UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 June 30, 2004.

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.)

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

(304) 530-1000
(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 by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes |_| No |X|

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
3,511,070 shares outstanding as of August 5, 2004

Summit Financial Group, Inc. and Subsidiaries

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Summit Financial Group, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30, 2004 (unaudited)	December 31, 2003 (*)	June 30, 2003 (unaudited)
ASSETS			
Cash and due from banks	$ 17,143,178	$ 14,412,120	$ 11,096,482
Interest bearing deposits with other banks	3,267,577	3,141,092	3,812,279
Federal funds sold	-	244,000	-
Securities available for sale	213,643,589	235,409,228	217,537,901
Loans held for sale	15,607,459	6,352,836	5,573,175
Loans, net	559,869,306	498,340,211	450,669,473
Property held for sale	724,014	480,000	1,262,798
Premises and equipment, net	20,120,468	17,846,269	12,315,571
Accrued interest receivable	3,592,845	3,778,139	3,648,140
Goodwill	2,088,030	1,488,030	1,488,030
Other intangible assets	1,486,371	1,561,946	1,637,522
Other assets	12,012,510	8,411,333	7,232,761
Total assets	$ 849,555,347	$ 791,465,204	$ 716,274,132
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits			
Non interest bearing	$ 55,525,469	$ 51,004,403	$ 46,920,873
Interest bearing	481,063,589	460,797,017	426,334,457
Total deposits	536,589,058	511,801,420	473,255,330
Short-term borrowings	71,350,023	49,714,246	24,220,187
Long-term borrowings	164,906,662	164,646,208	155,759,505
Subordinated debentures owed to unconsolidated subsidiary trusts	11,341,000	3,609,000	3,609,000
Other liabilities	6,393,415	4,506,787	3,557,499
Total liabilities	790,580,158	734,277,661	660,401,521
Commitments and Contingencies			
Shareholders' Equity			
Preferred stock, $1.00 par value; authorized 250,000 shares, issued 2004 - 33,400 shares	33,400	-	-
Common stock, $2.50 par value; authorized 20,000,000 shares, issued 2004 -3,569,010 shares ; December 2003 - 3,566,960 shares; June 2003 - 3,562,760 shares	8,922,525	8,917,400	8,906,900
Capital surplus	4,996,186	3,845,906	3,814,906
Retained earnings	47,674,490	43,427,000	39,898,141
Less cost of shares acquired for the treasury - 57,940 shares	(627,659)	(627,659)	(627,659)
Accumulated other comprehensive income	(2,023,753)	1,624,896	3,880,323
Total shareholders' equity	58,975,189	57,187,543	55,872,611
Total liabilities and shareholders' equity	$ 849,555,347	$ 791,465,204	$ 716,274,132

(*) - December 31, 2003 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		Six Months Ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Interest income				
Interest and fees on loans				
Taxable	$ 8,634,445	$ 7,618,307	$ 16,851,331	$ 15,030,369
Tax-exempt	109,394	78,876	206,686	162,544
Interest and dividends on securities				
Taxable	1,763,333	1,945,227	3,738,272	4,060,542
Tax-exempt	552,564	481,144	1,104,126	955,858
Interest on interest bearing deposits with other banks	31,615	41,822	62,795	77,331
Interest on Federal funds sold	382	3,915	1,303	13,675
Total interest income	11,091,733	10,169,291	21,964,513	20,300,319
Interest expense				
Interest on deposits	2,389,607	2,516,463	4,803,700	5,141,931
Interest on short-term borrowings	202,891	92,613	374,800	172,809
Interest on long-term borrowings and subordinated debentures	1,701,207	1,859,044	3,386,627	3,616,037
Total interest expense	4,293,705	4,468,120	8,565,127	8,930,777
Net interest income	6,798,028	5,701,171	13,399,386	11,369,542
Provision for loan losses	232,500	232,500	465,000	450,000
Net interest income after provision for loan losses	6,565,528	5,468,671	12,934,386	10,919,542
Other income				
Insurance commissions	137,464	64,637	160,560	84,869
Service fees	562,136	388,562	1,071,545	727,949
Mortgage origination revenue	6,613,961	183,775	10,933,319	322,775
Securities gains (losses)	17,132	65,518	37,060	106,410
Gain (loss) on sale of assets	(10,566)	17,917	(12,181)	(1,641)
Other	111,558	76,269	183,813	129,699
Total other income	7,431,685	796,678	12,374,116	1,370,061
Other expense				
Salaries and employee benefits	4,739,787	1,880,201	8,425,746	3,798,821
Net occupancy expense	386,555	210,395	690,443	405,136
Equipment expense	441,417	310,592	870,444	610,837
Supplies	155,300	125,998	295,662	231,922
Professional fees	210,940	147,402	381,586	276,156
Postage	1,434,795	48,964	2,787,768	100,748
Advertising	1,303,690	63,266	2,265,326	112,317
Amortization of intangibles	37,788	37,788	75,576	75,576
Other	1,458,178	614,784	2,214,757	1,168,269
Total other expense	10,168,450	3,439,390	18,007,308	6,779,782
Income before income taxes	3,828,763	2,825,959	7,301,194	5,509,821
Income tax expense	1,154,700	817,525	2,175,950	1,637,400
Net income	$ 2,674,063	$ 2,008,434	$ 5,125,244	$ 3,872,421
Basic earnings per common share	$ 0.76	$ 0.57	$ 1.46	$ 1.11
Diluted earnings per common share	$ 0.75	$ 0.57	$ 1.44	$ 1.10
Average common shares outstanding				
Basic	3,510,784	3,504,358	3,510,423	3,504,145
Diluted	3,563,410	3,534,643	3,551,566	3,530,236
Dividends per common share	$ 0.25	$ 0.20	$ 0.25	$ 0.20

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity (unaudited)

	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Compre-hensive Income	Total Share-holders' Equity
Balance, December 31, 2003	$ -	$ 8,917,400	$ 3,845,906	$ 43,427,000	$ (627,659)	$ 1,624,896	$ 57,187,543
Six Months Ended June 30, 2004							
Comprehensive income:							
Net income	-	-	-	5,125,244	-	-	5,125,244
Other comprehensive income, net of deferred tax benefit of ($2,236,269):							
Net unrealized (loss) on securities of ($3,659,271), net of reclassification adjustment for gains included in net income of $10,622	-	-	-	-	-	(3,648,649)	(3,648,649)
Total comprehensive income							1,476,595
Exercise of stock options	-	5,125	25,209	-	-	-	30,334
Issuance of preferred shares	33,400	-	1,125,071	-	-	-	1,158,471
Cash dividends declared ($.25 per share)	-	-	-	(877,754)	-	-	(877,754)
Balance, June 30, 2004	$ 33,400	$ 8,922,525	$ 4,996,186	$ 47,674,490	$ (627,659)	$ (2,023,753)	$ 58,975,189
Balance, December 31, 2002	$ -	$ 8,904,150	$ 3,805,891	$ 36,726,583	$ (619,711)	$ 3,262,883	$ 52,079,796
Six Months Ended June 30, 2003							
Comprehensive income:							
Net income	-	-	-	3,872,421	-	-	3,872,421
Other comprehensive income, net of deferred taxes of $378,431:							
Net unrealized gain on securities of $683,414, net of reclassification adjustment for gains included in net income of $65,974	-	-	-	-	-	617,440	617,440
Total comprehensive income							4,489,861
Exercise of stock options	-	2,750	9,015	-	-	-	11,765
Purchase of treasury shares	-	-	-	-	(7,948)	-	(7,948)
Cash dividends declared ($.20 per share)	-	-	-	(700,863)	-	-	(700,863)
Balance, June 30, 2003	$ -	$ 8,906,900	$ 3,814,906	$ 39,898,141	$ (627,659)	$ 3,880,323	$ 55,872,611

