

## Directors' report for the year ended 31 December 2005

### Principal activities

Standard Bank Group Limited is the holding company for the interests of the Standard Bank Group.

### Group results

A general review of the business and operations of major subsidiaries is given in the 2005 chairman and chief executive's review and operational reviews commencing on pages 2 and 18 respectively.

A financial review on the results of the Standard Bank Group for the year is given on pages 67 to 83.

### Property and equipment

There was no change in the nature of the fixed assets of the group or in the policy regarding their use during the year.

### Share capital

#### Ordinary shares

During the year, 10 439 067 ordinary shares (2004: 13 378 700 ordinary shares) were issued in terms of the equity compensation plans. Surplus capital was utilised to repurchase 10 164 515 ordinary shares to counteract the impact of the shares issued under the equity compensation plans.

#### Directors' interest in shares

At the date of this report, the directors held, directly and indirectly, interests in the company's ordinary issued share capital as reflected in the tables that follow:

#### Ordinary shares

Director	Direct beneficial <sup>1</sup>		Indirect beneficial <sup>1</sup>		Indirect non-beneficial <sup>1</sup>	
	2005	2004	2005	2004	2005	2004
DDB Band	11 017	11 017	–	–	–	–
E Bradley	–	–	274 494	262 258	351 962	391 467
DE Cooper	–	–	–	–	13 243	13 243
T Evans	–	–	6 773	4 273	–	–
TS Gcabashe <sup>2</sup>	–	–	125 000	125 000	–	–
DA Hawton	11 977	11 977	–	–	–	–
SE Jonah KBE	–	N/A	–	N/A	–	N/A
Sir Paul Judge	–	–	–	–	–	–
SJ Macozoma <sup>3</sup>	–	–	4 826 582	4 826 582	–	–
JH Maree	299 001	174 001	–	–	–	–
RP Menell	–	–	–	–	–	–
Adv KD Moroka <sup>2</sup>	554	554	125 000	125 000	–	–
AC Nissen <sup>2</sup>	–	–	125 000	125 000	–	–
MC Ramaphosa <sup>4</sup>	2 495	2 495	5 775 810	5 775 810	–	–
Dr MA Ramphele <sup>2</sup>	–	N/A	125 000	N/A	–	N/A
MJD Ruck	420 647	340 647	–	–	–	–
MJ Shaw	–	–	–	–	–	–
Sir Robert Smith	–	–	–	–	–	–
Dr CB Strauss	1 567	1 567	112 150	112 150	–	–
<b>Total</b>	<b>747 258</b>	<b>542 258</b>	<b>11 495 809</b>	<b>11 356 073</b>	<b>365 205</b>	<b>404 710</b>

<sup>1</sup>Defined as per requirements of the JSE Limited.

<sup>2</sup>Includes an allocation of 125 000 shares in terms of the Tutuwa Management Trust – special conditions apply for qualifying black non-executive directors.

<sup>3</sup>SJ Macozoma has a 20% interest in Safika Holdings (Proprietary) Limited (Safika) which acquired 24 132 911 shares in terms of the Tutuwa initiative.

<sup>4</sup>MC Ramaphosa has a 35,9% interest in Shanduka Group (Proprietary) Limited (Shanduka) which acquired 16 088 608 shares in terms of the Tutuwa initiative.

N/A Not yet appointed.

**6,5% first cumulative preference shares**

Director	Indirect non-beneficial <sup>1</sup>	
	2005	2004
E Bradley	47 000	47 000

**Non-redeemable, non-cumulative, non-participating preference shares<sup>2</sup>**

Director	Direct beneficial <sup>1</sup>		Indirect beneficial <sup>1</sup>		Indirect non-beneficial <sup>1</sup>	
	2005	2004	2005	2004	2005	2004
DDB Band	–	–	9 406	9 406	–	–
E Bradley	–	–	1 559	1 559	30 000	30 000
DE Cooper	–	–	–	–	1 140	1 140
T Evans	–	7 817	–	–	–	–
TS Gcabashe	863	–	–	–	–	–
SJ Macozoma	1 140	1 140	–	–	–	–
JH Maree	1 559	1 559	–	–	1 279	1 279
Adv KD Moroka	1 000	1 000	–	–	–	–
MJD Ruck	1 559	1 559	–	–	–	–
<b>Total</b>	<b>6 121</b>	<b>13 075</b>	<b>10 965</b>	<b>10 965</b>	<b>32 419</b>	<b>32 419</b>

<sup>1</sup>Defined as per requirements of the JSE Limited.

