

ROYAL BANK OF SCOTLAND GROUP PLC

Form S-8

May 21, 2004

As filed with the Securities and Exchange Commission on May 21, 2004

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-8

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

THE ROYAL BANK OF SCOTLAND GROUP plc

(Exact Name of Registrant as Specified in Its Charter)

Scotland
(State or Other Jurisdiction of
Incorporation or Organization)

None
(I.R.S. Employer
Identification No.)

42 St Andrew Square

Edinburgh EH2 2YE

United Kingdom

(Address of Principal Executive Offices)

The Royal Bank of Scotland Group plc Medium-term Performance Plan

The Royal Bank of Scotland Group plc 1999 Executive Share Option Scheme

(Full Title of the Plans)

Donald J. Barry, Jr.

Citizens Financial Group, Inc.

28 State Street

Boston, MA 02109

(Name and Address of Agent for Service)

(617) 725-5928

(Telephone Number, Including Area Code, of Agent For Service)

Copies to:

Peter E. Ruhlin, Esq.

Linklaters

1345 Avenue of the Americas

New York, New York 10105

CALCULATION OF REGISTRATION FEE

| Title of Securities to be Registered | Amount to be Registered | Maximum Offering Price Per Share | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee |
|--|-------------------------------|---|--|----------------------------------|
| Ordinary Shares of 25 pence each to be issued under the Medium-term Performance Plan | 230,036 | \$ 29.40 | \$ 6,762,716.57 ⁽¹⁾ | \$ 856.84 |
| Ordinary Shares of 25 pence each to be issued under the 1999 Executive Share Option Scheme | 556,897 | \$ 30.65 | \$ 17,070,926.84 ⁽²⁾ | \$ 2,162.89 |
| Total | 786,933 | | | \$ 3,019.73 |

(1) Stated for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) and Rule 457(h)(1) under the Securities Act of 1933, as amended. Such price has been computed based on the average of the high and low sales prices on the London Stock Exchange on May 18, 2004 for ordinary shares of The Royal Bank of Scotland Group plc converted at the currency exchange ratio of £1.00:\$1.7678 on such date.

(2) Stated for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) and Rule 457(h)(1) under the Securities Act of 1933, as amended. Such price has been computed based on the offering price of the option for ordinary shares of The Royal Bank of Scotland Group plc converted at the currency exchange ratio of £1.00:\$1.7678 on May 18, 2004.

PART I

**INFORMATION REQUIRED IN THE
SECTION 10(a) PROSPECTUS**

The documents containing the information required in Part I of Form S-8 will be sent or given to participating employees as specified in Rule 428(b)(1) of the Securities Act of 1933, as amended (the Securities Act). Such documents and the documents incorporated by reference herein pursuant to Item 3 of Part II hereof, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

ITEM 1. PLAN INFORMATION.

Not required to be filed with the Securities and Exchange Commission (the SEC).

ITEM 2. REGISTRANT INFORMATION AND EMPLOYEE PLAN ANNUAL INFORMATION.

Not required to be filed with the SEC.

PART II

**INFORMATION REQUIRED IN THE
REGISTRATION STATEMENT**

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The Royal Bank of Scotland plc (the Registrant) hereby incorporates by reference the following documents filed with the SEC:

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form S-8

1. Annual Report of the Registrant on Form 20-F for the fiscal year ended December 31, 2003.
2. Form 6-K reports filed by the Registrant dated April 30, 2004 and May 5, 2004.

All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this registration statement and to be a part hereof from the date of filing of such documents.

ITEM 4. DESCRIPTION OF SECURITIES.

The following summary of the rights of the holders of the Registrant's ordinary shares is only a summary and may not include all of the information that may be important to potential investors. The following summary should be read together with the Registrant's Memorandum and Articles of Association. Some rights are provided by applicable law.

Share Capital

The Registrant's authorized ordinary share capital is £1,019,843,851.50. It is comprised of 4,079,375,406 ordinary shares each with a nominal value of 25 pence. As at March 31, 2004, the Registrant had 2,968,952,963 shares issued and outstanding. All these shares are fully paid.

Dividends

Under applicable law, the Registrant may pay dividends only if distributable profits are available for that purpose. Distributable profits are accumulated, realized profits not previously distributed or capitalized, less accumulated, realized losses not previously written off. Even if distributable profits are available, the Registrant may only pay dividends if the amount of its net assets is not less than the aggregate of its called-up share capital and undistributable reserves (such as, for example, the share premium account and the capital redemption reserve) and the payment of the dividend does not reduce the amount of the net assets to less than that aggregate. Subject to these restrictions, the directors of the Registrant have the discretion to determine whether to pay a dividend and the amount of any such dividend but must take into account the Registrant's financial position and regulatory capital requirements.

The Registrant's directors also determine the date on which it pays dividends. The Registrant pays dividends to the shareholders on the register on the record date that its directors determine, in proportion to the number of shares which those shareholders hold. There are no fixed dates on which entitlements to dividends arise. Interest is not payable on dividends or other amounts payable in respect of shares.

The Registrant's directors have the discretion, with the prior sanction of an ordinary resolution of shareholders, to offer shareholders the right to elect to receive additional ordinary shares instead of cash dividends. The aggregate value of additional shares which a shareholder may receive under such an election is as nearly as possible equal but not greater than the cash amount the shareholder would have received. The Registrant's directors may determine that rights to receive shares instead of cash dividends be subject to such exclusions, restrictions or other arrangements as considered necessary or expedient in relation to any laws of any territory.

If a shareholder does not claim a dividend after it has been declared, the Registrant's directors may invest it or otherwise use it for the Registrant's benefit until such shareholder claims it. These amounts are not held on trust. If a shareholder does not claim a dividend for twelve years, then that shareholder forfeits it and that dividend becomes the Registrant's property.

Meetings of Shareholders

United Kingdom company law provides for shareholders to exercise their power to decide on corporate matters at general meetings. The Registrant's Articles of Association require that it hold a general meeting annually, at intervals of not longer than fifteen months, to consider the statutory accounts and the reports by the auditors and the directors, to elect directors and to approve the appointment and remuneration of auditors. Extraordinary general meetings to consider specific matters are held at the discretion of the Registrant's directors or, if requested in writing, by shareholders representing at least one-tenth of all of the paid up issued shares. The quorum required for a general meeting is five shareholders present in person and entitled to vote at the meeting.

Voting Rights

Voting at any meeting of the Registrant's shareholders is by show of hands unless a poll (a vote by the number of shares held rather than by a show of hands) is demanded as described below. On a show of hands, every shareholder who is present in person or through an authorized corporate representative has one vote. Proxies are not allowed to vote on a show of hands. On a poll, every shareholder who is present in person or through an authorized corporate representative or by proxy has one vote for every share held. Only the holders of fully paid shares are allowed to attend meetings or to vote. If more than one joint shareholder votes, only the vote of the shareholder whose name appears first in the register is counted.

Resolutions generally require the approval of a majority of the Registrant's shareholders. These resolutions are referred to as ordinary resolutions and require:

- on a show of hands, a majority in number of the shareholders present and voting in person or through an authorized corporate representative to vote in favor; or

- on a poll, more than 50% of the votes to be in favor, whether in person or by proxy.

Certain resolutions referred to as special resolutions, however, such as a resolution to amend the Registrant's Memorandum and Articles of Association, require a 75% majority. These special resolutions require:

- on a show of hands, at least three quarters of the shareholders present and voting in person or through an authorized corporate representative to vote in favor; or
- on a poll, at least 75% of the votes to be in favor, whether in person or by proxy.

The chairman of the general meeting has a tie-breaking vote both on a show of hands and on a poll. Any shareholder who is entitled to attend and vote at a general meeting may appoint one or more proxies to attend and vote at the meeting on his or her behalf.

