

PLAN OF CONVERSION

THIS PLAN OF CONVERSION, dated May 17, 2016 (the “Conversion Plan”), by Franklin Bank, a federal mutual savings bank organized and existing under the laws of the United States (the “Federal Savings Bank”).

PREAMBLE

The Board of Directors of the Federal Savings Bank has determined that the conversion of the Federal Savings Bank to a New Jersey state-chartered mutual savings bank (the “Conversion”) would be advisable and in the best interest of the Federal Savings Bank and its members. Minutes of the meeting of the Board of Directors of the Federal Savings Bank at which the Board authorized, recommended and approved the Conversion, shall be furnished to the Commissioner of New Jersey Department of Banking and Insurance (the “Commissioner”).

The Conversion contemplated by this Conversion Plan is the Federal Savings Bank’s charter conversion from a federal mutual savings bank to a mutual savings bank organized and existing under the laws of the State of New Jersey with the corporate title “Franklin Bank” (the “Resulting Savings Bank”). The Conversion is subject the approval of the members of the Federal Savings Bank at a meeting duly called and held. Pursuant to the terms of this Conversion Plan and in accordance with the procedures set forth in the New Jersey Banking Act of 1948 (the “Banking Act”), the New Jersey Administrative Code (the “Administrative Code”) and other applicable law and regulations, the Federal Savings Bank shall convert directly to a New Jersey mutual savings bank.

THE CONVERSION

A. METHOD AND SCHEDULE OF CONVERSION

A.1 Method of Conversion. The Federal Savings Bank shall convert from a federal mutual savings bank to a New Jersey mutual savings bank pursuant to 12 C.F.R. § 5.25 and N.J.S.A. §§ 17:9A-149, 17:12B-224 and 17:16M-1 *et seq.* The Conversion shall be effected pursuant to the terms of this Conversion Plan, which has been approved and adopted by the Board of Directors of the Federal Savings Bank, and in accordance with the procedures set forth in the Banking Act, the Administrative Code and other applicable law and regulations.

A.2 Approval of Conversion Plan by Members. This Conversion Plan is subject to the approval of the members of the Federal Savings Bank. A meeting of the members of the Federal Savings Bank shall be called and held upon not less than 30 and not more than 45 days' written notice to the members by mail, postage prepaid, directed to their addresses appearing on the books of the Federal Savings Bank, which notice shall contain a statement of the time, place and purpose for which such meeting is called. At such meeting, the members may, by the affirmative vote of 2/3 of the votes cast by all of the members present, either in person or by proxy, declare by resolution the determination to convert the Federal Savings Bank into a New Jersey chartered mutual savings bank. The date and time for the meeting of members shall be determined by the President of the Federal Savings Bank, upon the advice of counsel if necessary.

A.3 Conditional Approval of Conversion Plan by Commissioner. The Federal Savings Bank shall file an application for approval of the Conversion (the “Conversion Application”) with the Commissioner. Upon a determination that the Federal Savings Bank and the Conversion meet the requirements set forth in the Banking Act, the Commissioner shall notify the Federal Savings Bank of his intent to approve the Conversion Application. Such intent of approval may be conditioned upon the Federal Savings Bank’s satisfaction of conditions imposed by the Commissioner.

A.4 Completion of Conversion. Upon finding that the Federal Savings Bank has met all the requirements of the Banking Act and all conditions imposed on the Commissioner’s intent of approval, the Commissioner shall issue a certificate of approval of the Conversion, which shall be endorsed upon or annexed to the Certificate of Incorporation of the Resulting Savings Bank. The Certificate of Incorporation with the Commissioner’s approval endorsed thereon or annexed thereto shall then be filed with the New Jersey Department of Banking and Insurance (the “Department”). The Commissioner shall thereupon issue a Certificate of Authority authorizing the Resulting Savings Bank to conduct business and shall file a copy thereof with the Department. Following the Commissioner’s issuance of the Certificate of Authority, the Conversion shall become effective as of the start of business on the date on which the Resulting Savings Bank notifies the Department that it has commenced operations as a New Jersey savings bank, which date is herein called the “Conversion Effective Date.”

B. ORGANIZATION OF THE RESULTING BANK

B.1 Name of Resulting Savings Bank. The name of the Resulting Savings Bank shall be “Franklin Bank.”

B.2 Organizational Documents. Subject to the approval of the Commissioner, the Certificate of Incorporation and Bylaws of the Resulting Savings Bank in effect immediately after the Conversion Effective Date shall be in the form attached hereto as Exhibits A and B, respectively.

