

Commonwealth of Kentucky

Department of State

Secretary of State

BREMER EHRLER
FRANKFORT, KENTUCKY

CERTIFICATE

I, BREMER EHRLER, Secretary of State for the Commonwealth of Kentucky, do certify that the foregoing writing has been carefully compared by me with the original record thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of the Certificate and Articles of

Incorporation of SB BANK, INC. filed November 16, 1984.

Certificate and Articles of Merger of THE SALEM BANK into SB BANK, INC. changing corporate name to SALEM BANK, INC. filed January 4, 1988.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal.

Done at Frankfort this 21st day of

March 29 1988
Bremer Ehler

Secretary of State, Commonwealth of Kentucky

Commonwealth of Kentucky

OFFICE OF
SECRETARY OF STATE

DREXELL R. DAVIS
Secretary



FRANKFORT,
KENTUCKY

CERTIFICATE OF INCORPORATION

I, DREXELL R. DAVIS, Secretary of State of the Commonwealth of Kentucky,
do hereby certify that Articles of Incorporation of

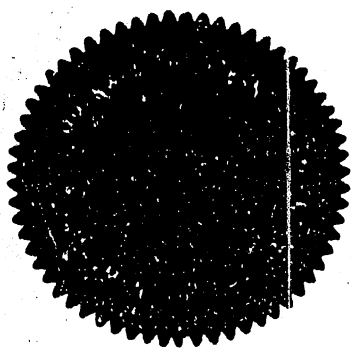
SB Bank, Inc.

whose initial agent for process is Neal H. Ramage

c/o Salem Bank, P. O. Box 108, Main Street

and whose address is Salem, Kentucky

duly signed according to law, have been filed in my office. I further certify that all taxes, fees and charges payable upon the filing of said Articles of Incorporation have been paid.



SECRETARY OF STATE

Given under my hand and seal of Office as Secretary of State,
at Frankfort, Kentucky, this 16th
day of November, 19 84.

Drexell R. Davis

SECRETARY OF STATE

ASSISTANT SECRETARY OF STATE

B-9788
110:fb:124B
6/6/84

ORIGINAL COPY
FILED AND RECORDED
SECRETARY OF STATE OF KENTUCKY
LEANDER, KENTUCKY

NOV 16 1984

AV
Dezell & Davis

ARTICLES OF INCORPORATION
OF
SB BANK, INC.

SECRETARY OF STATE
RECEIVED
NOV 16 1984
CL. #25-00
Commonwealth of Kentucky

1. The name of the Corporation shall be SB Bank, Inc.
2. The Corporation's duration shall be perpetual.
3. The Corporation shall be organized as a "phantom bank," for the sole purpose of merging with Salem Bank, a Kentucky corporation.
4. The Corporation shall have authority to issue 250 shares of common stock of a par value of \$100.00 per share.
5. The address of the Corporation's initial registered office shall be

c/o Salem Bank
P.O. Box 108, Main Street
Salem, Kentucky 42078

371451

The name of the Corporation's initial agent at that address shall be Neal H. Ramage.

6. The number of directors constituting the Corporation's initial Board of Directors shall be eight. The members of the Board of Directors shall be

<u>Name</u>	<u>Address</u>
T. L. Maddux	Box 108, Salem, Kentucky 42078
Neal H. Ramage	Box 408, Salem, Kentucky 42078
Lewis Farris Boyd	Box 26, Salem, Kentucky 42078
Lewis Boyd	Box 26, Salem, Kentucky 42078
J. Luke Quertermous	Box 187, Princeton, Kentucky 42445
Louis D. Chipps	Box 188, Marion, Kentucky 42064
John C. Chipps	Box 44, Smithland, Kentucky 42081
Jesse Maddux	Box 52, Salem, Kentucky 42078

7. No shareholder shall have any preemptive right to acquire any shares of stock of any class or series of the Corporation, or to acquire any securities convertible into or carrying a right to subscribe to such shares.

