U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10 - Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002.

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from ___________ to __________.

Commission File Number 0-16587

Summit Financial Group, Inc.
(Exact name of registrant as specified in its charter)

West Virginia	55-0672148
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

223 North Main Street
Moorefield, West Virginia 26836
(Address of principal executive offices) (Zip Code)

(304) 538-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date.

Common Stock, $2.50 par value
1,754,310 shares outstanding as of May 9, 2002

Summit Financial Group, Inc. and Subsidiaries

Table of Contents

Summit Financial Group, Inc. and Subsidiaries

Consolidated Balance Sheets

	March 31, 2002 (unaudited)	December 31, 2001 (*)
ASSETS		
Cash and due from banks	$ 7,667,319	$ 11,776,231
Interest bearing deposits with other banks	2,309,456	2,261,826
Federal funds sold	208,070	1,848,129
Securities available for sale	206,295,842	206,967,097
Securities held to maturity	150,157	150,280
Loans, net	358,966,877	344,415,429
Premises and equipment, net	12,942,917	12,911,507
Accrued interest receivable	4,288,987	3,874,002
Intangible assets	3,314,493	3,352,281
Other assets	7,144,967	4,199,975
Total assets	$ 603,289,085	$ 591,756,757
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Non interest bearing	$ 38,337,889	$ 38,685,688
Interest bearing	361,414,256	357,519,290
Total deposits	399,752,145	396,204,978
Short-term borrowings	18,861,192	24,032,790
Long-term borrowings	133,813,139	123,444,531
Other liabilities	5,839,663	3,787,111
Total liabilities	558,266,139	547,469,410
Commitments and Contingencies		
Shareholders' Equity		
Common stock, $2.50 par value; authorized 5,000,000 shares; issued 1,780,780 shares	4,451,950	4,451,950
Capital surplus	8,256,901	8,256,901
Retained earnings	32,434,117	30,803,543
Less cost of shares acquired for the treasury 2002 - 26,470 shares; 2001 - 25,670 shares	(532,479)	(532,479)
Accumulated other comprehensive income	412,457	1,307,432
Total shareholders' equity	45,022,946	44,287,347
Total liabilities and shareholders' equity	$ 603,289,085	$ 591,756,757

(*) - December 31, 2001 financial information has been extracted from audited consolidated financial statements

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited)

	Three Months Ended	
	March 31, 2002	March 31, 2001
Interest income		
Interest and fees on loans		
Taxable	$ 6,714,084	$ 5,969,383
Tax-exempt	81,555	39,916
Interest and dividends on securities		
Taxable	2,601,311	2,845,899
Tax-exempt	403,456	220,511
Interest on interest bearing deposits with other banks	22,850	3,760
Interest on Federal funds sold	11,359	46,957
Total interest income	9,834,615	9,126,426
Interest expense		
Interest on deposits	2,891,194	3,960,775
Interest on short-term borrowings	86,493	171,150
Interest on long-term borrowings	1,677,698	1,171,620
Total interest expense	4,655,385	5,303,545
Net interest income	5,179,230	3,822,881
Provision for loan losses	292,500	145,000
Net interest income after provision for loan losses	4,886,730	3,677,881
Other income		
Insurance commissions	25,337	15,158
Service fees	295,297	222,273
Securities gains	52,680	84,142
Loss on disposal of assets	(15,997)	(716)
Other	5,036	43,746
Total other income	362,353	364,603
Other expense		
Salaries and employee benefits	1,645,202	1,325,042
Net occupancy expense	182,474	194,335
Equipment expense	290,779	284,073
Supplies	123,779	51,906
Amortization of intangibles	37,788	70,548
Other	697,257	595,661
Total other expense	2,977,279	2,521,565
Income before income taxes	2,271,804	1,520,919
Income tax expense	641,230	511,905
Net income	$ 1,630,574	$ 1,009,014
Basic earnings per common share	$ 0.93	$ 0.57
Diluted earnings per common share	$ 0.92	$ 0.57
Average common shares outstanding		
Basic	1,754,310	1,754,872
Diluted	1,766,201	1,754,872
Dividends per common share	$ -	$ -