The following persons may demand a poll:

- the chairman of the meeting;
- three or more shareholders, present in person or by proxy, having the right to vote at the meeting;
- the depository for the time being under any deposit agreement with the Registrant for the deposit of any new preference shares;
- any shareholder or shareholders, present in person or by proxy, who together hold at least 10% all votes held by shareholders having the right to vote at the meeting; or
- any shareholder or shareholders, present in person or by proxy, who together hold shares on which an aggregate amount has been paid up equal to at least 10% of the total amount paid up on all the shares conferring the right to vote at the meeting.

Disclosure of Interests in Ordinary Shares

Under United Kingdom company law, the Registrant may give written notice, called a Section 212 notice, to any person who the Registrant knows or has reasonable cause to believe owns an interest in the Registrant's shares requesting information regarding that person's beneficial interest. If the information is not provided or the Registrant's directors believe the information provided is false or misleading, the Registrant may restrict that person's voting, dividend and transfer rights.

Transfer of Shares

Transfers of shares may be made by an instrument of transfer. An instrument of transfer must be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The transferor remains the holder of the relevant shares until the name of the

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form S-8

transferee is entered in the share register. Transfers of shares may also be made by a computer based system and transferred without a written instrument in accordance with United Kingdom company law. The Registrant's directors may refuse to register transfers of shares, but only if their refusal does not prevent dealings in the Registrant's shares from taking place on an open and proper basis. If the Registrant's directors refuse to register a transfer, they must send the transferee a notice of the refusal within two months.

Changes in Share Capital

The Registrant's shareholders must approve increases in share capital by ordinary resolution. The class and other rights attaching to such new shares may be determined either by resolution of the Registrant's shareholders or by

the Registrant's directors. The Registrant's directors may issue and allot such new shares if authorized to do so by its shareholders. In addition to any increase, the following changes in share capital must be approved by an ordinary resolution of the Registrant's shareholders:

- share consolidations and share splits;
- subdivisions of shares; and
- cancellations of shares which have not been taken or agreed to be taken by any person.

Reductions in share capital, capital redemption reserve fund and share premium account must be approved by a special resolution of shareholders and must be confirmed by an order of the court.

Variation of Rights

If the Registrant's share capital is divided into different classes of shares, the rights of any class of shares may be changed or taken away either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of holders of the shares of the class. Two persons at least holding or representing at least one-third of the nominal amount of the issued shares of the class must be present at such a meeting in person or by proxy.

Lien

The Registrant may not have a lien on fully paid shares.

Shareholders Resident Abroad

If a shareholder has not provided an address in the United Kingdom to the Registrant, the Registrant is not required to send notices directly to that shareholder. The Registrant may also give notices by advertisement published once in at least one leading Scottish and one leading London daily newspaper.

Winding-up

On a winding up, the liquidator may, with the authority of an extraordinary resolution and any other sanction required by the Insolvency Act 1986 of the United Kingdom and subject to the rights attaching to any class of shares, divide amongst the members in specie the whole or any part of the Registrant's assets or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members and may determine the scope and the terms of those trusts. No member shall be compelled to accept any assets on which there is a liability.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Not applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Except as hereinafter set forth, there is no provision of the Memorandum and Articles of Association of the Registrant or any contract, arrangement or statute under which any director or officer of the Registrant is insured or indemnified in any manner against any liability that he may incur in his capacity as such.

Article 169 of the Registrant's Articles of Association provides:

Subject to the provisions of and so far as may be consistent with the Statutes, every Director, Secretary or other officer of the Company, and, if the Directors so determine, an Auditor, shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities incurred by him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office including (without prejudice to the generality of the foregoing) any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee or Auditor of the Company and in which decree or judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application for relief from liability in respect of any such act or omission in which relief is granted to him by the Court.

Section 310 of the United Kingdom Companies Act 1985 (as amended by Section 137 of the United Kingdom Companies Act 1989) provides:

(1) This section applies to any provision, whether contained in a company's articles or in any contract with the company or otherwise, for exempting any officer of the company or any person (whether an officer or not) employed by the company as auditor from, or indemnifying him against, any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the company.

(2) Except as provided by the following subsection, any such provision is void.

(3) This section does not prevent a company:

(a) from purchasing and maintaining for any such officer or auditor insurance against any liability, or

(b) from indemnifying any such officer or auditor against any liability incurred by him:

(i) defending any proceedings (whether civil or criminal) in which judgment is given in his favour or he is acquitted, or

(ii) in connection with any application under section 144(3) or (4) (acquisition of shares by innocent nominee) or section 727 of the United Kingdom Companies Act 1985 (general power to grant relief in case of honest and reasonable conduct) in which relief is granted to him by the court.

Section 727 of the United Kingdom Companies Act 1985 provides:

(1) If in any proceedings for negligence, default, breach of duty or breach of trust against an officer of a company or a person employed by a company as auditor (whether he is or is not an officer of the company) it appears to the court hearing the case that that officer or person is or may be liable in respect of the negligence, default, breach of duty or breach of trust, but that he has acted honestly and reasonably,

and that having regard to all the circumstances of the case (including those connected with his appointment) he ought fairly to be excused for the negligence, default, breach of duty or breach of trust, that court may relieve him, either wholly or partly, from his liability on such terms as it thinks fit.

(2) If any such officer or person as above-mentioned has reason to apprehend that any claim will or might be made against him in respect of any negligence, default, breach of duty or breach of trust, he may apply to the court for relief; and the court on the application has the same power to relieve him as under this section it would have had if it had been a court before which proceedings against that person for negligence, default, breach of duty or breach of trust had been brought.

(3) Whereas a case to which subsection (1) applies is being tried by a judge with a jury, the judge, after hearing the evidence, may, if he is satisfied that the defendant or defender ought in pursuance of that subsection to be relieved either in whole or in part from the liability sought to be enforced against him, withdraw the case in whole or in part from the jury and forthwith direct judgment to be entered for the defendant or defender on such terms as to costs or otherwise as the judge may think proper.

The Registrant has agreed to indemnify the Registrant's authorized representative in the United States from and against certain directors' and officers' liabilities.

The Registrant has obtained directors' and officers' insurance coverage, which, subject to policy terms and limitations, includes coverage to reimburse the Registrant for amounts that may be required or permitted by law to be paid to directors or officers of the Registrant and its consolidated subsidiaries.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

4. Articles of Association of The Royal Bank of Scotland Group plc.
5. Opinion of Dundas & Wilson CS, counsel to Registrant, as to the legality of the securities being registered.
23. Consent of Deloitte & Touche LLP.
24. Power of Attorney (included on the signature page of this registration statement).
- 99.1 The Royal Bank of Scotland Group plc Medium-term Performance Plan.

99.2 The Royal Bank of Scotland Group plc 1999 Executive Share Option Scheme.

ITEM 9. UNDERTAKINGS.

(a) The undersigned Registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.
- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
- (c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Signatures

The Registrant. Pursuant to the requirements of the Securities Act, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Edinburgh, Scotland, on May 21, 2004.

THE ROYAL BANK OF SCOTLAND plc

By: /s/ GEORGE ROSS MATHEWSON

Name: Sir George Ross Mathewson
Title: Chairman

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Miller Roy McLean, Hew Campbell and Alan Wallace McKean and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent, with full power of substitution, and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this Registration Statement or any registration statement in connection herewith, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the date indicated above.