<sup>2</sup>Second preference shares.

No directors, other than disclosed above, have preference share holdings.

No director owns, directly or indirectly more than 1% of the total issued share capital of the company. The company has not been informed of any changes in these holdings at the date of this report.

**Equity compensation plans**

Information on options granted to executive directors under the equity compensation plans is given in the remuneration review on page 44. Details of options granted to all employees under the equity compensation plans are given in Annexure E on page 200.

**Directors' emoluments**

Directors' emoluments are disclosed on page 163. Information relating to the determination of directors' emoluments, share option allocations and related matters are contained in the remuneration review commencing on page 37.

**Shareholder analysis**

The analysis of ordinary shareholders is given on page 220.

Shareholders at the close of the financial year, holding beneficial interests in excess of 5% of the issued share capital, determined from the share register and investigations conducted on our behalf, were as follows:

	% held
Public Investment Corporation	12,95
Old Mutual Group	11,15

**Distribution to ordinary shareholders****Interim**

On 17 August 2005, an interim dividend of 122,0 cents per share (2004: 50,5 cents) was declared to shareholders recorded at the close of business on 16 September 2005 and paid on 19 September 2005.

**Final**

On 8 March 2006, a final dividend of 145,0 cents per share (2004: 181,0 cents) was declared to shareholders recorded at the close of business on 13 April 2006 and to be paid on 18 April 2006.

## Directors' report for the year 31 December 2005 *continued*

### Distribution to preference shareholders

#### 6,5% first cumulative preference shares

On 17 August 2005, a dividend of 3,25 cents per share (2004: 3,25 cents) was declared to shareholders recorded at the close of business on 9 September 2005 and paid on 12 September 2005.

On 8 March 2006, a dividend of 3,25 cents per share (2004: 3,25 cents) was declared to shareholders recorded at the close of business on 7 April 2006 and to be paid on 10 April 2006.

#### Non-redeemable, non-cumulative, non-participating preference shares

On 17 August 2005, a dividend of 374,74 cents per share was declared to shareholders recorded at the close of business on 9 September 2005 and paid on 12 September 2005.

On 8 March 2006, a dividend of 370,52 cents per share (2004: 379,34 cents) was declared to shareholders recorded at the close of business on 7 April 2006 and to be paid on 10 April 2006.

### Directorate

The directorate is listed on page 218.

The following changes in directorate have taken place since the last annual report:

#### Standard Bank Group Limited

##### Appointments

Dr MA Ramphele	as director	17 March 2005
SE Jonah KBE	as director	1 February 2006

##### Retirements

RA Plumbridge	as director	25 May 2005
Dr CL Stals	as director	25 May 2005

##### Resignation

T Evans	as director	8 March 2006
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#### The Standard Bank of South Africa Limited

##### Appointments

Dr MA Ramphele	as director	17 March 2005
SP Ridley	as director	5 August 2005
SE Jonah KBE	as director	1 February 2006

##### Retirements

RA Plumbridge	as director	25 May 2005
Dr CL Stals	as director	25 May 2005

##### Resignations

MJD Ruck	as director	5 August 2005
T Evans	as director	8 March 2006

#### Standard Bank Plc

##### Appointments

ME Austen	as director	4 November 2005
BJ Kruger <sup>1</sup>	as deputy chairman	10 November 2005
HE Staunton	as director	1 December 2005

<sup>1</sup>Previously alternate to MJD Ruck.

##### Resignations

RM Mansell-Jones	as director	5 May 2005
WS Dorson	as director	1 June 2005
D Feld	as director	1 June 2005
IG Gibson	as director	1 June 2005
NJ Holden	as director	1 June 2005
JMK Pearson	as director	1 June 2005
MJ Wilde	as director	1 June 2005

**Liberty Holdings Limited****Resignations**

MJD Ruck	as chief executive and director	12 December 2005
AWB Band	as director	12 December 2005
Prof L Patel	as director	12 December 2005
Dr SP Sibisi	as director	12 December 2005

**Liberty Group Limited****Resignation**

MJD Ruck	as chief executive and director	with effect from 31 May 2006
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**Group secretary and registered office**

The group secretary is Loren Wulfsohn. The address of the group secretary is that of the registered office, 9th floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, 2001.