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity (unaudited)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2001	$ 4,451,950	$ 8,256,901	$ 30,803,543	$ (532,479)	$ 1,307,432	$ 44,287,347
Three Months Ended March 31, 2002						
Comprehensive income:						
Net income	-	-	1,630,574	-	-	1,630,574
Other comprehensive income, net of deferred taxes of $548,533:						
Net unrealized (loss) on securities of ($862,313), net of reclassification adjustment for gains included in net income of $32,662	-	-	-	-	(894,975)	(894,975)
Total comprehensive income	-	-	-	-	-	735,599
Balance, March 31, 2002	$ 4,451,950	$ 8,256,901	$ 32,434,117	$ (532,479)	$ 412,457	$ 45,022,946
Balance, December 31, 2000	$ 4,451,950	$ 8,256,901	$ 26,765,097	$ (517,725)	$ 816,978	$ 39,773,201
Three Months Ended March 31, 2001						
Comprehensive income:						
Net income	-	-	1,009,014	-	-	1,009,014
Other comprehensive income, net of deferred taxes of $565,769:						
Net unrealized gain on securities of $975,264, net of reclassification adjustment for gains included in net income of $52,168	-	-	-	-	923,096	923,096
Total comprehensive income						1,932,110
Cost of 400 shares of common stock acquired for the treasury	-	-	-	(14,754)	-	(14,754)
Balance, March 31, 2001	$ 4,451,950	$ 8,256,901	$ 27,774,111	$ (532,479)	$ 1,740,074	$ 41,690,557

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended	
	March 31, 2002	March 31, 2001
Cash Flows from Operating Activities		
Net income	$ 1,630,574	$ 1,009,014
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	250,869	223,069
Provision for loan losses	292,500	145,000
Deferred income tax (benefit) expense	(149,270)	(11,970)
Securities (gains) losses	(52,680)	(84,142)
(Gain) loss on disposal of other assets	15,797	716
Amortization of securities premiums (accretion of discounts) net	56,020	(127,891)
Amortization of goodwill and purchase accounting adjustments, net	45,072	69,549
(Increase) decrease in accrued interest receivable	(414,985)	(260,174)
(Increase) decrease in other assets	(462,883)	(270,266)
Increase (decrease) in other liabilities	2,052,552	670,408
Net cash provided by operating activities	3,263,566	1,363,313
Cash Flows from Investing Activities		
Net (increase) decrease in interest bearing deposits with other banks	(47,630)	306,992
Proceeds from maturities and calls of securities available for sale	3,000,000	19,078,810
Proceeds from sales of securities available for sale	4,814,367	4,793,107
Principal payments received on securities available for sale	10,120,896	2,800,650
Principal payments received on securities held to maturity	-	-
Purchases of securities available for sale	(18,678,877)	(31,069,852)
Net (increase) decrease in Federal funds sold	1,640,059	(7,988,000)
Net loans made to customers	(14,864,383)	(10,707,523)
Purchases of premises and equipment	(311,011)	(359,398)
Proceeds from sales of other assets	8,900	25,822
Purchases of life insurance contracts	(1,853,018)	(51,200)
Net cash provided by (used in) investing activities	(16,170,697)	(23,170,592)
Cash Flows from Financing Activities		
Net increase (decrease) in demand deposit, NOW and savings accounts	4,308,805	7,882,891
Net increase (decrease) in time deposits	(707,595)	9,413,082
Net increase (decrease) in short-term borrowings	(5,171,599)	(229,466)
Proceeds from long-term borrowings	10,530,000	6,500,000
Repayment of long-term borrowings	(161,392)	(92,458)
Purchase of treasury stock	-	(14,754)
Net cash provided by financing activities	8,798,219	23,459,295
Increase (decrease) in cash and due from banks	(4,108,912)	1,652,016
Cash and due from banks:		
Beginning	11,776,231	7,091,871
Ending	$ 7,667,319	$ 8,743,887

(Continued)

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows - continued (unaudited)

	Three Months Ended	
	March 31, 2002	March 31, 2001
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$4,814,857	$5,294,998
Income taxes	$ 50,000	$ -
Supplemental Schedule of Noncash Investingand Financing Activities		
Other assets acquired in settlement of loans	$ 17,450	$ -

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements (unaudited)

Note 1. Basis of Presentation

These consolidated financial statements of Summit Financial Group, Inc. and Subsidiaries ("Summit" or "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for annual year end financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature.

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

The results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results to be expected for the full year. The consolidated financial statements and notes included herein should be read in conjunction with the Company's 2001 audited financial statements and Annual Report on Form 10-K. Certain accounts in the consolidated financial statements for December 31, 2001 and March 31, 2002, as previously presented, have been reclassified to conform to current year classifications.

Note 2. Accounting Change

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), which addresses the accounting and reporting for acquired goodwill and other intangible assets. Under the provisions of SFAS 142, goodwill and certain other intangible assets with indefinite useful lives are no longer amortized into net income over an estimated life, but rather are tested at least annually for impairment based on specific guidance provided in the new standard. However, SFAS 142 did not supercede Statement of Financial Accounting Standards No. 72, Accounting for Certain Acquisitions of Banking or Thrift Institutions ("SFAS 72"), and therefore, any goodwill accounted for in accordance with SFAS 72 will continue to be amortized until further guidance is issued from the FASB. SFAS 142 also requires that intangible assets determined to have definite useful lives be amortized over their estimated useful lives and also be subject to impairment testing.