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Cash Flows from Operating Activities		
Net income	$ 5,125,244	$ 3,872,421
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	709,921	506,993
Provision for loan losses	465,000	450,000
Deferred income tax (benefit)	(344,550)	(132,600)
Loans originated for sale	(118,974,272)	(18,648,775)
Proceeds from loans sold	109,719,649	13,982,500
Securities (gains)	(37,060)	(106,410)
Loss on disposal of other assets	12,181	1,640
Amortization of securities premiums, net	417,177	750,316
Amortization of goodwill and purchase accounting adjustments, net	92,166	84,756
Increase in accrued interest receivable	185,294	348,311
(Increase) in other assets	(876,689)	(488,072)
Increase (decrease) in other liabilities	629,321	(53,995)
Net cash provided by (used in) operating activities	(2,876,618)	567,085
Cash Flows from Investing Activities		
Net (increase) in interest bearing deposits with other banks	(126,485)	(1,626,911)
Proceeds from maturities and calls of securities available for sale	14,732,885	16,582,000
Proceeds from sales of securities available for sale	37,642,019	6,485,830
Principal payments received on securities available for sale	22,408,545	51,084,775
Purchases of securities available for sale	(59,189,844)	(78,768,670)
Net decrease in Federal funds sold	244,000	3,390,135
Net loans made to customers	(62,022,637)	(37,533,960)
Purchases of premises and equipment	(2,997,647)	(1,582,649)
Proceeds from sales of other assets	34,200	1,206,784
Net cash paid in acquisition of Sager Insurance Agency	(850,000)	-
Net cash provided by (used in) investing activities	(50,124,964)	(40,762,666)
Cash Flows from Financing Activities		
Net increase (decrease) in demand deposit, NOW and savings accounts	18,246,500	(1,102,853)
Net increase in time deposits	6,541,137	15,772,827
Net increase in short-term borrowings	21,635,777	4,029,084
Proceeds from long-term borrowings	13,660,000	22,750,000
Repayment of long-term borrowings	(12,068,075)	(930,260)
Exercise of stock options	30,334	11,765
Dividends paid	(877,754)	(700,863)
Purchase of treasury stock	-	(7,948)
Net proceeds from issuance of trust preferred securities	7,406,250	-
Net proceeds from issuance of preferred stock	1,158,471	-
Net cash provided by financing activities	55,732,640	39,821,752
Increase (decrease) in cash and due from banks	2,731,058	(373,829)
Cash and due from banks:		
Beginning	14,412,120	11,470,311
Ending	$ 17,143,178	$ 11,096,482

(Continued)

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows - continued (unaudited)

	Six Months Ended	
	June 30, 2004	June 30, 2003
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ 8,681,611	$ 9,021,659
Income taxes	$ 2,350,000	$ 1,590,000
Supplemental Schedule of Noncash Investing and Financing Activities		
Other assets acquired in settlement of loans	$ 20,550	$ 657,571
Acquisition of Sager Insurance Agency:		
Net cash and cash equivalents paid in acquisition of Sager Insurance Agency	$ 850,000	$ -
Fair value of assets acquired (principally building and land)	$ 250,000	$ -
Goodwill	600,000	-
	$ 850,000	$ -
Noncash investment in unconsolidated subsidiary trust	$ 232,000	$ -

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements (unaudited)

Note 1. Basis of Presentation

We, Summit Financial Group, Inc. and subsidiaries, prepare our consolidated financial statements 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 our opinion, 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 us to make estimates and assumptions that affect 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 six months ended June 30, 2004 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 our 2003 audited financial statements and Annual Report on Form 10-K. Certain accounts in the consolidated financial statements for December 31, 2003 and June 30, 2003, as previously presented, have been reclassified to conform to current year classifications.

Note 2. Significant New Accounting Pronouncements

Variable interest entities: In December 2003 the Financial Accounting Standards Board (FASB) issued revised Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46-R"). In accordance with FIN 46-R, business enterprises that represent the primary beneficiary of another entity by retaining a controlling interest in that entity's assets, liabilities and results of operations must consolidate that entity in its financial statements. Prior to the issuance of FIN 46-R, consolidation generally occurred when an enterprise controlled another entity through voting interests. If applicable, transition rules allow the restatement of financial statements or prospective application with a cumulative effect adjustment. We have determined that the provisions of FIN 46-R require deconsolidation of subsidiary trusts which issued guaranteed preferred beneficial interests in subordinated debentures (Trust Preferred Securities). Prior to the adoption of FIN 46-R, we consolidated the trust and the balance sheet included the guaranteed beneficial interests in the subordinated debentures of the trust. Upon adoption of FIN 46-R at December 31, 2003, the trust has been deconsolidated and the junior subordinated debentures of the Company owned by the trust are being disclosed. The Trust Preferred Securities continue to qualify as Tier 1 capital for regulatory purposes. The banking regulatory agencies have not issued any guidance which would change the regulatory capital treatment for the Trust Preferred Securities based on the adoption of FIN 46-R. The adoption of the provisions of FIN 46-R has had no material impact on our results of operations, financial condition, or liquidity. See Note 9 of our Notes to Consolidated Financial Statements for a discussion of our subordinated debentures.

Loan commitments: During 2003, we adopted the provisions of Statement of Financial Accounting Standards No. 149 ("SFAS 149"), Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS 149 requires that commitments to make mortgage loans should be accounted for as derivatives if the loans are to be held for sale, because the commitment represents a written option and accordingly is recorded at the fair value of the option liability. The adoption of SFAS 149 did not have a material impact on our results of operations, financial position, or liquidity.