Name

Title

/s/ GEORGE ROSS MATHEWSON

Chairman

Sir George Ross Mathewson

/s/ ANGUS MACFARLANE MCLEOD GROSSART

Vice Chairman

Sir Angus MacFarlane McLeod Grossart

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form S-8

/s/ IAIN DAVID THOMAS VALLANCE

Vice Chairman

Sir Iain David Thomas Vallance

/s/ FREDERICK ANDERSON GOODWIN

Director and

Frederick Anderson Goodwin

Group Chief Executive
(Principal Executive Officer)

/s/ LAWRENCE KINGSBAKER FISH

Director

Lawrence Kingsbaker Fish

/s/ NORMAN CARDIE McLUSKIE

Director

Norman Cardie McLuskie

/s/ GORDON FRANCIS PELL

Director

Gordon Francis Pell

/s/ FREDERICK INGLIS WATT

Director and

Frederick Inglis Watt

Group Chief Financial Officer
(Principal Financial and
Accounting Officer)

/s/ EMILIO BOTIN SANZ SAUTUOLA GARCIA DE LOS RIOS

Director

Emilio Botin Sanz Sautuola y Garcia de los Rios

/s/ COLIN BUCHAN

Director

Colin Buchan

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form S-8

/s/ JAMES MCGILL CURRIE

Director

James McGill Currie

/s/ JUAN RODRIGUEZ INCIARTE

Director

Juan Rodriguez Inciarte

/s/ EILEEN ALISON MACKAY

Director

Eileen Alison MacKay

/s/ IAIN SAMUEL ROBERTSON

Director

Iain Samuel Robertson

/s/ STEPHEN ARTHUR ROBSON

Director

Sir Stephen Arthur Robson

/s/ ROBERT AVISSON SCOTT

Director

Robert Avisson Scott

/s/ PETER DENNIS SUTHERLAND

Director

Peter Dennis Sutherland

/s/ DONALD J. BARRY, JR.

Authorized U.S. Representative

Donald J. Barry, Jr.

EXHIBIT INDEX

**EXHIBIT
NUMBER****DESCRIPTION**

| | |
|------|--|
| 4 | Articles of Association of The Royal Bank of Scotland Group plc. |
| 5 | Opinion of Dundas & Wilson CS, counsel to Registrant, as to the legality of the securities being registered. |
| 23 | Consent of Deloitte & Touche LLP. |
| 24 | Power of Attorney (included on the signature page of this registration statement). |
| 99.1 | The Royal Bank of Scotland Group plc Medium-term Performance Plan. |
| 99.2 | The Royal Bank of Scotland Group plc 1999 Executive Share Option Scheme. |

whole and ----- at one time or from time to time. The procedures for exercise shall be set forth in the written Stock Option Agreement provided for in Section 8.01 above. 8.07 Payment for Shares. Payment in full of the purchase price for shares ----- of Common Stock purchased pursuant to the exercise of any Option shall be made to the Corporation upon exercise of the Option. All shares sold under the Plan shall be fully paid and nonassessable. Payment for shares may be made by the Optionee (i) in cash or by check, (ii) by delivery of a properly executed exercise notice, together with irrevocable instructions to a broker to sell the shares and then to properly deliver to the Corporation the amount of sale proceeds to pay the exercise price, all in accordance with applicable laws and regulations, or (iii) at the discretion of the Board or the Committee, by delivering shares of Common Stock (including shares acquired pursuant to the previous exercise of an Option) equal in fair market value to the purchase price of the shares to be acquired pursuant to the Option, by withholding some of the shares of Common Stock which are being purchased upon exercise of an Option, or any combination of the foregoing. With respect to subclause (iii) hereof, the shares of Common Stock delivered to pay the purchase price must have either been (x) purchased in open market transactions or (y) issued by the Corporation pursuant to a plan thereof more than six months prior to the exercise date of the Option. 8.08 Voting and Dividend Rights. No Optionee shall have any voting or ----- dividend rights or other rights of a shareholder in respect of any shares of Common Stock covered by an Option prior to the time that his name is recorded on the Corporation's shareholder ledger as the holder of record of such shares acquired pursuant to an exercise of an Option. A-8 8.09 Additional Terms Applicable to Incentive Stock Options. All Options ----- issued under the Plan which are designated as Incentive Stock Options will be subject, in addition to the terms detailed in Sections 8.01 to 8.08 above, to those contained in this Section 8.09. (a) Amount Limitation. Notwithstanding any contrary provisions ----- contained elsewhere in this Plan and as long as required by Section 422 of the Code, the aggregate Fair Market Value, determined as of the time an Incentive Stock Option is granted, of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year, under this Plan and stock options that satisfy the requirements of Section 422 of the Code under any other stock option plans maintained by the Corporation (or any parent or Subsidiary Company), shall not exceed \$100,000. (b) Limitation on Ten Percent Shareholders. The price at which ----- shares of Common Stock may be purchased upon exercise of an Incentive Stock Option granted to an individual who, at the time such Incentive Stock Option is granted, owns, directly or indirectly, more than ten percent (10%) of the total combined voting power of all classes of stock issued to shareholders of the Corporation or any Subsidiary Company, shall be no less than one hundred and ten percent (110%) of the Fair Market Value of a share of the Common Stock of the Corporation at the time of grant, and such Incentive Stock Option shall by its terms not be exercisable after the earlier of the date determined under Section 8.03 or the expiration of five (5) years from the date such Incentive Stock Option is granted. (c) Notice of Disposition; Withholding; Escrow. An Optionee shall ----- immediately notify the Corporation in writing of any sale, transfer, assignment or other disposition (or action constituting a disqualifying disposition within the meaning of Section 421 of the Code) of any shares of Common Stock acquired through exercise of an Incentive

Stock Option, within two (2) years after the grant of such Incentive Stock Option or within one (1) year after the acquisition of such shares, setting forth the date and manner of disposition, the number of shares disposed of and the price at which such shares were disposed of. The Corporation shall be entitled to withhold from any compensation or other payments then or thereafter due to the Optionee such amounts as may be necessary to satisfy any minimum withholding requirements of Federal or state law or regulation and, further, to collect from the Optionee any additional amounts which may be required for such purpose. The Committee may, in its discretion, require shares of Common Stock acquired by an Optionee upon exercise of an Incentive Stock Option to be held in an escrow arrangement for the purpose of enabling compliance with the provisions of this Section 8.09(c).

ARTICLE IX ADJUSTMENTS FOR CAPITAL CHANGES The aggregate number of shares of Common Stock available for issuance under this Plan, the number of shares to which any Option relates, the maximum number of shares that can be covered by Options to each Employee, each Non-Employee Director and Non-Employee Directors as a group and the exercise price per share of Common Stock under any Option shall be proportionately adjusted for any increase or decrease in the total number of outstanding shares of Common Stock issued subsequent to the effective date of this Plan resulting from a split, subdivision or consolidation of shares or any other capital adjustment, the payment of a stock dividend, or other increase or decrease in such shares effected without receipt or payment of consideration by the Corporation. If, upon a merger, consolidation, reorganization, liquidation, recapitalization or the like of the Corporation, the shares of the Corporation's Common Stock shall be exchanged for other securities of the Corporation or of another corporation, each Option shall be converted, subject to the conditions herein stated, into the right to purchase or acquire such number of shares of Common Stock or amount of other securities of the Corporation or such other corporation as were exchangeable for the number of shares of Common Stock of the Corporation which such Optionee would have been entitled to purchase or acquire except for such action, and appropriate adjustments shall be made to the per share exercise price of outstanding Options. Notwithstanding any provision to the contrary herein, the term of any Option granted hereunder and the property which the Optionee shall receive upon the exercise or termination thereof shall be subject to and be governed by the provisions regarding the treatment of any such Options set forth in a definitive agreement with respect to any of the aforementioned transactions entered into by the Corporation to the A-9 extent any such Option remains outstanding and unexercised upon consummation of the transactions contemplated by such definitive agreement. In addition, notwithstanding any provision to the contrary, the exercise price of shares subject to outstanding Options may be proportionately adjusted upon the payment of a special large and nonrecurring dividend that has the effect of a return of capital to the stockholders, providing that the adjustment to the per share exercise price shall satisfy the criteria set forth in Emerging Issues Task Force 90-9 (or any successor thereto) so that the adjustments do not result in compensation expense, and provided further that if such adjustment with respect to Incentive Stock Options would be treated as a modification of the outstanding Incentive Stock Options with the effect that, for purposes of Sections 422 and 425(h) of the Code, and the rules and regulations promulgated thereunder, new Incentive Stock Options would be deemed to be granted, then no adjustment to the per share exercise price of outstanding stock options shall be made.