The provisions of SFAS 142 were adopted by Summit as required effective January 1, 2002. During second quarter of 2002, the Company will perform the required impairment test of goodwill as of January 1, 2002; however, preliminarily Summit does not expect to record an impairment loss as a result of this test. Due to no longer having to amortize goodwill against earnings, Summit's net income is expected to increase by approximately $131,000, or $0.07 per diluted share in 2002.

The following presents the Company's consolidated results of operations adjusted as though the adoption of SFAS 142 occurred as of January 1, 2001.

	Three Months Ended March 31,	
	2002	2001
Reported net income	$ 1,630,574	$ 1,009,014
Add back: goodwill amortization, net of applicable tax effect	-	32,760
Adjusted net income	$ 1,630,574	$ 1,041,774
Basic earnings per share		
Reported net income	$ 0.93	$ 0.57
Add back: goodwill amortization, net of applicable tax effect	-	0.02
Adjusted net income	$ 0.93	$ 0.59
Diluted earnings per share		
Reported net income	$ 0.92	$ 0.57
Add back: goodwill amortization, net of applicable tax effect	-	0.02
Adjusted net income	$ 0.92	$ 0.59

The carrying amount of goodwill at March 31, 2002 and December 31, 2001 was $1,488,030. Accordingly, no changes in goodwill were recorded during the three months ended March 31, 2002.

At March 31, 2002 and December 31, 2001, Summit had $1,826,463 and $1,864,251, respectively, in unamortized acquired intangible assets consisting entirely of goodwill recorded in accordance with SFAS 72. Amortization of $37,788 was recorded for the three months ended March 31, 2002 relative to these intangible assets. Annual amortization is expected to be approximately $151,000 for each of the years ending 2002 through 2006.

Note 3. Pending Acquisition

On April 26, 2002, Summit announced that the Boards of Directors of Summit and Monroe Financial, Inc. ("Monroe"), a $30 million asset bank holding company with three full service banking offices located in Monroe and Summers Counties of West Virginia, have approved a plan to affiliate, whereby Summit will acquire Monroe and its wholly owned subsidiary, Bank of Greenville. In accordance with the plan, Bank of Greenville will be merged with Summit's subsidiary, Capital State Bank, Inc. The transaction is intended to be a tax-free exchange of stock whereby Monroe's shareholders will receive, subject to certain potential adjustments, 0.85 shares of Summit common stock for each share of Monroe's common stock owned. The transaction is subject to certain conditions, among them the negotiation of a definitive acquisition agreement, regulatory approvals and the approval of Monroe's shareholders.

Note 4. Earnings per Share

The computations of basic and diluted earnings per share follow:

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
Numerator:		
Net Income	$ 1,630,574	$ 1,009,014
Denominator:		
Denominator for basic earnings per share - weighted average common shares outstanding	1,754,310	1,754,872
Effect of dilutive securities:		
Stock options	11,891	-
Denominator for diluted earnings per share - weighted average common shares outstanding and assumed conversions	1,766,201	1,754,872
Basic earnings per share	$ 0.93	$ 0.57
Diluted earnings per share	$ 0.92	$ 0.57

Note 5. Securities

The amortized cost, unrealized gains, unrealized losses and estimated fair values of securities at March 31, 2002 and December 31, 2001 are summarized as follows:

	March 31, 2002			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies				
and corporations	37,402,163	728,766	151,107	37,979,822
Mortgage-backed securities	94,229,027	741,039	856,336	94,113,730
State and political subdivisions	5,992,027	16,480	53,367	5,955,140
Corporate debt securities	27,241,860	679,349	205,963	27,715,246
Federal Reserve Bank stock	401,300	-	-	401,300
Federal Home Loan Bank stock	7,328,900	-	-	7,328,900
Other equity securities	306,625	-	6,000	300,625
Total taxable	172,901,902	2,165,634	1,272,773	173,794,763
Tax-exempt:				
State and political subdivisions	27,929,146	274,955	557,494	27,646,607
Federal Reserve Bank stock	4,100	-	-	4,100
Other equity securities	4,822,095	32,111	3,834	4,850,372
Total tax-exempt	32,755,341	307,066	561,328	32,501,079
Total	$205,657,243	$ 2,472,700	$ 1,834,101	$206,295,842
Held to Maturity				
Tax-exempt:				
State and political subdivisions	$ 150,157	$ 293	$ 157	$ 150,293