B.3 Organization. The Federal Savings Bank is currently a federal mutual savings bank chartered by and under the supervision of the Office of Comptroller of the Currency of the United States Department of the Treasury (the “OCC”). Upon the Conversion, the Resulting Savings Bank will be organized as a New Jersey mutual savings bank.

C. MANAGEMENT STRUCTURE OF THE RESULTING BANK

C.1 Management Officials. Each person serving as a director or executive officer of the Federal Savings Bank immediately prior to the Conversion Effective Date shall become a director or executive officer of the Resulting Savings Bank with the same title and responsibilities on and after the Conversion Effective Date. A list of the current directors and executive officers of the Federal Savings Bank is attached as Exhibit C.

C.2 Qualification of Directors. Each person serving as a director of the Resulting Savings Bank on and after the Conversion Effective Date shall meet, on and after the Conversion Effective Date, all applicable statutory and regulatory requirements under New Jersey law. Each

director of the Resulting Savings Bank shall execute an oath of director as prescribed by the Banking Act, and executed and certified oaths of all of the directors of the Resulting Savings Bank shall be transmitted to the Commissioner and filed in the Department.

D. COMPETITIVE IMPACT OF CONVERSION

The Conversion will not have an adverse effect on competition among banking institutions in any relevant market area and will not have a substantially adverse effect on the financial condition of any bank already established in the Federal Savings Bank's primary market area. The Federal Savings Bank is only one of numerous depository institutions, including savings institutions, banks and credit unions, that provide a broad range of banking services within its market area.

E. CONTINUATION OF BUSINESS OF THE BANK

E.1 Continued Corporate Existence. Upon the Conversion, the corporate existence of the Federal Savings Bank shall not terminate, and the Resulting Savings Bank shall be deemed to be a continuation of the Federal Savings Bank. The business of the Resulting Savings Bank shall continue thereafter to be conducted from the main office located at 1179 Route 40, Woodstown, NJ 08098 and the locations of the branch and other offices of the Resulting Savings Bank shall continue as follows:

137 West Broadway, Salem, NJ 08079
260 North Broadway, Pennsville, NJ 08070
2584 Route 9, Ocean View, NJ 08230-0505
2039 Delsea Drive, Franklinville, NJ 08322-0660
99 Center Square Road, Woolwich Township, NJ 08085
18 Front Street, Salem, NJ 08079-0077
1179 Route 40, Woodstown, NJ 08098

E.2 Continuation of Federal Deposit Insurance. The insurance of the deposit accounts in the Federal Savings Bank by the Federal Deposit Insurance Corporation ("FDIC") shall be unaffected by the Conversion, and the deposit accounts in the Resulting Savings Bank shall continue to be insured by the FDIC to the maximum extent provided by law. The Federal Savings Bank shall provide appropriate evidence of the continuation of FDIC deposit insurance to the Commissioner.

E.3 Transfer of Rights. Upon the Conversion, all property of the Federal Savings Bank including its rights, title, and interests in and to every type of property and asset of whatsoever kind and nature (whether real, personal, or mixed) and things in action and every right, privilege, interest and asset of any conceivable value or benefit then existing or pertaining to it, or which would inure to it, shall immediately by operation of law and without the necessity of any conveyance or transfer and without the necessity of any further act or deed remain and be vested in and continue to be the property of the Resulting Savings Bank. Subject to the laws and regulations applicable to New Jersey savings banks, the rights, franchises and interests of the Federal Savings Bank shall continue to be held or enjoyed by the Resulting Savings Bank in the

same manner and to the same extent as such rights, franchises, and interests were held or enjoyed by the Federal Savings Bank prior to the Conversion.

E.4 Transfer of Liabilities. Upon the Conversion, all obligations, liabilities, charges liens, encumbrances, judgments and claims then existing or pertaining to the Federal Savings Bank or that would inure to or against it, shall immediately by operation of law and without the necessity of any further act or deed remain and continue to be the obligation of the Resulting Savings Bank. Subject to the laws and regulations applicable to New Jersey savings banks, the Resulting Savings Bank shall be liable for or bound by such obligations in the same manner and to the same extent that the Federal Savings Bank was so liable or bound immediately prior to the Conversion Effective Date. All savings accounts and deposits of the Federal Savings Bank shall automatically be converted into savings accounts and deposits of the Resulting Savings Bank, in identical amounts as those issued by the Federal Savings Bank, and in the case of time deposits, such deposits of the Resulting Savings Bank shall bear the interest rates and carry the maturity dates, respectively, of the time deposits issued by the Federal Savings Bank.