Note 3. Earnings per Share

The computations of basic and diluted earnings per share follow:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Numerator:				
Net Income	$2,674,063	$2,008,434	$5,125,244	$3,872,421
Denominator:				
Denominator for basic earnings per share - weighted average common shares outstanding	3,510,784	3,504,358	3,510,423	3,504,145
Effect of dilutive securities:				
Convertible preferred stock	18,658	-	9,329	-
Stock options	33,968	30,285	31,814	26,091
	52,626	30,285	41,143	26,091
Denominator for diluted earnings per share - weighted average common shares outstanding and assumed conversions	3,563,410	3,534,643	3,551,566	3,530,236
Basic earnings per share	$ 0.76	$ 0.57	$ 1.46	$ 1.11
Diluted earnings per share	$ 0.75	$ 0.57	$ 1.44	$ 1.10

Note 4. Securities

The amortized cost, unrealized gains, unrealized losses and estimated fair values of securities at June 30, 2004 and December 31, 2003, and June 30, 2003 are summarized as follows:

	June 30, 2004			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies and corporations	$ 21,814,444	$ 252,473	$ 219,910	$ 21,847,007
Mortgage-backed securities	124,756,909	375,830	3,273,114	121,859,625
State and political subdivisions	3,747,075	13,645	-	3,760,720
Corporate debt securities	6,656,207	286,057	-	6,942,264
Federal Reserve Bank stock	496,000	-	-	496,000
Federal Home Loan Bank stock	11,869,100	-	-	11,869,100
Other equity securities	175,535	-	-	175,535
Total taxable	169,515,270	928,005	3,493,024	166,950,251
Tax-exempt:				
State and political subdivisions	39,850,767	766,779	370,469	40,247,077
Federal Reserve Bank stock	8,400	-	-	8,400
Other equity securities	7,500,240	-	1,062,379	6,437,861
Total tax-exempt	47,359,407	766,779	1,432,848	46,693,338
Total	$216,874,677	$ 1,694,784	$ 4,925,872	$213,643,589

	December 31, 2003			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies and corporations	$ 21,323,741	$ 556,785	$ 37,831	$ 21,842,695
Mortgage-backed securities	132,030,288	959,890	532,445	132,457,733
State and political subdivisions	4,008,910	24,685	-	4,033,595
Corporate debt securities	16,516,090	774,306	-	17,290,396
Federal Reserve Bank stock	436,000	-	-	436,000
Federal Home Loan Bank stock	10,319,400	-	-	10,319,400
Other equity securities	175,535	-	-	175,535
Total taxable	184,809,964	2,315,666	570,276	186,555,354
Tax-exempt:				
State and political subdivisions	40,510,819	1,448,023	31,757	41,927,085
Federal Reserve Bank stock	8,400	-	-	8,400
Other equity securities	7,519,216	-	600,827	6,918,389
Total tax-exempt	48,038,435	1,448,023	632,584	48,853,874
Total	$232,848,399	$ 3,763,689	$ 1,202,860	$235,409,228

	June 30, 2003			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies and corporations	$ 26,211,258	$ 1,043,063	$ -	$ 27,254,321
Mortgage-backed securities	105,027,864	2,096,591	123,853	107,000,602
State and political subdivisions	5,116,149	47,823	1,042	5,162,930
Corporate debt securities	23,431,639	1,433,697	-	24,865,336
Federal Reserve Bank stock	436,000	-	-	436,000
Federal Home Loan Bank stock	9,116,200	-	-	9,116,200
Other equity securities	175,535	-	-	175,535
Total taxable	169,514,645	4,621,174	124,895	174,010,924
Tax-exempt:				
State and political subdivisions	34,346,137	2,085,896	10,229	36,421,804
Federal Reserve Bank stock	8,400	-	-	8,400
Other equity securities	7,537,889	-	441,116	7,096,773
Total tax-exempt	41,892,426	2,085,896	451,345	43,526,977
Total	$211,407,071	$ 6,707,070	$ 576,240	$217,537,901

The maturities, amortized cost and estimated fair values of securities at June 30, 2004, are summarized as follows:

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 46,678,699	$ 46,218,578
Due from one to five years	90,897,284	89,308,653
Due from five to ten years	30,567,823	30,416,603
Due after ten years	28,681,596	28,712,859
Equity securities	20,049,275	18,986,896
	$216,874,677	$213,643,589

Note 5. Loans

Loans are summarized as follows:

	June 30, 2004	December 31, 2003	June 30, 2003
Commerical	$ 49,294,033	$ 46,860,481	$ 44,994,867
Commercial real estate	250,562,417	209,391,036	186,864,101
Real estate - construction	2,665,044	2,368,552	4,137,294
Real estate - mortgage	212,370,641	196,134,926	173,782,163
Consumer	41,787,194	41,112,132	39,969,894
Other	9,315,822	8,223,033	6,101,005
Total loans	565,995,151	504,090,160	455,849,324
Less unearned fees and interest	1,173,214	1,069,324	882,327
Total loans net of unearned fees and interest	564,821,937	503,020,836	454,966,997
Less allowance for loan losses	4,952,631	4,680,625	4,297,524
Loans, net	$559,869,306	$498,340,211	$450,669,473

Note 6. Allowance for Loan Losses

An analysis of the allowance for loan losses for the six month periods ended June 30, 2004 and 2003, and for the year ended December 31, 2003 is as follows:

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003	Year Ended December 31, 2003
Balance, beginning of period	$4,680,625	$4,052,949	$4,053,131
Losses:			
Commercial	136,765	-	1,308
Commercial real estate	6,862	96,640	96,640
Real estate - mortgage	-	33,653	59,952
Consumer	76,396	121,950	178,305
Other	111,971	18,850	72,539
Total	331,994	271,093	408,744
Recoveries:			
Commercial	18,314	1,300	1,805
Commercial real estate	15,301	-	2,602
Real estate - mortgage	9,413	300	413
Consumer	59,927	48,391	78,515
Other	36,045	15,677	37,903
Total	139,000	65,668	121,238
Net losses	192,994	205,425	287,506
Provision for loan losses	465,000	450,000	915,000
Balance, end of period	$4,952,631	$4,297,524	$4,680,625

Note 7. Goodwill and Other Intangible Assets

The following tables present our goodwill at June 30, 2004 and other intangible assets at June 30, 2004, December 31, 2003, and June 30, 2003. There was no goodwill activity during 2003.

Goodwill Activity by Operating Segment

	Community Banking	Mortgage Banking	Parent and Other	Total
Balance, January 1, 2004	$ 1,488,030	$ -	$ -	$ 1,488,030
Acquired goodwill, net	-	-	600,000	600,000
Balance, June 30, 2004	$ 1,488,030	$ -	$ 600,000	$ 2,088,030

Unidentifiable Intangible Assets

	June 30, 2004	December 31, 2003	June 30, 2003
Unidentifiable intangible assets			
Gross carrying amount	$ 2,267,323	$ 2,267,323	$ 2,267,323
Less: accumulated amortization	780,952	705,377	629,801
Net carrying amount	$ 1,486,371	$ 1,561,946	$ 1,637,522

We recorded amortization expense of approximately $76,000 for the six months ended June 30, 2004 relative to our unidentifiable intangible assets. Annual amortization is expected to be approximately $151,000 for each of the years ending 2004 through 2008.