ARTICLE X AMENDMENT AND TERMINATION OF THE PLAN The Board may, by resolution, at any time terminate or amend the Plan with respect to any shares of Common Stock as to which Options have not been granted, subject to regulations of the OTS and any required shareholder approval or any shareholder approval which the Board may deem to be advisable for any reason, such as for the purpose of obtaining or retaining any statutory or regulatory benefits under tax, securities or other laws or satisfying any applicable stock exchange listing requirements. The Board may not, without the consent of the holder of an Option, alter or impair any Option previously granted or awarded under this Plan except as provided by Article IX hereof or except as specifically authorized herein. Notwithstanding anything to the contrary herein, in no event shall the Board of Directors without shareholder approval amend the Plan or shall the Board of Directors or the Committee amend an Option in any manner that effectively allows the repricing of any Option previously granted under the Plan either through a reduction in the Exercise Price or through the cancellation and regrant of a new Option in exchange for the cancelled Option (except as permitted pursuant to Article IX in connection with a change in the Corporation's capitalization).

ARTICLE XI EMPLOYMENT RIGHTS Neither the Plan nor the grant of any Options hereunder nor any action taken by the Committee or the Board in connection with the Plan shall create any right on the part of any Employee or Non-Employee Director of the Corporation or a Subsidiary Company to continue in such capacity.

ARTICLE XII WITHHOLDING 12.01 Tax Withholding. The Corporation may withhold from any cash payment ----- made under this Plan sufficient amounts to cover any applicable minimum withholding and employment taxes, and if the

amount of such cash payment is insufficient, the Corporation may require the Optionee to pay to the Corporation the amount required to be withheld as a condition to delivering the shares acquired pursuant to an Option. The Corporation also may withhold or collect amounts with respect to a disqualifying disposition of shares of Common Stock acquired pursuant to exercise of an Incentive Stock Option, as provided in Section 8.09(c). 12.02 Methods of Tax Withholding. The Board or the Committee is authorized ----- to adopt rules, regulations or procedures which provide for the satisfaction of an Optionee's tax withholding obligation by the retention of shares of Common Stock to which the Employee would otherwise be entitled pursuant to an Option and/or by the Optionee's delivery of previously owned shares of Common Stock or other property. A-10 ARTICLE XIII EFFECTIVE DATE OF THE PLAN; TERM 13.01 Effective Date of the Plan. This Plan shall become effective on the ----- Effective Date, and Options may be granted hereunder no earlier than the date this Plan is approved by shareholders and no later than the termination of the Plan, provided this Plan is approved by shareholders of the Corporation pursuant to Article XIV hereof. 13.02 Term of Plan. Unless sooner terminated, this Plan shall remain in ----- effect for a period of ten (10) years ending on the tenth anniversary of the Effective Date. Termination of the Plan shall not affect any Options previously granted and such Options shall remain valid and in effect until they have been fully exercised or earned, are surrendered or by their terms or the terms hereof expire or are forfeited. ARTICLE XIV SHAREHOLDER APPROVAL The Corporation shall submit this Plan to shareholders for approval at a meeting of shareholders of the Corporation held within twelve (12) months following the Effective Date in order to meet the requirements of (i) Section 422 of the Code and regulations thereunder and (ii) Section 162(m) of the Code and regulations thereunder. In addition to any other shareholder approvals that may be deemed necessary or appropriate by the Corporation, this Plan is subject to approval by a majority of the total votes eligible to be cast by shareholders other than the MHC. ARTICLE XV MISCELLANEOUS 15.01 Governing Law. To the extent not governed by federal law, this Plan ----- shall be construed under the laws of the State of Louisiana. A-11 Appendix B HOME FEDERAL BANCORP, INC. OF LOUISIANA 2005 RECOGNITION AND RETENTION PLAN AND TRUST AGREEMENT ARTICLE I ESTABLISHMENT OF THE PLAN AND TRUST 1.01 Home Federal Bancorp, Inc. of Louisiana (the "Corporation") hereby establishes the 2005 Recognition and Retention Plan (the "Plan") and Trust (the "Trust") upon the terms and conditions hereinafter stated in this 2005 Recognition and Retention Plan and Trust Agreement (the "Agreement"). 1.02 The Trustee hereby accepts this Trust and agrees to hold the Trust assets existing on the date of this Agreement and all additions and accretions thereto upon the terms and conditions hereinafter stated. ARTICLE II PURPOSE OF THE PLAN The purpose of the Plan is to retain personnel of experience and ability in key positions by providing Employees and Non-Employee Directors with a proprietary interest in the Corporation and its Subsidiary Companies as compensation for their contributions to the Corporation and the Subsidiary Companies and as an incentive to make such contributions in the future. Each Recipient of a Plan Share Award hereunder is advised to consult with his or her personal tax advisor with respect to the tax consequences under federal, state, local and other tax laws of the receipt of a Plan Share Award hereunder. ARTICLE III DEFINITIONS The following words and phrases when used in this Agreement with an initial capital letter, unless the context clearly indicates otherwise, shall have the meanings set forth below. Wherever appropriate, the masculine pronouns shall include the feminine pronouns and the singular shall include the plural. 3.01 "Advisory Director" means a person appointed to serve as an advisory or emeritus director by the Board of either the Corporation or the Bank or the successors thereto. 3.02 "Bank" means Home Federal Savings and Loan Association, the wholly owned subsidiary of the Corporation. 3.03 "Beneficiary" means the person or persons designated by a Recipient to receive any benefits payable under the Plan in the event of such Recipient's death. Such person or persons shall be designated in writing on forms provided for this purpose by the Committee and may be changed from time to time by similar written notice to the Committee. In the absence of a written designation, the Beneficiary shall be the Recipient's surviving spouse, if any, or if none, his or her estate. 3.04 "Board" means the Board of Directors of the Corporation. 3.05 "Change in Control of the Corporation" shall mean the occurrence of any of the following events: (i) approval by the shareholders of the Corporation of a transaction that would result and does result in the reorganization, merger or consolidation of the Corporation, with one or more other persons, other than a transaction following which: (A) at least 51% of the equity ownership interests of the entity resulting from such transaction are beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) in substantially the same relative proportions by persons who, immediately prior to such transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the outstanding equity ownership interests in the Corporation;