	December 31, 2001			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies and corporations	36,987,640	1,133,062	37,477	38,083,225
Mortgage-backed securities	103,002,225	999,540	801,923	103,199,842
State and political subdivisions	4,957,792	15,511	20,549	4,952,754
Corporate debt securities	21,690,167	1,028,726	31,948	22,686,945
Federal Reserve Bank stock	341,300	-	-	341,300
Federal Home Loan Bank stock	6,946,800	-	-	6,946,800
Other equity securities	306,625	-	53,280	253,345
Total taxable	174,232,549	3,176,839	945,177	176,464,211
Tax-exempt:				
State and political subdivisions	25,857,242	279,303	445,895	25,690,650
Federal Reserve Bank stock	4,100	-	-	4,100
Other equity securities	4,823,109	-	14,973	4,808,136
Total tax-exempt	30,684,451	279,303	460,868	30,502,886
Total	$204,917,000	$ 3,456,142	$ 1,406,045	$206,967,097
Held to Maturity				
Tax-exempt:				
State and political subdivisions	$ 150,280	$ 1,410	$ 157	$ 151,533

The maturites, amortized cost and estimated fair values of securities at March 31, 2002, are summarized as follows:

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 52,372,008	$ 52,703,693
Due from one to five years	96,365,862	97,135,943
Due from five to ten years	19,775,916	19,933,808
Due after ten years	25,785,826	25,159,601
Equity securities	11,357,631	11,362,797
	$ 205,657,243	$ 206,295,842

	Held to Maturity	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 150,157	$ 150,293
Due from one to five years	-	-
Due from five to ten years	-	-
Due after ten years	-	-
Equity securities	-	-
	$ 150,157	$ 150,293

Note 6. Loans

Loans are summarized as follows:

	March 31, 2002	December 31, 2001
Commerical	$ 28,012,043	$ 26,464,421
Commercial real estate	134,612,059	121,576,437
Real estate - construction	1,361,508	2,393,754
Real estate - mortgage	152,113,861	149,050,426
Consumer	40,698,188	41,508,960
Other	6,292,221	7,263,448
Total loans	363,089,880	348,257,446
Less unearned income	731,487	731,769
Total loans net of unearned income	362,358,393	347,525,677
Less allowance for loan losses	3,391,516	3,110,248
Loans, net	$ 358,966,877	$ 344,415,429

Note 7. Allowance for Loan Losses

An analysis of the allowance for loan losses for the three month periods ended March 31, 2002 and 2001, and for the year ended December 31, 2001 is as follows:

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001	Year Ended December 31, 2001
Balance, beginning of period	$3,110,248	$2,570,777	$2,570,776
Losses:			
Commercial	-	-	38,624
Commercial real estate	-	48,996	69,233
Real estate - mortgage	1,817	-	46,977
Consumer	28,570	28,532	190,804
Other	15,786	18,857	75,643
Total	46,173	96,385	421,281
Recoveries:			
Commercial	347	432	2,672
Commercial real estate	-	-	7,500
Real estate - mortgage	16,737	-	728
Consumer	14,545	12,735	98,940
Other	3,312	4,010	20,913
Total	34,941	17,177	130,753
Net losses	11,232	79,208	290,528
Provision for loan losses	292,500	145,000	830,000
Balance, end of period	$3,391,516	$2,636,569	$3,110,248

Note 8. Deposits

The following is a summary of interest bearing deposits by type as of March 31, 2002 and December 31, 2001:

	March 31, 2002	December 31, 2001
Interest bearing demand deposits	$ 84,772,287	$ 81,509,961
Savings deposits	45,160,225	43,765,947
Certificates of deposit	209,928,542	211,116,608
Individual retirement accounts	21,553,202	21,126,774
Total	$361,414,256	$357,519,290

The following is a summary of the maturity distribution of certificates of deposit and Individual Retirement Accounts in denominations of $100,000 or more as of March 31, 2002:

	Amount	Percent
Three months or less	$ 12,377,122	22.3%
Three through six months	7,798,048	14.0%
Six through twelve months	14,481,261	26.1%
Over twelve months	20,863,515	37.6%
Total	$ 55,519,946	100.0%

A summary of the scheduled maturities for all time deposits as of March 31, 2002 is as follows:

Nine month period ending December 31, 2002	$ 114,988,587
Year Ending December 31, 2003	62,402,416
Year Ending December 31, 2004	39,130,256
Year Ending December 31, 2005	5,781,662
Year Ending December 31, 2006	4,109,058
Thereafter	5,069,765
	$ 231,481,744

Note 9. Borrowed Funds

Short-term borrowings: A summary of short-term borrowings is presented below:

	Quarter Ended March 31, 2002		
	Federal Funds Purchased and Lines of Credit	Repurchase Agreements	Federal Home Loan Bank Short-term Advances
Balance at March 31	$ 1,513,000	$ 8,948,192	$ 8,400,000
Average balance outstanding for the quarter	1,295,178	8,624,953	7,009,534
Maximum balance outstanding at any month end during quarter	1,513,000	8,995,934	8,400,000
Weighted average interest rate for the quarter	3.96%	1.73%	2.12%
Weighted average interest rate for balances outstanding at March 31	3.52%	1.79%	2.25%

	Year Ended December 31, 2001		
	Federal Funds Purchased and Lines of Credit	Repurchase Agreements	Federal Home Loan Bank Short-term Advances
Balance at December 31	$ 1,041,000	$ 8,213,590	$ 14,778,200
Average balance outstanding for the year	1,458,355	7,351,836	3,069,203
Maximum balance outstanding at any month end	4,298,000	9,080,068	14,778,200
Weighted average interest rate for the year	5.10%	3.30%	4.42%
Weighted average interest rate for balances outstanding at December 31	4.14%	1.83%	1.99%

Long-term borrowings: The Company's long-term borrowings of $133,813,139 and $123,444,531 at March 31, 2002 and December 31, 2001 respectively, consisted primarily of advances from the Federal Home Loan Bank ("FHLB").

These borrowings bear both fixed and variable rates and mature in varying amounts through the year 2016.

The average interest rate paid on long-term borrowings for the three month period ended March 31, 2002 was 5.13% compared to 5.59% for the first three months of 2001.

A summary of the maturities of all long-term borrowings for the next five years and thereafter is as follows:

Year Ending December 31,	Amount
2002	$ 1,403,066
2003	4,893,925
2004	18,857,794
2005	23,844,041
2006	7,656,710
Thereafter	77,157,603
	$ 133,813,139

Note 10. Restrictions on Capital

Summit and its subsidiaries are subject to various regulatory capital requirements administered by the banking regulatory agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Summit and each of its subsidiaries must meet specific capital guidelines that involve quantitative measures of Summit's and its subsidiaries' assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Summit and each of its subsidiaries' capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require Summit and each of its subsidiaries to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of March 31, 2002, that Summit and each of its subsidiaries met all capital adequacy requirements to which they were subject.

The most recent notifications from the banking regulatory agencies categorized Summit and each of its subsidiaries as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, Summit and each of its subsidiaries must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below.

Summit's and its subsidiaries', Summit Community Bank's ("Summit Community", the entity resulting from the merger of two former Summit bank subsidiaries, South Branch Valley National Bank and Potomac Valley Bank on January 18, 2002), Capital State Bank, Inc.'s ("Capital State") and Shenandoah Valley National Bank's ("Shenandoah") actual capital amounts and ratios are presented in the following table.

(Dollars in thousands)

	Actual		Minimum Required Regulatory Capital		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2002						
Total Capital (to risk weighted assets)						
Summit	$ 44,702	11.3%	$ 31,511	8.0%	$ 39,389	10.0%
Summit Community*	24,546	11.3%	17,352	8.0%	21,690	10.0%
Capital State	9,845	10.5%	7,488	8.0%	9,361	10.0%
Shenandoah	10,784	12.7%	6,793	8.0%	8,491	10.0%
Tier I Capital (to risk weighted assets)						
Summit	41,297	10.5%	15,756	4.0%	23,633	6.0%
Summit Community*	22,411	10.3%	8,676	4.0%	13,014	6.0%
Capital State	9,129	9.8%	3,744	4.0%	5,616	6.0%
Shenandoah	10,230	12.0%	3,397	4.0%	5,095	6.0%
Tier I Capital (to average assets)						
Summit	41,297	7.0%	17,708	3.0%	29,513	5.0%
Summit Community*	22,411	6.9%	9,734	3.0%	16,223	5.0%
Capital State	9,129	6.6%	4,172	3.0%	6,954	5.0%
Shenandoah	10,230	8.2%	3,763	3.0%	6,272	5.0%
As of December 31, 2001						
Total Capital (to risk weighted assets)						
Summit	$ 42,695	11.3%	$ 30,173	8.0%	$ 29,586	10.0%
South Branch*	14,014	10.4%	10,811	8.0%	13,514	10.0%
Capital State	9,407	10.4%	7,208	8.0%	9,011	10.0%
Shenandoah	10,386	13.7%	6,065	8.0%	7,581	10.0%
Potomac*	9,273	12.1%	6,121	8.0%	7,651	10.0%
Tier I Capital (to risk weighted assets)						
Summit	39,585	10.5%	15,080	4.0%	22,620	6.0%
South Branch*	12,564	9.3%	5,404	4.0%	8,106	6.0%
Capital State	8,754	9.7%	3,602	4.0%	5,404	6.0%
Shenandoah	9,978	13.2%	3,033	4.0%	4,549	6.0%
Potomac*	8,674	11.3%	3,062	4.0%	4,593	6.0%
Tier I Capital (to average assets)						
Summit	39,585	7.1%	16,797	3.0%	27,995	5.0%
South Branch*	12,564	7.0%	5,369	3.0%	8,949	5.0%
Capital State	8,754	6.7%	3,902	3.0%	6,504	5.0%
Shenandoah	9,978	8.1%	3,709	3.0%	6,182	5.0%
Potomac*	8,674	7.0%	3,739	3.0%	6,231	5.0%