Note 8. Deposits

The following is a summary of interest bearing deposits by type as of June 30, 2004 and 2003 and December 31, 2003:

	June 30, 2004	December 31, 2003	June 30, 2003
Interest bearing demand deposits	$122,414,880	$112,670,844	$ 96,258,376
Savings deposits	51,378,404	47,397,004	48,514,903
Certificates of deposit	281,125,705	274,543,713	255,787,202
Individual retirement accounts	26,144,600	26,185,456	25,773,976
Total	$481,063,589	$460,797,017	$426,334,457

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 June 30, 2004:

	Amount	Percent
Three months or less	$ 18,812,174	16.6%
Three through six months	23,293,995	20.6%
Six through twelve months	30,782,579	27.2%
Over twelve months	40,424,230	35.6%
Total	$ 113,312,978	100.0%

A summary of the scheduled maturities for all time deposits as of June 30, 2004 is as follows:

Six month period ending December 31, 2004	$ 122,577,391
Year Ending December 31, 2005	124,743,972
Year Ending December 31, 2006	23,501,334
Year Ending December 31, 2007	15,822,237
Year Ending December 31, 2008	14,232,628
Thereafter	6,392,743
	$ 307,270,305

Note 9. Borrowed Funds

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

	Six Months Ended June 30, 2004		
	Federal Funds Purchased and Lines of Credit	Repurchase Agreements	Federal Home Loan Bank Short-term Advances
Balance at June 30	$ 1,173,000	$ 7,624,423	$ 62,552,600
Average balance outstanding for the period	1,216,539	9,621,707	47,452,738
Maximum balance outstanding at any month end during period	1,173,000	10,524,126	62,552,600
Weighted average interest rate for the period	1.91%	1.52%	1.22%
Weighted average interest rate for balances outstanding at June 30	1.82%	1.30%	1.60%

	Year Ended December 31, 2003		
	Federal Funds Purchased and Lines of Credit	Repurchase Agreements	Federal Home Loan Bank Short-term Advances
Balance at December 31	$ -	$ 10,429,146	$ 39,285,100
Average balance outstanding for the year	1,191,013	8,419,384	22,177,797
Maximum balance outstanding at any month end during year	6,851,000	10,429,146	39,285,100
Weighted average interest rate for the year	2.37%	1.55%	1.27%
Weighted average interest rate for balances outstanding at December 31	-	1.59%	1.07%

	Six Months Ended June 30, 2003		
	Federal Funds Purchased and Lines of Credit	Repurchase Agreements	Federal Home Loan Bank Short-term Advances
Balance at June 30	$ 1,923,000	$ 8,092,587	$ 14,204,600
Average balance outstanding for the period	656,243	8,330,355	14,515,676
Maximum balance outstanding at any month end during period	4,165,000	8,979,955	20,164,600
Weighted average interest rate for the period	2.37%	1.54%	1.39%
Weighted average interest rate for balances outstanding at June 30	2.77%	1.59%	1.34%

Long-term borrowings: Our long-term borrowings of $164,906,662, $164,646,208 and $155,759,505 at June 30, 2004, December 31, 2003, and June 30, 2003 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 six month period ended June 30, 2004 was 4.02% compared to 4.88% for the first six months of 2003.

Subordinated Debentures: We have two statutory business trusts that were formed for the purpose of issuing mandatorily redeemable securities (the "capital securities") for which we are obligated to third party investors and investing the proceeds from the sale of the capital securities in our junior subordinated debentures (the "debentures"). The debentures held by the trusts are their sole assets. Our subordinated debentures totaled $11,341,000 at June 30, 2004, and $3,609,000 at both December 31, 2003 and June 30, 2003.

In October 2002, we sponsored SFG Capital Trust I, and in March 2004, we sponsored SFG Capital Trust II, of which 100% of the common equity of both trusts is owned by us. SFG Capital Trust I issued $3,500,000 in capital securities and $109,000 in common securities and invested the proceeds in $3,609,000 of debentures. SFG Capital Trust II issued $7,500,000 in capital securities and $232,000 in common securities and invested the proceeds in $7,732,000 of debentures. Distributions on the capital securities issued by the trusts are payable quarterly at a variable interest rate equal to 3 month LIBOR plus 345 basis points for SFG Capital Trust I and 3 month LIBOR plus 280 basis points for SFG Capital Trust II, and equals the interest rate earned on the debentures held by the trusts, and is recorded as interest expense by us. The capital securities are subject to mandatory redemption in whole or in part, upon repayment of the debentures. We have entered into agreements which, taken collectively, fully and unconditionally guarantee the capital securities subject to the terms of the guarantee. The debentures of SFG Capital Trust I and SFG Capital Trust II are first redeemable by us in November 2007 and March 2009, respectively.

In fourth quarter 2003, as a result of applying the provisions of FIN 46-R, which governs when an equity interest should be consolidated, we were required to deconsolidate SFG Capital Trust I from our financial statements. The deconsolidation of the net assets and results of operations of the trust had virtually no impact on our financial statements or liquidity position, since we continue to be obligated to repay the debentures held by the trust and guarantee repayment of the capital securities issued by the trust. The consolidated debt obligation related to the trust increased from $3,500,000 to $3,609,000 upon deconsolidation with the difference representing our common ownership interest in the trust. The accompanying financial statements reflect the deconsolidation for all periods presented.

The capital securities held by SFG Capital Trust I and SFG Capital Trust II qualify as Tier 1 capital under Federal Reserve Board guidelines. As a result of the issuance of FIN 46-R, the Federal Reserve Board is currently evaluating whether deconsolidation of the trust will affect the qualification of the capital securities as Tier 1 capital.

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

Year Ending December 31,	Amount
2004	$ 14,250,950
2005	28,575,742
2006	11,442,214
2007	12,054,208
2008	14,344,851
Thereafter	95,579,697
	$ 176,247,662

Note 10. Stock Option Plan

In accordance with Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, we have elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for our employee stock options.

The Officer Stock Option Plan, which provides for the granting of stock options for up to 480,000 shares of common stock to our key officers, was adopted in 1998 and expires in 2008. Each option granted under the plan vests according to a schedule designated at the grant date and shall have a term of no more than 10 years following the vesting date. Also, the option price per share shall not be less than the fair market value of our common stock on the date of grant. Accordingly, no compensation expense is recognized for options granted under the Plan.

The following pro forma disclosures present for the quarters ended and six months ended June 30, 2004 and 2003, our reported net income and basic and diluted earnings per share had we recognized compensation expense for our Officer Stock Option Plan based on the grant date fair values of the options (the fair value method described in Statement of Financial Accounting Standards No. 123).