and (B) at least 51% of the securities entitled to vote generally in the election of directors of the entity resulting from such transaction are beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) in substantially the same relative proportions by persons who, immediately prior to such transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the securities entitled to vote generally in the election of directors of the Corporation; (ii) the acquisition of all or substantially all of the assets of the Corporation or beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the outstanding securities of the Corporation entitled to vote generally in the election of directors by any person, other than Home Federal Mutual Holding Company, the parent mutual holding company of the Corporation (the "MHC"), or by any persons acting in concert, or approval by the shareholders of the Corporation of any transaction which would result in such an acquisition; (iii) a complete liquidation or dissolution of the Corporation or the Bank, or approval by the shareholders of the Corporation of a plan for such liquidation or dissolution; (iv) the occurrence of any event if, immediately following such event, members of the Board of Directors of the Corporation who belong to any of the following groups do not aggregate at least a majority of the Board of Directors of the Corporation: (A) individuals who were members of the Board of Directors of the Corporation on the Effective Date of this Plan; or (B) individuals who first became members of the Board of Directors of the Corporation after the Effective Date of this Plan either: (1) upon election to serve as a member of the Board of Directors of the Corporation by the affirmative vote of three-quarters of the members of such Board, or of a nominating committee thereof, in office at the time of such first election; or (2) upon election by the shareholders of the Board of Directors of the Corporation to serve as a member of the Board of Directors of the Corporation, but only if nominated for election by the affirmative vote of three-quarters of the members of such Board, or of a nominating committee thereof, in office at the time of such first nomination; provided that such individual's election or nomination did not result from an actual or threatened election contest or other actual or threatened solicitation of proxies or consents other than by or on behalf of the Board of the Directors of the Corporation; or (v) any event which would be described in Section 3.05(i), (ii), (iii) or (iv) if the term "Bank" were substituted for the term "Corporation" therein and the term "Board of Directors of the Bank" were substituted for the term "Board of Directors of the Corporation" therein. In no event, however, shall a Change in Control of the Corporation be deemed to have occurred as a result of a second step conversion of the Corporation or any acquisition of securities or assets of the Corporation, the Bank or a subsidiary of either of them, by the Corporation, the Bank, any subsidiary of either of them, or by any employee benefit plan maintained by any of them. For purposes of this Section 3.04, the term "person" shall include the meaning assigned to it under Sections 13(d)(3) or 14(d)(2) of the Exchange Act. B-2 3.06 "Code" means the Internal Revenue Code of 1986, as amended. 3.07 "Committee" means the committee appointed by the Board pursuant to Article IV hereof. 3.08 "Common Stock" means shares of the common stock, \$0.01 par value per share, of the Corporation. 3.09 "Director" means a member of the Board of Directors of the Corporation or a Subsidiary Corporation or any successors thereto, including Non-Employee Directors as well as Officers and Employees serving as Directors. 3.10 "Disability" means any physical or mental impairment which (i) qualifies an individual for disability benefits under the applicable long-term disability plan maintained by the Corporation or a Subsidiary Company or (ii) if no such plan applies, would qualify such individual for disability benefits under the long-term disability plan maintained by the Corporation, if such individual were covered by that plan, as determined in the sole discretion of the Committee. 3.11 "Effective Date" means the day upon which the Board adopts this Plan. 3.12 "Employee" means any person who is employed by the Corporation or a Subsidiary Company or is an Officer of the Corporation or a Subsidiary Company, but not including directors who are not also Officers of or otherwise employed by the Corporation or a Subsidiary Company. 3.13 "Employer Group" means the Corporation and any Subsidiary Company which, with the consent of the Board, agrees to participate in the Plan. 3.14 "Exchange Act" means the Securities Exchange Act of 1934, as amended. 3.15 "Non-Employee Director" means a member of the Board (including advisory boards, if any) of the Corporation or any Subsidiary Company or any successor thereto, including an Advisory Director of the Board of the Corporation and/or any Subsidiary Company or a former Officer or Employee of the Corporation and/or any Subsidiary Company serving as a Director or Advisory Director who is not an Officer or Employee of the Corporation or any Subsidiary Company. 3.16 "Offering" means the offering of Common Stock to the public completed in 2005 in connection with the mutual holding company reorganization of the Bank and the issuance of the capital stock of the Bank to the Corporation. 3.17 "Officer" means an Employee whose position in the Corporation or a Subsidiary Company is that of a corporate officer, as determined by the Board. 3.18 "OTS" means the Office of Thrift

Supervision. 3.19 "Performance Share Award" means a Plan Share Award granted to a Recipient pursuant to Section 7.05 of the Plan. 3.20 "Performance Goal" means an objective for the Corporation or any Subsidiary Company or any unit thereof or any Employee of the foregoing that may be established by the Committee for a Performance Share Award to become vested, earned or exercisable. The establishment of Performance Goals are intended to make the applicable Performance Share Awards "performance-based" compensation within the meaning of Section 162(m) of the Code, and the Performance Goals shall be based on one or more of the following criteria: B-3 (i) net income, as adjusted for non-recurring items; (ii) cash earnings; (iii) earnings per share; (iv) cash earnings per share; (v) return on average equity; (vi) return on average assets; (vii) assets; (viii) stock price; (ix) total shareholder return; (x) capital; (xi) net interest income; (xii) market share; (xiii) cost control or efficiency ratio; and (xiv) asset growth. 3.21 "Plan Shares" or "Shares" means shares of Common Stock which may be distributed to a Recipient pursuant to the Plan. 3.22 "Plan Share Award" or "Award" means a right granted under this Plan to receive a distribution of Plan Shares upon completion of the service requirements described in Article VII hereof, and includes Performance Share Awards. 3.23 "Recipient" means an Employee or Non-Employee Director or former Employee or Non-Employee Director who receives a Plan Share Award or Performance Share Award under the Plan. 3.24 "Retirement" means: (a) A termination of employment which constitutes a "retirement" at the "normal retirement age" or later under the Home Federal Savings and Loan Association 401(k) Plan or such other qualified pension benefit plan maintained by the Corporation or a Subsidiary Company as may be designated by the Board or the Committee, or, if no such plan is applicable, which would constitute "retirement" under the Home Federal Savings and Loan Association 401(k) Plan, if such individual were a participant in that plan; provided, however, that the provisions of this subsection (a) will not apply as long as a Recipient continues to serve as a Non-Employee Director, including service as an Advisory Director. (b) With respect to Non-Employee Directors, retirement means retirement from service on the Board of Directors of the Corporation or a Subsidiary Company or any successors thereto (including service as an Advisory Director to the Corporation or any Subsidiary Company) after reaching normal retirement age as established by the Company. 3.25 "Subsidiary Companies" means those subsidiaries of the Corporation, including the Bank, which meet the definition of "subsidiary corporations" set forth in Section 424(f) of the Code, at the time of the granting of the Plan Share Award in question. 3.26 "Trustee" means such firm, entity or persons approved by the Board to hold legal title to the Plan and the Plan assets for the purposes set forth herein. ARTICLE IV ADMINISTRATION OF THE PLAN 4.01 Duties of the Committee. The Plan shall be administered and ----- interpreted by the Committee, which shall consist of two or more members of the Board, each of whom shall be a Non-Employee Director, as defined in Rule 16b-3(b)(3)(i) of the Exchange Act. In addition, each member of the Committee shall be an (i) B-4 "outside director" within the meaning of Section 162(m) of the Code and the regulations thereunder at such times as is required under such regulations and (ii) an "independent director" as such term is defined in Rule 4200(a)(15) of the Marketplace Rules of the Nasdaq Stock Market. The Committee shall have all of the powers allocated to it in this and other Sections of the Plan. The interpretation and construction by the Committee of any provisions of the Plan or of any Plan Share Award granted hereunder shall be final and binding in the absence of action by the Board. The Committee shall act by vote or written consent of a majority of its members. Subject to the express provisions and limitations of the Plan, the Committee may adopt such rules, regulations and procedures as it deems appropriate for the conduct of its affairs. The Committee shall report its actions and decisions with respect to the Plan to the Board at appropriate times, but in no event less than once per calendar year. 4.02 Role of the Board. The members of the Committee and the Trustee shall ----- be appointed or approved by, and will serve at the pleasure of, the Board. The Board may in its discretion from time to time remove members from, or add members to, the Committee, and may remove or replace the Trustee, provided that any directors who are selected as members of the Committee shall be Non-Employee Directors. 4.03 Revocation for Misconduct. Notwithstanding anything to the contrary ----- herein, the Board or the Committee may by resolution immediately revoke, rescind and terminate any Plan Share Award, or portion thereof, to the extent not yet vested, previously granted or awarded under this Plan to an Employee who is discharged from the employ of the Corporation or a Subsidiary Company for cause, which, for purposes hereof, shall mean termination because of the Employee's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule, or regulation (other than traffic violations or similar offenses) or final cease-and-desist order. Unvested Plan Share Awards to a Non-Employee Director who is removed for cause pursuant to the Corporation's Articles of Incorporation or Bylaws or the Bank's Charter and Bylaws or the constituent documents of

