131                                 | Year to 31 December 2015 |
| <b>30 216 541</b>         |                                 |                                     |                          |

The SIH Shadow share options are valued using actual profit and balance sheet projections. The cost of the scheme is calculated using these option values with an allowance made for expected lapses and is spread over the vesting period of the options.

**Equity participation plans****Tutuwa initiative**

The group entered into a black economic empowerment transaction during 2004, which also resulted in the recognition of a share-based payment expense. The instrument was valued using a number of valuation techniques including the Black-Scholes and discounted cash flow methods. Due to the uniqueness of the instrument, the mid-point of the range of valuations was used arriving at a value of R8,50 per Standard Bank Group instrument granted to black managers. This value is expensed over the vesting period ending 31 December 2010.

**Total expense recognised**

Standard Bank has recognised a total expense of R146 million (2004: R68 million) relating to equity-settled share-based payments, comprising R80 million (2004: R52 million) for share options and appreciation rights, and R66 million (2004: R16 million) relating to the Tutuwa transaction.

Liberty Life has similar share-based payment transactions and has recognised a total expense of R45 million (2004: R16 million) relating to equity-settled share-based payments, comprising R20 million (2004: R12 million) for share options and appreciation rights, and R25 million (2004: R4 million) relating to the Tutuwa expense.

SIH has recognised a total expense of USD4 million (2004: USD6 million) relating to the cash-settled share-based payments. The year end provision in respect of liabilities under the SIH Shadow Scheme amounted to USD28 million (2004: USD23 million).