8. The names and address of the incorporators are as follows:

<u>Name</u>	<u>Address</u>
T. L. Maddux	Box 108, Salem, Kentucky 42078
Neal H. Ramage	Box 408, Salem, Kentucky 42078
Lewis Farris Boyd	Box 26, Salem, Kentucky 42078
Lewis Boyd	Box 26, Salem, Kentucky 42078
J. Luke Quintermous	Box 187, Princeton, Kentucky 42445
Louis D. Chipps	Box 188, Marion, Kentucky 42064
John C. Chipps	Box 44, Smithland, Kentucky 42081
Jesse Maddux	Box 52, Salem, Kentucky 42078

T. L. Maddux
T. L. Maddux

Neal H. Ramage
Neal H. Ramage

Lewis Farris Boyd
Lewis Farris Boyd

Lewis Boyd
Lewis Boyd

J. Luke Quintermous
J. Luke Quintermous

Louis D. Chipps
Louis D. Chipps

John C. Chipps
John C. Chipps

Jesse Maddux
Jesse Maddux

EXAMINED AND APPROVED 11-14-54
DEPARTMENT OF FINANCIAL INSTITUTIONS
COMMONWEALTH OF KENTUCKY
Martha Canaday
COMMISSIONER

Commonwealth of Kentucky

OFFICE OF
SECRETARY OF STATE

BREMER EHRLER
Secretary



FRANKFORT,
KENTUCKY

195636-A
238258-E
238257-M
46077-I

CERTIFICATE OF MERGER OF DOMESTIC CORPORATIONS INTO

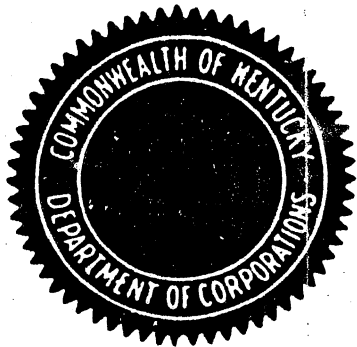
I, BREMER EHRLER, Secretary of State of the Commonwealth of Kentucky, do hereby certify that triplicate originals of Articles of Merger of

THE SALEM BANK

a domestic corporation, into SB BANK, INC.,
a domestic corporation, duly signed and verified pursuant to the provisions of Kentucky Revised Statutes Chapter 271A have been received in this office and comply to said statutes. Accordingly, as Secretary of State and by virtue of the authority vested in me by law, I do hereby issue this Certificate of Merger of

THE SALEM BANK

INTO SB BANK, INC. CHANGES NAME TO SALEM BANK, INC.



SECRETARY OF STATE

Witness my official signature and seal of office this 4TH
day of JANUARY, 1988, at Frankfort, Kentucky.

Bremer Ehrler

SECRETARY OF STATE

ASSISTANT SECRETARY OF STATE

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ORIGINAL COPY FILED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

ARTICLES OF MERGER
of
Salem Bank, Inc.
with and into
SB Bank, Inc.

46077
JAN 4 1988

198836 - *Ernest E. Baker*
SECRETARY OF STATE

These are Articles of Merger providing for the merger of Salem Bank, Inc. (the "Bank"), a Kentucky corporation authorized to conduct the business of banking, with and into SB Bank, Inc. ("SB"), a Kentucky corporation authorized to conduct the business of banking.

505754

(a) The plan of merger (the "Plan") is attached hereto as Annex A.

(b) 1. With respect to the Bank, the Plan was approved by a unanimous written action of the Board of Directors of the Bank dated October 16, 1987. At a special shareholders' meeting held on November 20, 1987 (the "Meeting"), for which notice was properly given, the Plan was approved by a vote of shareholders of the Bank owning 903 2470/3456 of the 1,000 outstanding shares of the Bank's \$100 par value common stock. At the Meeting, shareholders owning 10 shares voted against the Plan and no shareholders abstained from voting. The Bank has no other authorized class of stock.

2. With respect to SB, the Plan was approved by a unanimous written action signed by the Board of Directors of SB dated October 16, 1987. All 250 shares of the \$100 par value common stock of SB were voted for approval of the Plan

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pursuant to a written consent of the sole shareholder of SB dated October 16, 1987. SB has no other authorized class of stock.