such other Subsidiary Company on whose board he or she serves shall terminate as of the effective date of such removal. 4.04 Limitation on Liability. No member of the Board or the Committee ----- shall be liable for any determination made in good faith with respect to the Plan or any Plan Shares or Plan Share Awards granted under it. If a member of the Board or the Committee is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of anything done or not done by him in such capacity under or with respect to the Plan, the Corporation shall, subject to the requirements of applicable laws and regulations, indemnify such member against all liabilities and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he reasonably believed to be in the best interests of the Corporation and any Subsidiary Companies and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. 4.05 Compliance with Laws and Regulations. All Awards granted hereunder ----- shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency or shareholders as may be required. The Corporation shall not be required to issue or deliver any certificates for shares of Common Stock prior to the completion of any registration or qualification of or obtaining of consents or approvals with respect to such shares under any federal or state law or any rule or regulation of any government body, which the Corporation shall, in its sole discretion, determine to be necessary or advisable. 4.06 Restrictions on Transfer. The Corporation may place a legend upon any ----- certificate representing shares issued pursuant to a Plan Share Award noting that such shares may be restricted by applicable laws and regulations. ARTICLE V CONTRIBUTIONS 5.01 Amount and Timing of Contributions. The Board shall determine the ----- amount (or the method of computing the amount) and timing of any contributions by the Corporation and any Subsidiary Companies to the B-5 Trust established under this Plan. Such amounts may be paid in cash or in shares of Common Stock and shall be paid to the Trust at the designated time of contribution. No contributions by Employees or Non-Employee Directors shall be permitted. 5.02 Investment of Trust Assets; Number of Plan Shares. Subject to Section ----- 8.02 hereof, the Trustee shall invest all of the Trust's assets primarily in Common Stock. The aggregate number of Plan Shares available for distribution pursuant to this Plan shall be 69,756 shares of Common Stock, subject to adjustment as provided in Section 9.01 hereof, which shares shall be purchased (from the Corporation and/or, if permitted by applicable regulations, from shareholders thereof) by the Trust with funds contributed by the Corporation. During the time this Plan remains in effect, Awards to each Employee and each Non-Employee Director shall not exceed 25% and 5% of the shares of Common Stock initially available under the Plan, respectively. Plan Share Awards to Non-Employee Directors in the aggregate shall not exceed 30% of the number of shares initially available under this Plan. ARTICLE VI ELIGIBILITY; ALLOCATIONS 6.01 Awards. Plan Share Awards and Performance Share Awards may be made to ----- such Employees and Non-Employee Directors as may be selected by the Board or the Committee. In selecting those Employees to whom Plan Share Awards and/or Performance Share Awards may be granted and the number of Shares covered by such Awards, the Board or the Committee shall consider the duties, responsibilities and performance of each respective Employee and Non-Employee Director, his or her present and potential contributions to the growth and success of the Corporation, his or her salary or other compensation and such other factors as deemed relevant to accomplishing the purposes of the Plan. The Board or the Committee may but shall not be required to request the written recommendation of the Chief Executive Officer of the Corporation other than with respect to Plan Share Awards and/or Performance Share Awards to be granted to him or her. 6.02 Form of Allocation. As promptly as practicable after an allocation ----- pursuant to Section 6.01 that a Plan Share Award or a Performance Share Award is to be issued, the Board or the Committee shall notify the Recipient in writing of the grant of the Award, the number of Plan Shares covered by the Award, and the terms upon which the Plan Shares subject to the Award shall be distributed to the Recipient. The Board or the Committee shall maintain records as to all grants of Plan Share Awards or Performance Share Awards under the Plan. 6.03 Allocations Not Required to any Specific Employee or Non-Employee ----- Director. No Employee or Non-Employee Director shall have any right or ----- entitlement to receive a Plan Share Award hereunder, such Awards being at the total discretion of the Board or the Committee. ARTICLE VII EARNING AND DISTRIBUTION OF PLAN SHARES; VOTING RIGHTS 7.01 Earning Plan Shares; Forfeitures. ----- (a) General Rules. Subject to the terms hereof, Plan Share Awards shall be ----- earned by a Recipient at a rate no more rapid than twenty percent

(20%) of the aggregate number of Shares covered by the Award as of each annual anniversary of the date of grant of the Award, such vesting rate to be determined by the Committee. If the employment of an Employee or service as a Non-Employee Director (including for purposes hereof service as an Advisory Director) is terminated before the Plan Share Award has been completely earned for any reason (except as specifically provided in subsections (b) and (c) below), the Recipient shall forfeit the right to any Shares subject to the Award which have not theretofore been earned. In the event of a forfeiture of the right to any Shares subject to an Award, such forfeited Shares shall become available for allocation pursuant to Section 6.01 hereof as if no Award had been previously granted with respect to such Shares. No fractional shares shall be distributed pursuant to this Plan. B-6 (b) Exception for Terminations Due to Death, Disability or Change in ----- Control. Notwithstanding the general rule contained in Section 7.01(a), all Plan ----- Shares subject to a Plan Share Award held by a Recipient whose employment with the Corporation or any Subsidiary Company or service as a Non-Employee Director (including for purposes hereof service as an Advisory Director) terminates due to death or Disability shall be deemed earned as of the Recipient's last day of employment with or service to the Corporation or any Subsidiary Company (provided, however, no such accelerated vesting shall occur if a Recipient remains employed by or continues to serve as a Director (including for purposes hereof service as an Advisory Director) of at least one member of the Employer Group) and shall be distributed as soon as practicable thereafter. Furthermore, notwithstanding the general rule contained in Section 7.01(a), all Plan Shares subject to a Plan Share Award held by a Recipient shall be deemed earned as of the effective date of a Change in Control. 7.02 Distribution of Dividends. Any cash dividends, stock dividends or ----- returns of capital declared in respect of each unvested Plan Share Award will be held by the Trust for the benefit of the Recipient on whose behalf such Plan Share Award is then held by the Trust, and such dividends or returns of capital, including any interest thereon, will be paid out proportionately by the Trust to the Recipient thereof as soon as practicable after the Plan Share Award becomes earned. 7.03 Distribution of Plan Shares. ----- (a) Timing of Distributions: General Rule. Subject to the provisions of ----- Section 7.05 hereof, Plan Shares shall be distributed to the Recipient or his or her Beneficiary, as the case may be, as soon as practicable after they have been earned. (b) Form of Distributions. All Plan Shares, together with any Shares ----- representing stock dividends, shall be distributed in the form of Common Stock. One share of Common Stock shall be given for each Plan Share earned and distributable. Payments representing cash dividends shall be made in cash. (c) Withholding. The Trustee may withhold from any cash payment or Common ----- Stock distribution made under this Plan sufficient amounts to cover any applicable withholding and employment taxes, and if the amount of a cash payment is insufficient, the Trustee may require the Recipient or Beneficiary to pay to the Trustee the amount required to be withheld as a condition of delivering the Plan Shares. The Trustee shall pay over to the Corporation or any Subsidiary Company which employs or employed such Recipient any such amount withheld from or paid by the Recipient or Beneficiary. (d) Restrictions on Selling of Plan Shares. Plan Share Awards may not be ----- sold, assigned, pledged or otherwise disposed of prior to the time that they are earned and distributed pursuant to the terms of this Plan. Upon distribution, the Board or the Committee may require the Recipient or his or her Beneficiary, as the case may be, to agree not to sell or otherwise dispose of his distributed Plan Shares except in accordance with all then applicable federal and state securities laws, and the Board or the Committee may cause a legend to be placed on the stock certificate(s) representing the distributed Plan Shares in order to restrict the transfer of the distributed Plan Shares for such period of time or under such circumstances as the Board or the Committee, upon the advice of counsel, may deem appropriate. 7.04 Voting of Plan Shares. All shares of Common Stock held by the Trust ----- shall be voted by the Trustee in its discretion. Recipients of Plan Share Awards shall have no voting rights until the Common Stock is earned and distributed pursuant to the terms of the Plan Share Award. 7.05 Performance Awards. ----- (a) Designation of Performance Share Awards. The Committee may determine ----- to make any Plan Share Award a Performance Share Award by making such Plan Share Award contingent upon the achievement of a Performance Goal or any combination of Performance Goals. Each Performance Share Award B-7 shall be evidenced by a written agreement ("Performance Award Agreement"), which shall set forth the Performance Goals applicable to the Performance Share Award, the maximum amounts payable and such other terms and conditions as are applicable to the Performance Share Award. Each Performance Share Award shall be granted and administered to comply with the requirements of Section 162(m) of the Code or any successor thereto. (b) Timing of Grants. Any Performance Share Award shall be made not later ----- than 90 days after the start of the period for which the Performance

Share Award relates and shall be made prior to the completion of 25% of such period. All determinations regarding the achievement of any Performance Goals will be made by the Committee. The Committee may not increase during a year the amount of a Performance Share Award that would otherwise be payable upon achievement of the Performance Goals but may reduce or eliminate the payments as provided for in the Performance Award Agreement.

