

**SUMMIT FINANCIAL GROUP, INC.
AUDIT AND COMPLIANCE COMMITTEE CHARTER**

**Audit Committee Approval: 05/01/2018
Board of Directors Approval: 08/23/2018**

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General

The Board of Directors of Summit Financial Group, Inc. (“Summit” or “Company”) hereby establishes the Audit and Compliance Committee with the authority, responsibility and specific duties as described below.

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2. PURPOSE

The Audit and Compliance Committee’s primary function is to assist the Board of Directors in fulfilling its oversight responsibilities regarding the quality and integrity of Summit’s financial statements and internal control over financial reporting. This entails:

- Serving as an independent and objective party to monitor the Company’s accounting, financial reporting and internal control processes.
- Overseeing the Company’s audits of the financial statements and the attestations of the effectiveness of internal control over financial reporting.
- Providing direction to and oversight of the Company’s internal audit function.
- Reviewing and appraising the qualifications, performance and independence of the Company’s independent auditors.
- Maintaining a free and open means of communication between directors, internal audit staff, independent auditors, and management.
- Administering the compliance and reporting provisions of Summit’s Code of Ethics regarding alleged violations involving the Company’s financial statements and disclosures, accounting practices, internal control over financial reporting, disclosure controls, or auditing matters.
- Overseeing the Company’s compliance with legal and regulatory requirements as described in Section 5.

3. ORGANIZATION/COMPOSITION

The Audit and Compliance Committee shall be comprised of five (5) or more Summit Directors, each of whom is determined by the Board of Directors to be “independent” under Section 10A-3(b)(1) of the Securities Exchange Act of 1934 (the “Exchange Act”), the NASDAQ Stock Market Rules, and the rules and regulations of the SEC. In addition, each of the members of the Audit and Compliance Committee shall not be a member of Summit’s management, and shall be free of any financial, family or other material personal relationship that, in the opinion of the Board of Directors or members of the Audit and Compliance Committee, would interfere with the exercise of his or her independence from management and the Company.

All members of the Audit and Compliance Committee will have a familiarity with basic finance and accounting practices. At least one member of the Audit and Compliance Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

Members shall be appointed by the Company’s Board of Directors, and will serve for a one year term. One of the members shall be appointed to serve as Committee Chairman by the Chairman of the Board of Directors. Committee members shall not simultaneously serve on the audit committees of more than two other public companies and must not have participated in the preparation of the financial statements of the Company or any Company subsidiary at any time during the past three years.

4. MEETINGS

The Audit and Compliance Committee is to meet at least four (4) times annually, either in person or telephonically, and as many additional times as necessary as determined by the Committee Chairman and the Director of Internal Audit. Each Director is to receive compensation for each Audit and Compliance Committee meeting attended.

As necessary or desirable, the Chairman may request that the Director of Internal Audit, members of management, and/or representatives of the Company’s independent auditors be present at meetings of the Committee. The Audit and Compliance Committee should meet as necessary with each of management, the Director of Internal Audit and/or the independent auditors.

Advance agenda material is to be provided by the Director of Internal Audit and distributed to all members of the Audit and Compliance Committee. The Director of Internal Audit will provide to the Committee copies of internal audit reports and corresponding replies from management for all audits completed since the previous Audit and Compliance Committee meeting. Reports of special projects completed by the Company’s audit staff since the previous Audit and Compliance Committee meeting will also be provided to the Committee.

Summit’s Assistant Corporate Secretary shall serve as secretary of the Audit and Compliance Committee and maintain minutes and agenda material for permanent filing.

5. RESPONSIBILITIES AND DUTIES

The Audit and Compliance Committee is to:

General

- Apprise the Board of Directors, through minutes and special presentations, of any significant developments in the course of performing its duties.
- Provide an opportunity, when desired, for the Company's internal audit staff or independent auditors to meet with the Audit and Compliance Committee without members of management present.
- Authorize and hire independent counsel and/or other advisors, as deemed necessary.

Financial Statements / Internal Controls

- Review Summit's year end audited financial statements with the independent auditors and Company management prior to their release to determine that the independent auditors and management are satisfied with the disclosure and content of the financial statements and Form 10-K to be filed with the SEC, including (A) the nature and appropriateness of any significant changes in accounting principles, (B) the item entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Form 10-K, including the development, selection and reporting of accounting policies that may be regarded as critical, (C) any Uncorrected Financial Statement Misstatements that were noted or proposed by the independent auditor but for which the Company's financial statements were not adjusted (as immaterial or otherwise), and (D) any significant deficiencies or material weaknesses in internal control over financial reporting noted by management or the independent auditor. Based upon this review, authorize the audited financial statements be included in the Company's annual report to shareholders and Form 10-K filed with the SEC.
- Review management's year-end report regarding its assessment of internal control over financial reporting, which must include:
 - A statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting;
 - A statement identifying the framework used by management to conduct the required assessment of the effectiveness of Summit's internal control over financial reporting;
 - An assessment of the effectiveness of Summit's internal control over financial reporting as of the end of Summit's most recent fiscal year, including an explicit statement as to whether the internal control over financial reporting is effective;
 - A statement that Summit's independent auditors have issued an attestation report on management's assessment of Summit's internal control over financial reporting.
- Further, review the independent auditor's opinion on management's year end assessment of internal control over financial reporting.
- Based upon these reviews, authorize that management's assessment of internal control over financial reporting and the related independent auditor's opinion thereon be included in the Company's annual report to shareholders and Form 10-K filed with the SEC.
- Review with the independent auditors and members of management the Company's interim unaudited financial statements and other disclosures, including the item entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", contained in the quarterly Form 10-Q's prior to their filing with the SEC. Based on this review, authorize the unaudited financial statements be included in the Company's Form 10-Q filed with the SEC.