*South Branch and Potomac merged to form Summit Community Bank on January 18, 2002.

Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

The following discussion and analysis focuses on significant changes in the financial condition and results of operations of Summit Financial Group, Inc. ("Company" or "Summit") and its wholly owned subsidiaries, Summit Community Bank ("Summit Community"), Capital State Bank, Inc. ("Capital State"), and Shenandoah Valley National Bank ("Shenandoah") for the periods indicated. This discussion and analysis should be read in conjunction with the Company's 2001 audited financial statements and Annual Report on Form 10-K.

The Private Securities Litigation Act of 1995 indicates that the disclosure of forward-looking information is desirable for investors and encourages such disclosure by providing a safe harbor for forward-looking statements by management. The following management's discussion and analysis of financial condition and results of operations contains certain forward-looking statements that involve risk and uncertainty. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause Summit's actual results and experience to differ materially from the anticipated results or other expectations expressed in those forward-looking statements.

RESULTS OF OPERATIONS

Earnings Summary

Net income for the quarter ended March 31, 2002 grew 61.6% to $1,631,000, or $0.92 per diluted share as compared to $1,009,000, or $0.57 per diluted share for the quarter ended March 31, 2001. Returns on average equity and assets for first quarter 2002 were 14.75% and 1.10%, respectively, compared with 10.13% and 0.83% for the same period of 2001.

Net Interest Income

The Company's net interest income on a fully tax-equivalent basis totaled $5,417,000 for the three month period ended March 31, 2002 compared to $3,941,000 for the same period of 2001, representing an increase of $1,476,000 or 37.5%. This increase resulted from growth in interest earning assets, primarily loans, coupled with lower-cost funding in a falling rate environment. Average interest earning assets grew 22.0% from $460,133,000 during the first quarter of 2001 to $561,526,000 for the first quarter of 2002. Average interest bearing liabilities grew 22.6% from $414,654,000 at March 31, 2001 to $508,362,000 at March 31, 2002, at an average yield for the first three months of 2002 of 3.7% compared to 5.1% for the same period of 2001.

Summit's net yield on interest earning assets increased to 3.9% for the three month period ended March 31, 2002, compared to 3.4% for the same period in 2001. Consistent with industry trends, the Company's net interest margin has been narrowing as competition from nontraditional financial service providers and shifting customer preferences have made it difficult to attract core deposits, the most significant and lowest cost funding source of commercial banks.

Growth in the Company's net interest income is expected to continue due to anticipated continued growth in volumes of interest earning assets, principally loans, over the near term. However, if market interest rates were to rise significantly over the next 12 months, the spread between interest earning assets and interest bearing liabilities could begin to narrow due to Summit's current liability sensitive interest rate risk position, thus negatively impacting net interest income. Management continually monitors the net interest margin through net interest income simulation to minimize the potential for any significant negative impact. See the "Market Risk Management" section for further discussion of the impact changes in market interest rates could have on Summit. Further analysis of the Company's yields on interest earning assets and interest bearing liabilities are presented in Tables I and II below.

Table I - Average Balance Sheet and Net Interest Income Analysis
(Dollars in thousands)