(in thousands, except per share data)	Quarter Ended June 30, 2004	Quarter Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Net income:				
As reported	$ 2,674	$ 2,008	$ 5,125	$ 3,872
Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(23)	(9)	(57)	(19)
Pro forma	$ 2,651	$ 1,999	$ 5,068	$ 3,853
Basic earnings per share:				
As reported	$ 0.76	$ 0.57	$ 1.46	$ 1.11
Pro forma	$ 0.76	$ 0.57	$ 1.44	$ 1.10
Diluted earnings per share:				
As reported	$ 0.75	$ 0.57	$ 1.44	$ 1.10
Pro forma	$ 0.74	$ 0.57	$ 1.43	$ 1.09

For purposes of computing the above pro forma amounts, we estimated the fair value of the options at the date of grant using a Black-Scholes option pricing model using the following weighted-average assumptions for grants during the first six months of 2004: risk free interest rate of 2.96%; dividend yield of 1.21%; volatility factor of the expected market price of our common stock of 22; and an expected option life of 5 years. The weighted-average grant date fair value of the options granted was $7.68. There were no option grants during the first six months of 2003. For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

Note 11 . Issuance of Preferred Stock

On April 23, 2004, the Board of Directors approved an amendment to our Articles of Incorporation establishing the Rockingham National Bank Series Convertible Preferred Stock ("Preferred Stock") and authorizing up to 40,000 shares of its issuance. On May 17, 2004, we completed the sale of 33,400 shares of Preferred Stock in a private placement. The Preferred Stock was sold to potential investors that we believed would be beneficial to the development and support of the Rockingham National Bank, a division of Summit's subsidiary, Shenandoah Valley National Bank, and to the outside directors of Shenandoah Valley National Bank. The offering price for each share of the Preferred Stock was the mean of the closing prices of Summit's common stock reported on the last five (5) business days on which the stock traded prior to and inclusive of May 10, 2004, which was $35.28 per share, and aggregate offering proceeds were $1,158,471, net of related issuance costs. The shares of Preferred Stock will convert automatically into a maximum of 41,750 shares of our common stock on May 15, 2005 based on the total loans and deposits of the Rockingham National Bank division of Shenandoah Valley National Bank on that date.

Note 12. Restrictions on Capital

We and our 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, we and each of our subsidiaries must meet specific capital guidelines that involve quantitative measures of our and our subsidiaries' assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. We and each of our 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 us and each of our 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). We believe, as of June 30, 2004, that we and each of our subsidiaries met all capital adequacy requirements to which they were subject.

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

Our actual capital amounts and ratios as well as our subsidiaries', Summit Community Bank's ("Summit Community"), Capital State Bank, Inc.'s ("Capital State") and Shenandoah Valley National Bank's ("Shenandoah") 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 June 30, 2004						
Total Capital (to risk weighted assets)						
Summit	$ 72,652	11.9%	$ 48,864	8.0%	$ 61,080	10.0%
Summit Community	29,509	10.8%	21,836	8.0%	27,295	10.0%
Capital State	13,790	10.5%	10,504	8.0%	13,130	10.0%
Shenandoah	20,077	10.2%	15,814	8.0%	19,767	10.0%
Tier I Capital (to risk weighted assets)						
Summit	67,700	11.1%	24,432	4.0%	36,648	6.0%
Summit Community	27,124	9.9%	10,918	4.0%	16,377	6.0%
Capital State	12,604	9.6%	5,252	4.0%	7,878	6.0%
Shenandoah	18,696	9.5%	7,907	4.0%	11,860	6.0%
Tier I Capital (to average assets)						
Summit	67,700	8.2%	24,815	3.0%	41,358	5.0%
Summit Community	27,124	6.9%	11,756	3.0%	19,593	5.0%
Capital State	12,604	7.0%	5,369	3.0%	8,949	5.0%
Shenandoah	18,696	7.6%	7,378	3.0%	12,296	5.0%
As of December 31, 2003						
Total Capital (to risk weighted assets)						
Summit	$ 60,092	11.0%	43,678	8.0%	54,598	10.0%
Summit Community	28,449	10.9%	20,791	8.0%	25,989	10.0%
Capital State	12,843	10.7%	9,621	8.0%	12,026	10.0%
Shenandoah	16,650	10.4%	12,780	8.0%	15,975	10.0%
Tier I Capital (to risk weighted assets)						
Summit	55,411	10.1%	21,839	4.0%	32,759	6.0%
Summit Community	26,032	10.0%	10,396	4.0%	15,593	6.0%
Capital State	11,830	9.8%	4,810	4.0%	7,216	6.0%
Shenandoah	15,399	9.6%	6,390	4.0%	9,585	6.0%
Tier I Capital (to average assets)						
Summit	55,411	7.3%	22,692	3.0%	37,820	5.0%
Summit Community	26,032	7.0%	11,184	3.0%	18,639	5.0%
Capital State	11,830	7.0%	5,064	3.0%	8,440	5.0%
Shenandoah	15,399	7.1%	6,472	3.0%	10,786	5.0%

Note 13. Segment Information

We operate two business segments: community banking and mortgage banking. These segments are primarily identified by the products or services offered and the channels through which they are offered. The community banking segment consists of our full service banks which offer customers traditional banking products and services through various delivery channels. The mortgage banking segment consists of our mortgage origination facilities that originate and sell mortgage products. Information for each of our segments is included below:

Dollars in thousands	For the Quarter Ended June 30, 2004				
	Community Banking	Mortgage Banking	Parent and Other	Eliminations	Total
Condensed Statements of Income					
Interest income	$ 10,941	$ 301	$ 3	$ (153)	$ 11,092
Interest expense	4,185	153	109	(153)	4,294
Net interest income	6,756	148	(106)	-	6,798
Provision for loan losses	233	-	-	-	233
Net interest income after provision for loan losses	6,523	148	(106)	-	6,565
Noninterest income	743	6,614	995	(920)	7,432
Noninterest expense	3,824	5,953	1,311	(920)	10,168
Income before income taxes	3,442	809	(422)	-	3,829
Income taxes	1,050	277	(172)	-	1,155
Net income	$ 2,392	$ 532	$ (250)	$ -	$ 2,674
Average assets	$804,831	$ 16,512	$ 73,221	$(63,837)	$830,727

Dollars in thousands	For the Quarter Ended June 30, 2003				
	Community Banking	Mortgage Banking	Parent and Other	Eliminations	Total
Condensed Statements of Income					
Interest income	$ 10,170	$ -	$ 2	$ (3)	$ 10,169
Interest expense	4,418	-	53	(3)	4,468
Net interest income	5,752	-	(51)	-	5,701
Provision for loan losses	233	-	-	-	233
Net interest income after provision for loan losses	5,519	-	(51)	-	5,468
Noninterest income	613	184	818	(818)	797
Noninterest expense	3,252	85	920	(818)	3,439
Income before income taxes	2,880	99	(153)	-	2,826
Income taxes	849	34	(65)	-	818
Net income	$ 2,031	$ 65	$ (88)	$ -	$ 2,008
Average assets	$706,915	$ 3,672	$ 59,046	$(55,429)	$714,204

Dollars in thousands	For the Six Months Ended June 30, 2004				
	Community Banking	Mortgage Banking	Parent and Other	Eliminations	Total
Condensed Statements of Income					
Interest income	$ 21,696	$ 508	$ 6	$ (246)	$ 21,964
Interest expense	8,355	242	214	(246)	8,565
Net interest income	13,341	266	(208)	-	13,399
Provision for loan losses	465	-	-	-	465
Net interest income after provision for loan losses	12,876	266	(208)	-	12,934
Noninterest income	1,366	10,932	1,885	(1,809)	12,374
Noninterest expense	7,418	10,015	2,383	(1,809)	18,007
Income before income taxes	6,824	1,183	(706)	-	7,301
Income taxes	2,049	407	(280)	-	2,176
Net income	$ 4,775	$ 776	$ (426)	$ -	$ 5,125
Average assets	$792,605	$ 12,946	$ 71,112	$(62,591)	$814,072