E.5 Continuation of Actions. All pending actions, and other judicial or administrative proceedings to which the Federal Savings Bank is a party shall not be deemed to have abated or to have been discontinued by reason of the Conversion, but may be prosecuted to final judgment or order in the same manner as if the Conversion had not occurred, and the Resulting Savings Bank may continue such action in its corporate name as a New Jersey savings bank, and any judgment or order may be entered for or against it in such corporate name.

F. CONDITIONS TO THE CONVERSION

F.1 Regulatory Approvals. The Conversion shall have received all necessary approvals and permits from the Commissioner and all other applicable government authorities, and all such approvals and permits shall be in effect on the Conversion Effective Date. Any conditions imposed by such regulatory approvals shall have been complied with to the satisfaction of the respective government authorities. The Federal Savings Bank shall submit to the Commissioner a true copy of all required federal approvals and permits.

F.2 Member Approval. This Conversion Plan is subject to the approval of the members of the Federal Savings Bank. Evidence of the members' approval of this Conversion Plan shall be furnished to the Commissioner.

F.3 Filing of Executed Certificate of Incorporation. The Federal Savings Bank shall execute the Certificate of Incorporation of the Resulting Savings Bank and submit it to the Commissioner for filing in the Department.

G. POWERS OF RESULTING SAVINGS BANK

The Resulting Savings Bank shall have all the rights, privileges, and powers granted by its new charter and by the Banking Act, and the entire assets, business and goodwill of the Federal Savings Bank shall be vested in the Resulting Savings Bank without deed or transfer; provided, however, that the Resulting Savings Bank may execute such deeds or instruments of conveyances as may be convenient to confirm such transfer, and the Resulting Savings Bank

shall assume and be liable for debts, accounts, undertakings, contractual obligations, and liabilities of the Federal Savings Bank.

H. AMENDMENTS

This Conversion Plan may be amended or terminated at any time prior to the Conversion Effective Date by a vote of a majority of the Board of Directors of the Federal Savings Bank. In the event that the Department or any other governmental agency requests or requires that the transactions contemplated herein be modified in any respect as a condition of providing a necessary regulatory approval or favorable ruling, or in the event that in the opinion of counsel to the Federal Savings Bank such modification is necessary to obtain such approval or ruling, this Conversion Plan may be modified at any time by an instrument in writing.

I. TERMINATION; EXPENSES

I.1 Termination. This Conversion Plan may be terminated at any time prior to the Conversion Effective Date by a majority vote of the Board of Directors of the Federal Savings Bank. The Conversion shall be completed on or prior to December 31, 2016, unless extended by the Board of Directors of the Federal Savings Bank with prior approval of the Commissioner.

I.2 No Further Obligation. In the event of the termination of this Conversion Plan pursuant to Section 1.1, this Conversion Plan shall be void and of no further force or effect, and there shall be no further liability or obligation of any nature by reason of this Conversion Plan or the termination hereof on the part of the Federal Savings Bank or its directors, officers, employees, agents or members.

I.3 Costs and Expenses. The Federal Savings Bank shall pay all expenses incurred by it in connection with this Conversion Plan and the transactions contemplated hereunder.

J. HEADINGS

The section and other headings contained in this Conversion Plan are for reference purposes only and shall not be deemed to be part of this Conversion Plan.

K. GOVERNING LAW

This Conversion Plan shall be governed by, construed and enforced in accordance with the laws of the State of New Jersey, except insofar as the federal law of the United States is deemed to preempt such law or otherwise apply.

IN WITNESS WHEREOF, the Federal Savings Bank has duly executed this Conversion Plan as of the date first above written.

FRANKLIN BANK

By: /s/ Thomas J. Murray
Thomas J. Murray
President and Chief Executive Officer

Exhibit "A"

Certificate of Incorporation

Exhibit “B”

Bylaws

Exhibit "C"

Current Directors and Executive Officers of the Federal Savings Bank

DIRECTORS

Dr. Peter B. Contini, Chairman
Edward J. Coombs, Vice Chairman
Dr. Dennis P. Malloy
Michael R. Rann
David E. Rode
David P. Tilton
John Fitzpatrick
Craig Keyser
Thomas J. Murray

OFFICERS

Thomas J. Murray - President/CEO
Mark V. Edwards - Executive Vice President/Chief Financial Officer
Charles J. Elwell - Senior Vice President/Chief Residential Lending Officer
Roland Turmol - Senior Vice President/Chief Operating Officer/Compliance Officer
Kimberly A. Cruz - Vice President/HR Officer/IT Administrator
Carol C. Priest - Vice President/Deposit Operations
Richard "Rick" Dapp - Senior Vice President/Chief Commercial Lending Officer
Lois Seitz - Vice President/Chief Credit Officer