	For the Quarter Ended March 31,					
	2002			2001		
	Average Balance	Earnings/ Expense	Yield/ Rate	Average Balance	Earnings/ Expense	Yield/ Rate
Interest earning assets						
Loans, net of unearned income						
Taxable	$ 346,877	$ 6,714	7.7%	$ 276,735	$ 5,973	8.6%
Tax-exempt (1)	5,775	124	8.6%	2,010	53	10.5%
Securities						
Taxable	171,374	2,601	6.1%	160,624	2,846	7.1%
Tax-exempt (1)	32,325	599	7.4%	16,913	322	7.6%
Federal funds sold and interest bearing deposits with other bank	5,175	34	2.6%	3,851	52	5.4%
Total interest earning assets	561,526	10,072	7.2%	460,133	9,246	8.0%
Noninterest earning assets						
Cash & due from banks	8,174			7,885		
Premises and equipment	12,975			12,225		
Other assets	13,870			13,383		
Allowance for loan losses	(3,233)			(2,636)		
Total assets	$ 593,312			$ 490,990		
Interest bearing liabilities						
Interest bearing demand deposits	$ 82,414	$ 296	1.4%	$ 65,817	$ 539	3.3%
Savings deposits	44,612	141	1.3%	37,671	254	2.7%
Time deposits	233,648	2,454	4.2%	215,198	3,169	5.9%
Short-term borrowings	16,930	87	2.1%	12,910	171	5.3%
Long-term borrowings	130,758	1,677	5.1%	83,058	1,172	5.6%
Total interest bearing liabilities	508,362	4,655	3.7%	414,654	5,305	5.1%
Noninterest bearing liabilities and shareholders' equity						
Demand deposits	36,237			31,855		
Other liabilities	4,488			4,117		
Shareholders' equity	44,225			40,364		
Total liabilities and shareholders' equity	$ 593,312			$ 490,990		
Net interest earnings		$ 5,417			$ 3,941	
Net yield on interest earning assets			3.9%			3.4%

(1) - Interest income on tax-exempt securities has been adjusted assuming an effective tax rate of 34% for both periods presented. The tax equivalent adjustment resulted in an increase in interest income of $237,000 and $120,000 for the periods ended March 31, 2002 and 2001, respectively.

Table II - Changes in Interest Margin Attributable to Rate and Volume
(Dollars in thousands)

	For the Quarter Ended March 31, 2002 versus March 31, 2001		
	Increase (Decrease) Due to Change in:		
	Volume	Rate	Net
Interest earned on:			
Loans			
Taxable	$ 1,403	$ (662)	$ 741
Tax-exempt	82	(11)	71
Securities			
Taxable	181	(426)	(245)
Tax-exempt	285	(8)	277
Federal funds sold and interest bearing deposits with other banks	14	(32)	(18)
Total interest earned on interest earning assets	1,965	(1,139)	826
Interest paid on:			
Interest bearing demand deposits	112	(355)	(243)
Savings deposits	41	(154)	(113)
Time deposits	254	(969)	(715)
Short-term borrowings	42	(126)	(84)
Long-term borrowings	620	(115)	505
Total interest paid on interest bearing liabilities	1,069	(1,719)	(650)
Net interest income	$ 896	$ 580	$ 1,476

Credit Experience

The provision for loan losses represents charges to earnings necessary to maintain an adequate allowance for potential future loan losses. Management's determination of the appropriate level of the allowance is based on an ongoing analysis of credit quality and loss potential in the loan portfolio, change in the composition and risk characteristics of the loan portfolio, and the anticipated influence of national and local economic conditions. The adequacy of the allowance for loan losses is reviewed quarterly and adjustments are made as considered necessary.

The Company recorded a $292,000 provision for loan losses for the first three months of 2002, compared to $145,000 for the same period in 2001. This increase represents continued growth of the loan portfolio. Net loan charge offs for the first quarter of 2002 were $11,000, as compared to $79,000 over the same period of 2001. At March 31, 2002, the allowance for loan losses totaled $3,392,000 or 0.94% of loans, net of unearned income, compared to $3,110,000 or 0.89% of loans, net of unearned income at December 31, 2001.

Summit's asset quality remains sound. As illustrated in Table III below, the Company's non-performing assets and loans past due 90 days or more and still accruing interest have decreased during the past 12 months, remaining at a historically moderate level.

Table III - Summary of Past Due Loans and Non-Performing Assets
(Dollars in thousands)

	March 31, 2002	March 31, 2001	December 31, 2001
Accruing loans past due 90 days or more	$ 80	$ 515	$ 328
Nonperforming assets:			
Nonaccrual loans	784	530	788
Foreclosed properties	81	-	81
Repossessed assets	9	14	-
Total	$ 954	$1,059	$1,197
Percentage of total loans	0.3%	0.4%	0.3%

Noninterest Expense

Total noninterest expense increased approximately $456,000, or 18.1% to $2,977,000 during the first quarter of 2002 as compared to the same period in 2001. Substantially all of this increase resulted primarily from an increase in salaries and employee benefits expense as result of the Company awarding general merit raises and the addition of new staff positions required as result of Summit's growth.

FINANCIAL CONDITION

Total assets of the Company were $603,289,000 at March 31, 2002, compared to $591,757,000 at December 31, 2001, representing a 2.0% increase. Table IV below serves to illustrate significant changes in the Company's financial position between December 31, 2001 and March 31, 2002.