Dated: December 11, 1987

SALEM BANK, INC

By T. L. Maddux
T. L. Maddux, President

And By Neal H. Ramage
Secretary

SB BANK, INC.

By T. L. Maddux
T. L. Maddux, President

And By Neal H. Ramage
Neal H. Ramage, Secretary

STATE OF KENTUCKY
COUNTY OF Livingston

The foregoing Articles of Merger were acknowledged before me, this 11th day of December, 1987, on behalf of Salem Bank, Inc. a Kentucky corporation authorized to conduct the business of banking, by T. L. Maddux, President, and by NEAL H. RAMAGE, Secretary.

My commission expires: 3-18-89

James H. Hays
Notary Public

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STATE OF KENTUCKY
COUNTY OF LIVINGSTON

The foregoing Articles of Merger were acknowledged before me, this 11th day of December, 1987, on behalf of SB Bank, Inc., a Kentucky corporation authorized to conduct the business of banking, by T. L. Maddux, President, and by Neal H. Ramage, Secretary.

My commission expires: 1-18-89

David Hayden
Notary Public

RECEIVED AND APPROVED 1-4-88
BY THE COMMISSIONER OF FINANCIAL INSTITUTIONS
J. D. Miller

ANNEX A

PLAN OF MERGER

This is a plan of merger (the "Plan") of Salem Bank, Inc. (the "Bank"), a Kentucky corporation authorized under the laws of Kentucky to conduct the business of banking, and SB Bank, Inc. (the "Interim Bank"), a Kentucky corporation.

Recitals

A. The authorized capital stock of the Bank consists of 1,000 shares of common stock of a par value of \$100 per share ("Bank Common Stock"), of which 1,000 shares are issued, outstanding, fully paid and nonassessable.

B. The authorized capital stock of the Interim Bank consists of 250 shares of common stock of a par value of \$100 per share ("Interim Bank Common Stock").

C. Salem Bancorp, Inc. (the "Holding Company") a Kentucky corporation, is authorized by its articles of incorporation to issue 50,000 shares of common stock of a par value of \$10 per share ("Holding Company Common Stock"). The Holding Company has caused the Interim Bank to be incorporated as a wholly owned subsidiary of the Holding Company, for the sole purpose of facilitating the transformation of the Holding Company to bank holding company status by a forward triangular merger of the Bank into the Interim Bank.

Plan

1. Names and Surviving Corporation. The names of the Kentucky corporations proposing to merge are Salem Bank, Inc.

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and SB Bank, Inc. The Bank proposes to merge into the Interim Bank, which shall be the "Surviving Corporation."

2. Terms and Conditions. The proposed merger shall be consummated only pursuant to and in accordance with the merger agreement dated as of October 16, 1987 (the "Merger Agreement") between the Bank and the Interim Bank, and joined in by the Holding Company. When the proposed merger is effected by the issuance of a certificate of merger by the Secretary of State of Kentucky (the "Effective Time"),

(a) Name. The Surviving Corporation's name shall be "Salem Bank, Inc."

(b) Directors and Officers. The persons serving on the Board of Directors of the Bank at the Effective Time shall be the members of the board of directors of the Surviving Corporation from and after the Effective Time. The persons serving as officers of the Bank at the Effective Time shall be the officers of the Surviving Corporation from and after the Effective Time. The directors and officers of the Surviving Corporation shall serve as directors and officers subject to the provisions of the laws of Kentucky and of the Articles of Incorporation and Bylaws of the Surviving Corporation.

(c) Stock. At the Effective Time:

(1) Each share of Bank Common Stock shall, without any action on the part of the holder thereof, become

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and be converted into ten shares of Holding Company Common Stock; and all outstanding certificates representing shares of Bank Common Stock shall represent, instead of shares of Bank Common Stock, the right to receive shares of Holding Company Common Stock at the rate of ten shares of Holding Company Common Stock for each share of Bank Common Stock.