- Advise management and the independent auditors to discuss with the Audit and Compliance Committee their qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Company.
- Advise management and the independent auditors that they are expected to provide a timely analysis of significant current financial reporting issues and practices.
- Review and discuss the Company's policies with respect to risk assessment and risk management, including the risk of fraud. The Committee shall also discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Review with management the Company's overall anti-fraud programs and controls.

Internal Audit

- Review and discuss with Director of Internal Audit the adequacy and effectiveness of Summit's internal audit function, including its independence, authority of its reporting relationships, and the qualifications and number of internal audit staff. Conduct an annual performance evaluation on the Director of Internal Audit and discuss such evaluation with management.
- Review, discuss with Director of Internal Audit, and approve the annual Internal Audit Plan and any significant subsequent changes to the Plan.
- Review reports of completed internal audits including summaries of findings, recommendations for improvements, and any difficulties encountered in the course of performing the audits. Discuss such reports with management if necessary.
- Review progress reports on executing the Internal Audit Plan, with explanations for any deviations from the original plan or justifications for audits that were conducted as limited in scope.
- Review and concur in the appointment, performance or dismissal of the Director of Internal Audit.

Independent Auditors

- Recommend to the Board of Directors the appointment and funding for the Company's independent auditor and, when appropriate, the termination of the independent auditor. Review the rotation of partners of the independent auditor in accordance with SEC rules and federal securities rules, as applicable.
- Annually, the Committee will obtain a formal statement from the outside accounting firm delineating all relationships between the auditors and the Company. The Committee will discuss with the independent auditors all significant relationships the auditors have with the Company to determine the auditors' independence, qualifications and performance.
- Obtain from the independent auditor assurance that Section 10A(b) of the Securities Exchange Act of 1934, as amended, regarding illegal acts affecting financial statements, has not been implicated.
- Meet with the independent auditors and financial management to review the scope of the proposed external audit of the financial statements and the effectiveness of internal control over financial accounting for the current year. The external audit scope shall include a requirement that the independent auditors inform the Audit and Compliance Committee of

any significant changes in the independent auditor's original audit plan and that the outside auditors conduct an Interim Financial Statement Review in accordance with Statement on Audit Standards No. 100 prior to the Company's filing of each Form 10-Q with the SEC.

- Review with the independent auditors the results of the annual audit by the independent auditor, any accompanying management letters, any audit problems or difficulties the independent auditor encountered in the course of their audit work, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management and management's response to such audit problems or difficulties.
- Resolve any disputes between the independent auditors and Company's management.
- Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure a complete but non-redundant audit.
- Set clear hiring policies for employees or former employees of the independent registered public accountants that meet SEC regulations and applicable stock exchange listing standards.

Compliance Oversight

- Review and discuss with the Director of Compliance the implementation and status of the compliance management program activities and effectiveness. Activities to be reviewed include the annual compliance monitoring plan, and updates on progress made against the plan throughout the year.
- Review and assess compliance monitoring procedures that have been incorporated into the normal activities of the bank's operations. Review and assess that appropriate actions and other measures are taken when compliance failures are identified.

Ethical and Legal Compliance

- Establish, review, update periodically and monitor compliance with the Code of Ethics that applies to the Company's employees and directors, and ensure that management has established a system to enforce the Code of Ethics.
- Review with the Company's general and/or outside counsel, any legal matter that could have a significant impact on the Company's financial statements.
- Maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
- Investigate any matter brought to this committee's attention with the authority to retain counsel or other experts.
- Perform any other activities consistent with this Charter, the Company's bylaws and governing law, as the Audit and Compliance Committee or the Board deems necessary or appropriate.

Reports and Performance Review

- The Audit and Compliance Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively. The Committee also shall discuss with the independent registered public accountants the accountants' observations

related to the effectiveness of the Committee.

- The Committee shall review annually the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.

6. LIMITATION OF AUDIT AND COMPLIANCE COMMITTEE'S ROLE

While the Audit and Compliance Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit and Compliance Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor, on whose assurances the Audit and Compliance Committee may rely.