**Restructurings and acquisitions during the year****Capital Alliance Holdings Limited (CAHL)**

On 1 December 2004, Liberty Group Limited (Liberty Life) announced its proposed acquisition of CAHL, a South African life insurance group listed on the JSE Limited. In terms of the proposal, Liberty Life made an offer to acquire, for an amount of R3 billion, 98% of the issued share capital of CAHL. This deal was completed in April 2005. On 30 January 2006, Liberty Life announced the sale of Prefsure Holdings Limited (Prefsure), CAHL's Australian life insurance business to Tower Limited for AUS\$145 million. The decision to dispose of Prefsure is in line with Liberty Life's stated intention of focusing on the domestic life assurance market for the foreseeable future. The agreement is subject to certain conditions precedent including, *inter alia*, regulatory approval from the South African Reserve Bank. Should the conditions precedent be met, it is expected that the net amount to be received by Liberty Life will be approximately AUS\$84 million.

**Liberty Ermitage Jersey Limited**

Liberty Life is currently under negotiations regarding the possible sale of Liberty Ermitage, Liberty Life's offshore hedge fund asset manager. Further details can be found in Liberty Life's 2005 annual report.

**Integrated Processing Solutions**

Given the declining volume of cheques in the market, Standard Bank entered into a joint venture with ABSA during January 2005, in a bid to capitalise on the benefits of economies of scale. Under the terms of the agreement, a new company, Integrated Processing Solutions (Proprietary) Limited (IPS), was formed with the purpose of combining the cheque clearing facilities of both banks. In addition to purchasing 50% of the share capital of IPS, Standard Bank transferred certain assets and resources to the joint venture.

**Andisa Capital**

On 14 April 2005, Standard Bank announced its intention to acquire a majority interest in Andisa Capital (Proprietary) Limited (Andisa Capital), from a consortium led by Andisa Capital's former chief executive, Ronnie Ntuli. In terms of the transaction, Standard Bank and Safika increased their respective shareholdings in Andisa Capital while Ntuli (through the Nduna Trust) and Simeka Investment Holdings (Proprietary) Limited (Simeka) reduced their shareholdings in Andisa Capital. At the same time, control of the existing private equity business of Andisa Capital was transferred to the Nduna Trust and Simeka with Standard Bank and Safika retaining a minority stake. Standard Bank's interest in Andisa Capital increased from 49% to 77%. This transaction was approved by the Competition Tribunal in October 2005.

**Safika**

On 20 June 2005, Standard Bank acquired a 20% shareholding in Safika, a prominent empowerment company. The acquisition of this holding was strategic in nature. This transaction was approved by the Competition Tribunal on 16 May 2005. On 25 October 2005 Standard Bank sold a 5% shareholding in Safika to Liberty Life.

**Argentina****ING**

On 22 July 2005 an agreement was signed with ING Bank N.V. to acquire the operating infrastructure of its branch in Argentina. To this end, Standard Bank Argentina S.A., with capital of approximately USD25 million, is in the process of being established as a licensed bank, and is expected to become operational in March 2006.

**BankBoston**

On 15 December 2005, an agreement was signed with Bank of America N.A. to acquire the activities of BankBoston N.A.'s Argentine Branch. This transaction is consistent with the group's strategy of increasing its emerging market operations, and is subject to fulfilment of provisions of the agreement and obtaining the necessary regulatory approvals. Subject to these, the acquisition is expected to be completed in the second half of 2006.

## Directors' report for the year 31 December 2005 continued

### MTN Mobile Money Holdings

On 10 August 2005, Standard Bank announced its intention to create a joint venture with MTN Group, and MTN Mobile Money Holdings (Proprietary) Limited (MMMHL) was formed. The joint venture will leverage the convergence of cellular technology and banking products and services to create accessible low-cost banking, especially to the historically disadvantaged. A cash injection was made by both Standard Bank and MTN Group to the joint venture.

### Barclaycard joint venture

Following completion of the acquisition of a majority stake in ABSA Group Limited by Barclays Bank Plc (Barclays), it became necessary to terminate the credit card collaborative venture between Standard Bank and Barclays (acting through its division Barclaycard International), which commenced in August 2003. The early termination was concluded on 18 August 2005, and it was agreed that, amongst other provisions, Standard Bank will increase its participation in the net assets of the collaborative venture (approximately 375 000 credit cards and R1,55 billion outstanding balances) from 50% to 100%, and the existing Barclaycard customers will be re-issued with a Standard Bank branded card.