(c) Restrictions on Grants. Nothing contained in the Plan will be deemed ----- in any way to limit or restrict the Committee from making any Award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect. (d) Rights of Recipients. A Participant who receives a Performance Share\ ----- Award payable in Common Stock shall have no rights as a shareholder until the Common Stock is issued pursuant to the terms of the Performance Award Agreement. (e) Distribution. No Performance Share Award or portion thereof that is ----- subject to the attainment or satisfaction of a condition of a Performance Goal shall be distributed or considered to be earned or vested until the Committee certifies in writing that the conditions or Performance Goal to which the distribution, earning or vesting of such Award is subject have been achieved.

7.06 Nontransferable. Plan Share Awards and Performance Share Awards and ----- rights to Plan Shares shall not be transferable by a Recipient, and during the lifetime of the Recipient, Plan Shares may only be earned by and paid to a Recipient who was notified in writing of an Award by the Committee pursuant to Section 6.02 and/or 7.05(a), as the case may be. No Recipient or Beneficiary shall have any right in or claim to any assets of the Plan or Trust, nor shall the Corporation or any Subsidiary Company be subject to any claim for benefits hereunder.

ARTICLE VIII TRUST

8.01 Trust. The Trustee shall receive, hold, administer, invest and make ----- distributions and disbursements from the Trust in accordance with the provisions of the Plan and Trust and the applicable directions, rules, regulations, procedures and policies established by the Committee pursuant to the Plan.

8.02 Management of Trust. It is the intent of this Plan and Trust that the ----- Trustee shall have complete authority and discretion with respect to the arrangement, control and investment of the Trust, and that the Trustee shall invest all assets of the Trust in Common Stock to the fullest extent practicable, except to the extent that the Trustee determines that the holding of monies in cash or cash equivalents is appropriate to meet the obligations of the Trust. In performing their duties, the Trustee shall have the power to do all things and execute such instruments as may be deemed necessary or proper, including the following powers:

(a) To invest up to one hundred percent (100%) of all Trust assets in Common Stock without regard to any law now or hereafter in force limiting investments for trustees or other fiduciaries. The investment authorized herein may constitute the only investment of the Trust, and in making such investment, the Trustee is authorized to purchase Common Stock from the Corporation or from any other source, and such Common Stock so purchased may be outstanding, newly issued, or treasury shares.

B-8 (b) To invest any Trust assets not otherwise invested in accordance with (a) above, in such deposit accounts, and certificates of deposit, obligations of the United States Government or its agencies or such other investments as shall be considered the equivalent of cash.

(c) To cause stocks, bonds or other securities to be registered in the name of a nominee, without the addition of words indicating that such security is an asset of the Trust (but accurate records shall be maintained showing that such security is an asset of the Trust).

(d) To hold cash without interest in such amounts as may in the opinion of the Trustee be reasonable for the proper operation of the Plan and Trust.

(e) To employ brokers, agents, custodians, consultants and accountants.

(f) To hire counsel to render advice with respect to their rights, duties and obligations hereunder, and such other legal services or representation as they may deem desirable.

(g) To hold funds and securities representing the amounts to be distributed to a Recipient or his Beneficiary as a consequence of a dispute as to the disposition thereof, whether in a segregated account or held in common with other assets of the Trust. Notwithstanding anything herein contained to the contrary, the Trustee shall not be required to make any inventory, appraisal or settlement or report to any court, or to secure any order of court for the exercise of any power herein contained, or give bond.

8.03 Records and Accounts. The Trustee shall maintain accurate and ----- detailed records and accounts of all transactions of the Trust, which shall be available at all reasonable times for inspection by any legally entitled person or entity to the extent required by applicable law, or any other person determined by the Board or the Committee.

8.04 Expenses. All costs and expenses incurred in the operation and ----- administration of this Plan shall be borne by the Corporation or, in the discretion of the Corporation, the Trust.

8.05 Indemnification. Subject to the requirements of applicable laws and ----- regulations, the Corporation shall indemnify, defend and hold the Trustee harmless against all claims, expenses and liabilities arising out of or related to the exercise of the Trustee's powers and the discharge of their duties hereunder, unless the same shall be due to their gross negligence or willful misconduct.

ARTICLE IX MISCELLANEOUS

9.01 Adjustments for Capital

Changes. The aggregate number of Plan Shares ----- available for distribution pursuant to the Plan Share Awards and the number of Shares to which any unvested Plan Share Award relates shall be proportionately adjusted for any increase or decrease in the total number of outstanding shares of Common Stock issued subsequent to the effective date of the Plan resulting from any split, subdivision or consolidation of shares or other capital adjustment, the payment of a stock dividend or other increase or decrease in such shares effected without receipt or payment of consideration by the Corporation. If, upon a merger, consolidation, reorganization, liquidation, recapitalization or the like of the Corporation or of another corporation, the shares of the Corporation's Common Stock shall be exchanged for other securities of the Corporation or of another corporation, each Recipient of a Plan Share Award shall be entitled, subject to the conditions herein stated, to receive such number of shares of Common Stock or amount of other securities of the Corporation or such other corporation as were exchangeable for the number of shares of Common Stock of the Corporation which such Recipients would have been entitled to receive except for such action. B-9 9.02 Amendment and Termination of Plan. The Board may, by resolution, at ----- any time amend or terminate the Plan, subject to any required shareholder approval or any shareholder approval which the Board may deem to be advisable for any reason, such as for the purpose of obtaining or retaining any statutory or regulatory benefits under tax, securities or other laws or satisfying any applicable stock exchange listing requirements. The Board may not, without the consent of the Recipient, alter or impair his or her Plan Share Award except as specifically authorized herein. Upon termination of the Plan, the Recipient's Plan Share Awards shall be distributed to the Recipient regardless of whether or not such Plan Share Award had otherwise been earned under the service requirements set forth in Article VII. Notwithstanding any other provision of the Plan, this Plan may not be terminated until such time as all Plan Shares held by the Trust have been awarded to Plan Recipients and shall be deemed to be earned prior to the time of termination. 9.03 Employment or Service Rights. Neither the Plan nor any grant of a ----- Plan Share Award, Performance Share Award or Plan Shares hereunder nor any action taken by the Trustee, the Committee or the Board in connection with the Plan shall create any right on the part of any Employee or Non-Employee Director to continue in such capacity. 9.04 Voting and Dividend Rights. No Recipient shall have any voting or ----- dividend rights or other rights of a shareholder in respect of any Plan Shares covered by a Plan Share Award or Performance Share Award, except as expressly provided in Sections 7.02, 7.04 and 7.05 above, prior to the time said Plan Shares are actually earned and distributed to him. 9.05 Governing Law. To the extent not governed by federal law, the Plan ----- and Trust shall be governed by the laws of the State of Louisiana. 9.06 Effective Date. This Plan shall be effective as of the Effective ----- Date, and Awards may be granted hereunder no earlier than the date this Plan is approved by the shareholders of the Corporation and prior to the termination of the Plan. The implementation of this Plan is subject to the approval of the Plan by a majority of the total votes eligible to be cast by the Corporation's shareholders and a majority of the total votes eligible to be cast by the Corporation's shareholders other than the MHC. 9.07 Term of Plan. This Plan shall remain in effect until the earlier of ----- (i) ten (10) years from the Effective Date, (ii) termination by the Board, or (iii) the distribution to Recipients and Beneficiaries of all the assets of the Trust. 9.08 Tax Status of Trust. It is intended that the Trust established hereby ----- be treated as a Grantor Trust of the Corporation under the provisions of Section 671 et seq. of the Code, as the same may be amended from time to time. B-10 IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officers and the initial Trustees of the Trust established pursuant hereto have duly and validly executed this Agreement, all on this 8th day of June, 2005. HOME FEDERAL BANCORP, INC. TRUSTEES: OF LOUISIANA By: /s/ Daniel R. Herndon /s/ Henry M. Hearne ----- Daniel R. Herndon Henry M. Hearne President and Chief Executive Officer /s/ Woodus K. Humphrey ----- Woodus K. Humphrey B-11 [X]Please Mark Votes HOME FEDERAL BANCORP, INC. OF LOUISIANA REVOCABLE As in This Example SPECIAL MEETING OF SHAREHOLDERS PROXY THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF HOME FEDERAL BANCORP, INC. FOR USE AT THE SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON AUGUST 10, 2005 AND AT ANY ADJOURNMENT THEREOF. The undersigned hereby appoints the Board of Directors of Home Federal Bancorp, Inc. or any successors thereto, as proxies with full powers of substitution, to represent and vote, as designated below, all the shares of common stock of Home Federal Bancorp, Inc. held of record by the undersigned on June 20, 2005 at the Special Meeting of Shareholders to be held at the main office of Home Federal Bancorp, located at 624 Market Street, Shreveport, Louisiana on Wednesday, August 10, 2005, at 10:00 a.m., Central Time, or at any adjournment thereof. 1.