(ii) Provided, however, that no fractional shares of Holding Company stock will be issued. Each Bank shareholder who would otherwise be entitled to receive a fractional share (i.e. any amount in excess of a whole number of shares) of Holding Company Stock under paragraph 2(c)(i) shall instead be entitled to receive in cash that fraction multiplied by one tenth of the per share Book Value of the Bank. For the purposes at this paragraph, "Book Value" shall mean the amount of "Common Stock," "Surplus" and "Undivided profits" shown on the Consolidated Report of Condition filed by the Bank with the Federal Deposit Insurance Corporation ("FDIC") for the calendar quarter immediately preceding the Effective Time.

(iii) Except as provided in subparagraph 2(c)(ii), no cash shall be allocated to the shareholders of the Bank or of the Interim Bank or to any other person, firm or corporation.

(iv) The amount, and the number of shares, of Bank Common Stock issued and outstanding immediately before

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the Effective Time (specifically, \$100,000, divided into 1,000 shares of the par value of \$100.00 per share), shall be increased by the amount, and the number of shares, of Interim Bank Common Stock outstanding immediately before the Effective Time (specifically, \$25,000 divided into 250 shares of the par value of \$100.00 per share), with the effect that the amount, and the number of shares, of the capital stock of the Surviving Corporation outstanding at the Effective Time shall be equal to the aggregate amount, and the aggregate number of shares, of the capital stock of the Bank and the Interim Bank immediately before the Merger (specifically, \$125,000 divided into 1,250 shares of the par value of \$100.00 each).

(v) There shall be allocated to the Holding Company 1,000 shares of the capital stock of the Surviving Corporation of the par value of \$100.00 per share.

(vi) The 250 issued and outstanding shares of Interim Bank Common Stock shall be issued and outstanding shares of the capital stock of the Surviving Corporation.

(d) Stock Certificates. Upon the surrender by former shareholders of the Bank of the certificates previously representing their Bank Common Stock, the Holding Company shall deliver to such shareholders certificates representing the number of shares of Holding Company Common Stock and cash as allocated to them pursuant to paragraph 2(c) of this Plan of Merger. Until a physical exchange of certificates has

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occurred, the Holding Company shall be entitled to withhold distribution of dividends to persons holding certificates of stock which before the Merger represented Bank Common Stock. Whenever the Holding Company declares a dividend on Holding Company Common Stock after the Merger, the declaration shall include dividends on all shares represented by certificates which have been issued but not delivered hereunder, but no such dividends shall be required to be distributed until such certificates have been delivered. Upon delivery of such certificates or as soon as practicable thereafter, the holders of such certificates shall be entitled to receive from the Holding Company an amount equal to all dividends on the shares represented thereby and cash in lieu of fractional shares (without interest thereon and less the amount of taxes, if any, which have been imposed or paid on the dividends or cash in lieu of fractional shares).

3. Changes in Articles of Incorporation. The Articles of Incorporation of the Surviving Corporation from and after the Effective Time shall be the Articles of Incorporation of the Interim Bank, as amended, at the Effective Time. No changes in the Articles of Incorporation of the Surviving Corporation will be effected as a result of the merger except that the name of the Surviving Corporation shall be "Salem Bank, Inc." and Article 4 shall be amended to read as follows:

4. The Corporation shall have the authority to issue 1,250 shares of common stock of a par value of \$100.00 per share.

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FOR FILING OFFICER
 Paid \$ 22.00 Recording Fee
 Paid \$ _____ Dead Tax
 Filed 23 day of Mar, 1988
 at 8:30 A.M. o'clock.
 James Jones, Clerk
 By B. Duker D.C.

STATE OF KENTUCKY
 COUNTY OF LIVINGSTON

I, James Jones, Clerk of the County Court for the County and State aforesaid, certify that the foregoing Certificate + Art. of Incorp. was on the 23 day of March 1988 at 8:30 O'clock A.M., lodged for record; whereupon the same with the foregoing and this certificate have been duly recorded in my said office.

Given under my hand this 24 day of March 1988.

JAMES JONES, CLERK
 BY Betty Duker
 D.C.