Dollars in thousands	For the Six Months Ended June 30, 2003				
	Community Banking	Mortgage Banking	Parent and Other	Eliminations	Total
Condensed Statements of Income					
Interest income	$ 20,304	$ -	$ 4	$ (8)	$ 20,300
Interest expense	8,833	-	106	(8)	8,931
Net interest income	11,471	-	(102)	-	11,369
Provision for loan losses	450	-	-	-	450
Net interest income after provision for loan losses	11,021	-	(102)	-	10,919
Noninterest income	1,067	323	1,600	(1,620)	1,370
Noninterest expense	6,420	168	1,812	(1,620)	6,780
Income before income taxes	5,668	155	(314)	-	5,509
Income taxes	1,702	53	(118)	-	1,637
Net income	$ 3,966	$ 102	$ (196)	$ -	$ 3,872
Average assets	$693,888	$ 3,030	$ 57,691	$(54,416)	$700,193

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

INTRODUCTION

The following discussion and analysis focuses on significant changes in our financial condition and results of operations of Summit Financial Group, Inc. ("Company" or "Summit") and our wholly owned subsidiaries, Summit Community Bank ("Summit Community"), Capital State Bank, Inc. ("Capital State"),Shenandoah Valley National Bank ("Shenandoah"), Summit Financial, LLC ("SFLLC"), and Summit Insurance Services, LLC for the periods indicated. This discussion and analysis should be read in conjunction with our 2003 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 us. Our following 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, we note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in those forward-looking statements.

OVERVIEW

Our primary source of income is net interest income from loans and deposits. Business volumes tend to be influenced by the overall economic factors including market interest rates, business spending, and consumer confidence, as well as competitive conditions within the marketplace.

Strong growth in our interest earning assets resulted in an increase of 17.84%, or $2,128,000, in our net interest earnings on a tax equivalent basis for the first six months in 2004 compared to the same period of 2003. Further, our mortgage banking segment, SFLLC, which began operations during third quarter 2003, contributed $776,000 to our first six months 2004 earnings. During the first quarter of 2004, we acquired an insurance agency located in Moorefield, West Virginia. This acquisition had no material impact on our results of operations, financial condition, or liquidity.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and follow general practices within the financial services industry. Application of these principles requires us to make estimates, assumptions, and judgments that affect the amounts reported in our financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions, and judgments and as such have a greater possibility of producing results that could be materially different than originally reported.

Our most significant accounting policies are presented in Note 1 to the consolidated financial statements of our 2003 Annual Report on Form 10-K. These policies, along with the disclosures presented in the other financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined.

Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, we have identified the determination of the allowance for loan losses and the valuation of goodwill to be the accounting areas that require the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

The allowance for loan losses represents our estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset type on our consolidated balance sheet. To the extent actual outcomes differ from our estimates, additional provisions for loan losses may be required that would negatively impact earnings in future periods. Note 1 to the consolidated financial statements of our 2003 Annual Report on Form 10-K describes the methodology used to determine the allowance for loan losses and a discussion of the factors driving changes in the amount of the allowance for loan losses is included in the Asset Quality section of the financial review of the 2003 Annual Report on Form 10-K.

With the adoption of SFAS No. 142 on January 1, 2002, we discontinued the amortization of goodwill resulting from acquisitions. Goodwill is now subject to impairment testing at least annually to determine whether write-downs of the recorded balances are necessary. A fair value is determined based on at least one of three various market valuation methodologies. If the fair value equals or exceeds the book value, no write-down of recorded goodwill is necessary. If the fair value is less than the book value, an expense may be required on our books to write down the goodwill to the proper carrying value. During the third quarter, we will complete the required annual impairment test for 2004. We cannot assure you that future goodwill impairment tests will not result in a charge to earnings. See Notes 1 and 7 of the consolidated financial statements of our Annual Report on Form 10-K for further discussion of our intangible assets, which include goodwill.

BUSINESS SEGMENT RESULTS

We are organized and managed along two major business segments, as described in Note 13 of the accompanying consolidated financial statements. The results of each business segment are intended to reflect each segment as if it were a stand alone business. Net income by segment follows:

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
in thousands	2004	2003	2004	2003
Community Banking	$ 2,392	$ 2,031	$ 4,775	$ 3,966
Mortgage Banking	532	65	776	102
Parent and Other	(250)	(88)	(426)	(196)
Consolidated net income	$ 2,674	$ 2,008	$ 5,125	$ 3,872

RESULTS OF OPERATIONS

Earnings Summary

Net income for the quarter ended June 30, 2004 grew 33.17% to $2,674,000, or $0.75 per diluted share as compared to $2,008,000, or $0.57 per diluted share for the quarter ended June 30, 2003. Returns on average equity and assets for the first six months of 2004 were 17.31% and 1.26%, respectively, compared with 14.42% and 1.11% for the same period of 2003.

Net Interest Income

Net interest income is the principal component of our earnings and represents the difference between interest and fee income generated from earning assets and the interest expense paid on deposits and borrowed funds. Fluctuations in interest rates as well as changes in the volume and mix of earning assets and interest bearing liabilities can materially impact net interest income.

Our net interest income on a fully tax-equivalent basis totaled $14,053,000 for the six months period ended June 30, 2004 compared to $11,925,000 for the same period of 2003, representing an increase of $2,128,000 or 17.84%. This increase resulted from growth in interest earning assets, primarily loans, which served to more than offset the 42 basis points decline in the yield on interest earning assets during the same period. Average interest earning assets grew 16.1% from $662,218,000 during the first six months of 2003 to $768,693,000 for the first six months of 2004. Average interest bearing liabilities grew 17.0% from $596,690,000 at June 30, 2003 to $698,333,000 at June 30, 2004, at an average yield for the first six months of 2004 of 2.45% compared to 2.99% for the same period of 2003.

Our net yield on interest earning assets increased to 3.66% for the six month period ended June 30, 2004, compared to 3.60% for the same period in 2003. The yields on taxable loans declined 68 basis points during the period ended June 30, 2004, and during the same period, our cost of interest bearing funds also decreased by 54 basis points. Consistent with the experience of many other financial institutions, this margin compression is the result of earning assets repricing at historically low yields, while at the same time, we have limited ability to decrease correspondingly the rates paid on interest bearing liabilities. Further contributing to this situation are historically high prepayments of loans and mortgage-backed securities which necessitate the reinvestment of significant cash flows at rates well below each respective portfolio's overall yield.