PROPOSAL to adopt the 2005 Stock Option Plan. FOR AGAINST ABSTAIN 2. PROPOSAL to adopt the 2005 Recognition and Retention Plan and Trust Agreement. FOR AGAINST ABSTAIN 3. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting. The Board of Directors recommends that you vote "FOR" the Stock Option Plan and "FOR" the Recognition and Retention Plan. THE SHARES OF HOME FEDERAL BANCORP'S COMMON STOCK WILL BE VOTED AS SPECIFIED. IF NOT OTHERWISE SPECIFIED, THIS PROXY WILL BE VOTED FOR THE STOCK OPTION PLAN, FOR THE RECOGNITION AND RETENTION PLAN, AND OTHERWISE AT THE DISCRETION OF THE PROXIES. YOU MAY REVOKE THIS PROXY AT ANY TIME PRIOR TO THE TIME IT IS VOTED AT THE SPECIAL MEETING. The undersigned hereby acknowledges receipt of the Notice of Special Meeting of Shareholders of Home Federal Bancorp, Inc. of Louisiana called for August 10, 2005 and the accompanying Proxy Statement prior to the signing of this proxy. Please sign this proxy exactly as your name(s) appear(s) on this proxy. When signing in a representative capacity, please give title. When shares are held jointly, only one holder need sign.

----- Please be sure to sign and date | Date | this Proxy in the box below. ||

----- ||| -----Shareholder sign

above-----Co-holder (if any) sign above----- ^

Detach above card, sign, date and mail in postage paid envelope provided. ^ HOME FEDERAL BANCORP, INC. OF LOUISIANA ----- PLEASE ACT PROMPTLY SIGN,

DATE & MAIL YOUR PROXY CARD TODAY -----

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.

----- [X]Please Mark Votes 401(k) PLAN VOTING INSTRUCTION BALLOT

As in This Example HOME FEDERAL BANCORP, INC. OF LOUISIANA The undersigned hereby instructs the Trustees of the Employees' Savings and Profit Sharing Plan (the "401(k) Plan") of Home Federal Savings and Loan Association to vote, as designated below, all the shares of common stock of Home Federal Bancorp, Inc. allocated to my 401(k) Plan account as of June 20, 2005 at the Special Meeting of Shareholders to be held at Home Federal Bancorp's main office located at 624 Market Street, Shreveport, Louisiana, on Wednesday, August 10, 2005, at 10:00 a.m., Central Time, or at any adjournment thereof. 1. PROPOSAL to adopt the 2005 Stock Option Plan. FOR AGAINST ABSTAIN 2. PROPOSAL to adopt the 2005 Recognition and Retention Plan and Trust Agreement. FOR AGAINST ABSTAIN 3. In their discretion, the Trustees are authorized to vote upon such other business as may properly come before the meeting. The Board of Directors recommends that you vote "FOR" the Stock Option Plan and "FOR" the Recognition and Retention Plan. THE SHARES OF HOME FEDERAL BANCORP'S COMMON STOCK WILL BE VOTED AS SPECIFIED. IF NOT OTHERWISE SPECIFIED, THE SHARES WILL BE VOTED FOR THE STOCK OPTION PLAN, FOR THE RECOGNITION AND RETENTION PLAN, AND OTHERWISE AT THE DISCRETION OF THE PROXIES. YOU MAY REVOKE THIS PROXY AT ANY TIME PRIOR TO THE TIME IT IS VOTED AT THE SPECIAL MEETING. The undersigned hereby acknowledges receipt of the Notice of Special Meeting of Shareholders of Home Federal Bancorp, Inc. called for August 10, 2005 and the accompanying Proxy Statement prior to the signing of this card. Please sign this card exactly as your name appears on this card.

When signing in a representative capacity, please give title. ----- Please be sure to sign and date | Date | in the box below. || ----- ||| -----Participant sign

above----- [LOGO] HOME FEDERAL ----- BANCORP, INC. OF LOUISIANA June 29, 2005 To: Participants in the Home Federal Savings and Loan Association Employees' Savings and Profit Sharing Plan (the "401(k) Plan") Re: Instructions for voting shares of Home Federal Bancorp, Inc. of Louisiana As described in the enclosed materials, proxies are being solicited in connection with the proposals to be considered at the upcoming Special Meeting of Shareholders of Home Federal Bancorp, Inc. We hope you will take advantage of the opportunity to direct the manner in which shares of common stock of Home Federal Bancorp allocated to your account in the Home Federal Savings and Loan Association 401(k) Plan will be voted. Enclosed with this letter is the Proxy Statement, which describes the matters to be voted upon and Voting Instruction Ballot. After you have reviewed the Proxy Statement, we urge you to vote your allocated shares held in the 401(k) Plan by marking, dating, signing and returning the enclosed Voting Instruction Ballot. In order to be effective, your Voting Instruction Ballot must be received by Clyde D. Patterson no later than August 3, 2005. Mr. Patterson will tabulate the

votes for the purpose of having those shares voted by the Trustees. We urge each of you to vote, as a means of participating in the governance of the affairs of Home Federal Bancorp. If your voting instructions are not received, the shares allocated to your 401(k) Plan account will generally not be --- voted. While I hope that you will vote in the manner recommended by the Board of Directors, the most important thing is that you vote in whatever manner you deem appropriate. Please take a moment to do so. Please note that the enclosed material relates only to those shares which have been allocated to you in your account under the 401(k) Plan. If you also own shares of Home Federal Bancorp common stock outside of the 401(k) Plan, you should receive other voting material for those shares owned by you individually. Please return all your voting material so that all your shares may be voted. Sincerely, /s/ Daniel R. Herndon Daniel R. Herndon President