### Edcon

On 23 August 2005, Standard Bank entered into an agreement with Edcon Group Limited (Edcon) to offer eligible Edcon customers an Edgars or Jet branded MasterCard Credit Card. The Edcon Co-Brand Card Programme is run in the Bluebean division of Standard Bank. The bank also manages the programme, with Edcon contributing qualifying customer details on an agreed basis. Eligible customers are those current Edcon store card holders who have a proven history of managing their finances. The initial roll-out of these cards took place in August 2005.

### RCSIH

On 29 August 2005, Standard Bank acquired an initial 25% of RCS Investment Holdings (RCSIH) for R358 million with an option to acquire a further 20%. RCSIH is the financial services division of the Foschini Group, a major fashion retailer.

### Stanbic Bank Nigeria

The Central Bank of Nigeria implemented new minimum capital requirement regulations, effective 1 January 2006, of N25 billion (USD189 million). In order to comply with the new regulations and maintain a presence in this important market, Standard Bank injected approximately USD185 million capital into Stanbic Bank Nigeria during December 2005.

### Management by third parties

None of the businesses of the company or its subsidiaries had, during the financial year, been managed by a third party or a company in which a director had an interest. Up to 31 December 2004, a company in which Doug Band, a director of Standard Bank Group, has a beneficial interest, provided consulting and certain management services to the capital investment division of Standard Bank. In terms of the agreement, he will receive a performance related share of the profit on the sale of equity-related interests in future years. Further details can be found in the directors' emoluments disclosure on page 42.

### Subsidiaries, associates and joint ventures

The interests in subsidiaries, and in associates and joint ventures, where considered material in the light of the group's financial position and results, are set out in Annexure C on page 194, and Annexure D on page 198 respectively.

### Special resolutions during the year

Group companies passed the following special resolutions during the year for the purposes indicated:

#### Amendments to memorandum and articles of association:

##### *Increase in the authorised share capital:*

- Banco Standard de Investimentos S.A.;
- ZAO Standard Bank;
- Stanbic Africa Holdings Limited; and
- Stanbic Bank Nigeria Limited.

##### *Name changes:*

- Standard Bank London Limited to Standard Bank Plc;
- Standard Resources Limited to Standard Debt Finance Plc;
- SBIC International Limited to Standard Bank Group International Limited;
- Main Street 240 (Proprietary) Limited to MTN Mobile Money Holdings (Proprietary) Limited;
- Mogwele Trading 130 (Proprietary) Limited to Integrated Processing Solutions; and
- To change the Chinese name of Standard Bank Asia Limited.

**Authorise the acquisition of shares by the company or a subsidiary:**

- Standard Bank Group Limited;
- Liberty Group Limited;
- Liberty Holdings Limited; and
- Capital Alliance Investment Holdings (Proprietary) Limited.

**Other:**

- Standard Bank Plc:  
Re-registered as a public company;
- Standard Bank Asia Limited:  
Amendment to the articles of association to authorise the company to purchase its own shares (including any redeemable shares);
- Stanbic Africa Holdings Limited:  
Amendment to the articles of association to authorise the creation of non-cumulative, redeemable preference shares and the issue of shares to SML Limited;
- Standard Debt Finance Plc:  
Amendments to the memorandum and articles of association to allow for the company to re-register as a public company;
- Stanbic Finance Zimbabwe Limited:  
To wind up the company in terms of section 242(b) of the Act; and
- Stanbic Bank Nigeria Limited:  
Approval of a rights issue.

**Contracts**

Saki Macozoma, a director of the group, has a shareholding of 20% in Safika, which is a member of three different consortia that were party to the Andisa, Stanlib and Tutuwa transactions. Safika holds effective interests of 23,4% of Andisa Capital, 12,85% of Stanlib, 2,23% of Liberty Group and 1,78% of Standard Bank Group. The group has an effective interest of 16,5% in Safika.

Cyril Ramaphosa, a director of the group, has a 35,9% shareholding in Shanduka, which is a member of the Tutuwa consortium. Shanduka holds an effective interest of 1,48% of Liberty Group and 1,19% of Standard Bank Group. The group holds an effective interest of 15,3% in Shanduka.

In January 2006, Standard Bank advanced a loan to Circle Capital Ventures (Proprietary) Limited (Circle Capital Ventures). A portion of the loan is convertible into 15% of the issued share capital of Circle Capital Ventures. Mamphela Ramphele, chairman of this group, has a 37,45% shareholding in this company.

**Insurance**

The group protects itself against banker's comprehensive crime and professional indemnity by maintaining a comprehensive insurance programme.

**Events subsequent to balance sheet date**

There is no material fact or circumstance that has occurred between the balance sheet date and the date of this report.