We anticipate modest growth in our net interest income to continue over the near term as the growth in the volume of interest earning assets will more than offset the expected continued decline in our net interest margin. However, if market interest rates remain significantly unchanged, or go lower over the next 12 to 18 months, the spread between interest earning assets and interest bearing liabilities could narrow such that its impact could not be offset by growth in earning assets. See the "Market Risk Management" section for further discussion of the impact changes in market interest rates could have on us. Further analysis of our 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 Six Months Ended					
	June 30, 2004			June 30, 2003		
	Average Balance	Earnings/ Expense	Yield/ Rate	Average Balance	Earnings/ Expense	Yield/ Rate
Interest earning assets						
Loans, net of unearned income						
Taxable	$ 539,338	$ 16,852	6.25%	$ 433,533	$ 15,030	6.93%
Tax-exempt (1)	8,202	313	7.63%	5,973	245	8.20%
Securities						
Taxable	169,208	3,738	4.42%	176,437	4,061	4.60%
Tax-exempt (1)	48,454	1,651	6.81%	40,262	1,429	7.10%
Federal funds sold and interest bearing deposits with other banks	3,491	64	3.67%	6,013	91	3.03%
Total interest earning assets	768,693	22,618	5.88%	662,218	20,856	6.30%
Noninterest earning assets						
Cash & due from banks	12,005			8,565		
Premises and equipment	19,432			12,585		
Other assets	18,752			20,988		
Allowance for loan losses	(4,810)			(4,163)		
Total assets	$ 814,072			$ 700,193		
Interest bearing liabilities						
Interest bearing demand deposits	$ 117,539	$ 531	0.90%	$ 97,793	$ 427	0.87%
Savings deposits	48,390	111	0.46%	46,465	145	0.62%
Time deposits	305,785	4,162	2.72%	277,417	4,570	3.29%
Short-term borrowings	58,283	375	1.29%	21,922	173	1.58%
Long-term borrowings and capital trust securities	168,336	3,386	4.02%	153,093	3,616	4.72%
Total interest bearing liabilities	698,333	8,565	2.45%	596,690	8,931	2.99%
Noninterest bearing liabilities and shareholders' equity						
Demand deposits	51,059			44,581		
Other liabilities	5,461			5,201		
Shareholders' equity	59,219			53,721		
Total liabilities and shareholders' equity	$ 814,072			$ 700,193		
Net interest earnings		$ 14,053			$ 11,925	
Net yield on interest earning assets			3.66%			3.60%

(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 $663,000 and$556,000 for the periods ended June 30, 2004 and 2003, respectively.

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

	For the Six Months Ended June 30, 2004 versus June 30, 2003		
	Increase (Decrease) Due to Change in:		
	Volume	Rate	Net
Interest earned on:			
Loans			
Taxable	$ 3,410	$(1,588)	$ 1,822
Tax-exempt	86	(18)	68
Securities			
Taxable	(163)	(160)	(323)
Tax-exempt	281	(59)	222
Federal funds sold and interest bearing deposits with other banks	(43)	16	(27)
Total interest earned on interest earning assets	3,571	(1,809)	1,762
Interest paid on:			
Interest bearing demand deposits	89	15	104
Savings deposits	6	(40)	(34)
Time deposits	437	(845)	(408)
Short-term borrowings	239	(37)	202
Long-term borrowings and capital trust securities	339	(569)	(230)
Total interest paid on interest bearing liabilities	1,110	(1,476)	(366)
Net interest income	$ 2,461	$ (333)	$ 2,128

Credit Experience

The provision for loan losses represents charges to earnings necessary to maintain an adequate allowance for potential future loan losses. Our 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.

We recorded a $465,000 provision for loan losses for the first six months of 2004, compared to $450,000 for the same period in 2003. Net loan charge offs for the first six months of 2004 were $193,000, as compared to $205,000 over the same period of 2003. At June 30, 2004, the allowance for loan losses totaled $4,953,000 or 0.88% of loans, net of unearned income, compared to $4,681,000 or 0.93% of loans, net of unearned income at December 31, 2003.

Our asset quality remains sound. As illustrated in Table III below, our non-performing assets and loans past due 90 days or more and still accruing interest have increased during the past 12 months, but still remain at a historically moderate level.

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

	June 30, 2004	June 30, 2003	December 31, 2003
Accruing loans past due 90 days or more	$ 593	$ 672	$ 342
Nonperforming assets:			
Nonaccrual loans	984	384	1,014
Nonaccrual securities	384	405	396
Foreclosed properties	475	546	497
Repossessed assets	7	17	-
Total	$2,443	$2,024	$2,249
Total nonperforming loans as a percentage of total loans	0.37%	0.36%	0.27%
Total nonperforming assets as a percentage of total assets	0.29%	0.28%	0.28%

Noninterest Income

On the strength of mortgage origination revenue, total noninterest income increased to $7,432,000 in the second quarter of 2004, compared to $797,000 in the same period of 2003. Mortgage origination revenue grew to $6,614,000 for the second quarter of 2004, compared to $184,000 for the same period of 2003. This increase was due to the organization of SFLLC during the third quarter of 2003. This revenue includes mortgage loan origination and sales activity conducted through SFLLC. Refer to Note 13 of the accompanying consolidated financial statements for our segment information.

Total noninterest income was $12,374,000 for the first six months of 2004, compared to $1,370,000 in the same period of 2003. Mortgage origination revenue was $10,933,000 for the first six months of 2004, compared to $323,000 for the same period of 2003.

Noninterest Expense

Total noninterest expense increased approximately $11,227,000, or 165.6% to $18,007,000 during the first six months of 2004 as compared to the same period in 2003. The primary factor contributing to growth in noninterest expense was an increase in salaries and employee benefits expense due to the staffing requirements of SFLLC. Two other major contributors to the increase in total noninterest expense for the quarter ended June 30, 2004 were advertising and postage expense. These increased expenses resulted from SFLLC's direct mail program utilized to obtain customers. Refer to Note 13 of the accompanying consolidated financial statements for our segment information.

FINANCIAL CONDITION

Our total assets were $849,555,000 at June 30, 2004, compared to $791,465,000 at December 31, 2003, representing a 7.3% increase. Table IV below serves to illustrate significant changes in our financial position between December 31, 2003 and June 30, 2004.

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

	Balance December 31, 2003	Increase (Decrease) Amount	Increase (Decrease) Percentage	Balance June 30, 2004
Assets				
Securities available for sale	235,409	(21,765)	-9.2%	213,644
Loans, net of unearned income	504,693	70,783	14.0%	575,476
Liabilities				
Interest bearing deposits	$ 460,797	$ 20,267	4.4%	$ 481,064
Short-term borrowings	49,714	21,636	43.5%	71,350
Long-term borrowings	168,255	7,993	4.8%	176,248

Loan growth during the first six months of 2004, occurring principally in the commercial and real estate portfolios, was funded primarily by both long-term and short-term borrowings from the FHLB.

Refer to Notes 3, 4, 6 and 7 of the notes to the accompanying consolidated financial statements for additional information with regard to changes in the composition of our securities, loans, deposits and borrowings between June 30, 2004 and December 31, 2003.

LIQUIDITY

Liquidity reflects our 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 $100 million, or 11.7% of total assets at June 30, 2004 versus $115 million, or 14.7% of total assets at December 31, 2003.

Our liquidity position is monitored continuously to ensure that day-to-day as well as anticipated funding needs are met. We are not aware of any trends, commitments, events or uncertainties that have resulted in or are reasonably likely to result in a material change to our liquidity.