Table IV - Summary of Significant Changes in Financial Position
(Dollars in thousands)

	Balance December 31, 2001	Increase(Decrease Amount	Percentage	Balance March 31, 2002
Assets				
Federal funds sold	$ 1,848	$ (1,640)	-88.7%	$ 208
Securities available for sale	206,967	(671)	-0.3%	206,296
Loans, net of unearned income	344,415	14,552	4.2%	358,967
Liabilities				
Interest bearing deposits	$357,519	$ 3,895	1.1%	$361,414
Short-term borrowings	24,033	(5,172)	-21.5%	18,861
Long-term borrowings	123,445	10,368	8.4%	133,813

Loan growth during the first three months of 2002, occurring principally in the commercial and real estate portfolios, was funded primarily by long-term borrowings from the FHLB.

Short-term borrowings decreased during the first quarter of 2002 as the company borrowed long-term with the FHLB and paid down the short-term borrowings.

Refer to Notes 5, 6, 8 and 9 of the notes to the accompanying consolidated financial statements for additional information with regard to changes in the composition of the Summit's securities, loans, deposits and borrowings between March 31, 2002 and December 31, 2001.

LIQUIDITY

Liquidity reflects the Company's ability to ensure the availability of adequate funds to meet loan commitments and deposit withdrawals, as well as provide for other transactional requirements. Liquidity is provided primarily by funds invested in cash and due from banks, Federal funds sold, non-pledged securities, and available lines of credit with the FHLB, the total of which approximated $109 million, or 18% of total assets at March 31, 2002 versus $126 million, or 21% of total assets at December 31, 2001.

The Company's liquidity position is monitored continuously to ensure that day-to-day as well as anticipated funding needs are met. Management is not aware of any trends, commitments, events or uncertainties that have resulted in or are reasonably likely to result in a material change to the Summit's liquidity.

MARKET RISK MANAGEMENT

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates and equity prices. Interest rate risk is Summit's primary market risk and results from timing differences in the repricing of assets, liabilities and off-balance sheet instruments, changes in relationships between rate indices and the potential exercise of imbedded options. The principal objective of asset/liability management is to minimize interest rate risk and the Company's actions in this regard are taken under the guidance of its Asset/Liability Management Committee ("ALCO"), which is comprised of members of senior management and members of the Board of Directors. The ALCO actively formulates the economic assumptions that the Company uses in its financial planning and budgeting process and establishes policies which control and monitor the Company's sources, uses and prices of funds.

Some amount of interest rate risk is inherent and appropriate to the banking business. Summit's net income is affected by changes in the absolute level of interest rates. The Company's interest rate risk position is liability sensitive; that is, liabilities are likely to reprice faster than assets, resulting in a decrease in net income in a rising rate environment. Conversely, net income should increase in a falling interest rate environment. Net income is also subject to changes in the shape of the yield curve. In general, a flattening yield curve would result in a decline in Company earnings due to the compression of earning asset yields and funding rates, while a steepening would result in increased earnings as margins widen.

Several techniques are available to monitor and control the level of interest rate risk. Summit primarily uses earnings simulations modeling to monitor interest rate risk. The earnings simulation model forecasts the effects on net interest income under a variety of interest rate scenarios that incorporate changes in the absolute level of interest rates and changes in the shape of the yield curve. Assumptions used to project yields and rates for new loans and deposits are derived from historical analysis. Securities portfolio maturities and prepayments are reinvested in like instruments. Mortgage loan prepayment assumptions are developed from industry estimates of prepayment speeds. Noncontractual deposit repricings are modeled on historical patterns.

As of March 31, 2002, Summit's earnings simulation model projects net interest income would decrease by approximately 3.0% if rates rise evenly by 200 basis points over the next year, as compared to projected stable rate net interest income. Conversely, the model projects that if rates fall evenly by 200 basis points over the next year, Company net interest income would rise by approximately 0.9%, as compared to projected stable rate net interest income. These projected changes are well within Summit's ALCO policy limit of +/- 10%.

CAPITAL RESOURCES

Maintenance of a strong capital position is a continuing goal of Company management. Through management of its capital resources, the Company seeks to provide an attractive financial return to its shareholders while retaining sufficient capital to support future growth. Shareholders' equity at March 31, 2002 totaled $45,023,000 compared to $44,287,000 at December 31, 2001, representing an increase of 1.7%.

Refer to Note 10 of the notes to the accompanying consolidated financial statements for information regarding regulatory restrictions on the Company's and its subsidiaries' capital.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUMMIT FINANCIAL GROUP, INC.
(registrant)

By: /s/ H. Charles Maddy, III

H. Charles Maddy, III,
President and Chief Executive Officer

By: /s/ Robert S. Tissue

Robert S. Tissue,
Senior Vice President and Chief Financial Officer

Date: May 14, 2002