CAPITAL RESOURCES

One of our continuous goals is maintenance of a strong capital position. Through management of our capital resources, we seek to provide an attractive financial return to our shareholders while retaining sufficient capital to support future growth. Shareholders' equity at June 30, 2004 totaled $58,975,000 compared to $57,188,000 at December 31, 2003, representing an increase of 3.1%.

Refer to Note 12 of the notes to the accompanying consolidated financial statements for information regarding regulatory restrictions on our capital as well as our subsidiaries' capital.

CONTRACTUAL CASH OBLIGATIONS

During our normal course of business, we incur contractual cash obligations. The following table summarizes our contractual cash obligations at June 30, 2004.

	Long Term Debt	Capital Trust Securities
2004	$ 14,250,950	$ -
2005	28,575,742	-
2006	11,442,214	-
2007	12,054,208	-
2008	14,344,851	-
Thereafter	84,238,697	11,341,000
Total	$ 164,906,662	$ 11,341,000

OFF-BALANCE SHEET ARRANGEMENTS

We are involved with some off-balance sheet arrangements that have or are reasonably likely to have an effect on our financial condition, liquidity, or capital. These arrangements at June 30, 2004 are presented in the following table.

	June 30, 2004
Commitments to extend credit:	
Revolving home equity and credit card lines	$ 23,107,632
Construction loans	44,138,368
Other loans	29,497,969
Standby letters of credit	4,470,506
Total	$ 101,214,475

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 our 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 our actions in this regard are taken under the guidance of our 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 we use in our financial planning and budgeting process and establishes policies which control and monitor our sources, uses and prices of funds.

Some amount of interest rate risk is inherent and appropriate to the banking business. Our net income is affected by changes in the absolute level of interest rates. Our interest rate risk position is slightly 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 our 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. We primarily use 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. Each increase or decrease in interest rates is assumed to take place over the next 12 months, and then remain stable. 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.

The following table shows our projected earnings sensitivity as of June 30, 2004 which is well within our ALCO policy limit of +/- 10%:

Change in Interest Rates (basis points)	Percentage Change in Net Interest Income
Down 100	0.92%
Up 100	-0.49%
Up 200	-0.81%

CONTROLS AND PROCEDURES

Our management, including the Chief Executive Officer and Chief Financial Officer, have conducted as of June 30, 2004, an evaluation of the effectiveness of disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of June 30, 2004 were effective. There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting

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Part II. Other Information

Item 1. Legal Proceedings

We are involved in various pending legal actions, all of which are regarded as litigation arising in the ordinary course of business and are not expected to have a materially adverse effect on our business or financial condition.

On December 26, 2003, two of our subsidiaries, Summit Financial, LLC and Shenandoah Valley National Bank, and various employees of Summit Financial, LLC were served with a Petition for Temporary Injunction and a Bill of Complaint filed in the Circuit Court of Fairfax County, Virginia by Corinthian Mortgage Corporation. The filings allege various claims against Summit Financial, LLC and Shenandoah Valley National Bank arising out of the hiring of former employees of Corinthian Mortgage Corporation and the alleged use of trade secrets. The individual defendants have also been sued based on allegations arising out of their former employment relationship with Corinthian Mortgage and their current employment with Summit Financial, LLC.

The plaintiff seeks damages in the amount proven at trial on each claim and punitive damages in the amount of $350,000 on each claim. Plaintiff also seeks permanent and temporary injunctive relief prohibiting the alleged use of trade secrets by Summit Financial and the alleged solicitation of Corinthian's employees.

On January 22, 2004, we successfully defeated the Petition for Temporary Injunction brought against us by Corinthian Mortgage Corporation. The Circuit Court of Fairfax County, Virginia denied Corinthian's petition.

We, after consultation with legal counsel, believe that Corinthian's claims made in its recent lawsuit arising out of the hiring of former employees of Corinthian Mortgage Corporation and the alleged use of trade secrets are without foundation and that meritorious defenses exist as to all the claims. We will continue to evaluate the claims in the Corinthian lawsuit and intend to vigorously defend against them. We believe that the lawsuit is without merit and will have no material adverse effect on us. Management, at the present time, is unable to estimate the impact, if any, an adverse decision may have on our results of operations or financial condition.

Item 2. Changes in Securities and Use of Proceeds

On May 17, 2004, we sold 33,400 shares of Rockingham National Bank Series Convertible Preferred Stock ("Preferred Stock") in a private placement. The Preferred Stock was sold directly by Summit to potential investors that we believed would be beneficial to the development and support of the Rockingham National Bank, a division of Summit's subsidiary, Shenandoah Valley National Bank, and to the outside directors of Shenandoah Valley National Bank. The offering price for each share of the Preferred Stock was the mean of the closing prices of Summit's common stock reported on the last five (5) business days on which the stock traded prior to and inclusive of May 10, 2004, which was $35.28 per share. The aggregate offering price for the Preferred Stock was $1,411,200, and the aggregate amount of Preferred Stock sold was $1,158,471, net of related issuance costs. No underwriting discounts or commissions were paid.

The Preferred Stock was offered pursuant an exemption from registration in primary reliance upon Rule 505 of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"). The Preferred Stock was also offered under analogous state law exemptions from registration in the State of Virginia. Reliance on Rule 505 of Regulation D of the Act and analogous state law exemptions from registration in the State of Virginia was made based on the following facts: (i) the aggregate offering price did not exceed $5,000,000; (ii) we reasonably believed that there were no more than 2 non-accredited investors; (iii) we provided the non-accredited investors the information required by Rule 504(b) of Regulation D; (iv) we did not offer or sell securities by general solicitation or general advertising but offered and sold the securities to selected residents of the Rockingham County, Virginia area pursuant to two meetings in which these selected residents were invited to attend; (d) we placed limitations on resale of the Preferred Stock; and (e) no sales commissions were paid directly or indirectly to any brokers or underwriters for the offering or selling the Preferred Stock.

The shares of Preferred Stock will be automatically converted into shares of Common Stock of Summit on May 15, 2005, the second anniversary of the opening of the first office of the Rockingham National Bank division of Shenandoah Valley National Bank. The number of shares of Common Stock into which each share of Preferred Stock will be automatically converted will be based on the total loans and deposits of the Rockingham National Bank division of Shenandoah Valley National Bank on May 15, 2005. Set forth below is a table of the conversion ratios to convert each share of Preferred Stock into the specified number of shares of Common Stock on May 15, 2005.

Total Loans and Deposits of the Rockingham National Bank division of Shenandoah Valley National Bank as of May 15, 2005	Conversion Ratio (Number of Shares of Common Stock to Number of Shares of Preferred Stock)
$0 - $29,999,999	1.00 to 1.00
$30,000,000 - $39,999,999	1.10 to 1.00
$40,000,000 - $59,999,999	1.15 to 1.00
$60,000,000 and above	1.25 to 1.00

The holders of Preferred Stock have the option to convert the shares of Preferred Stock into Common Stock prior to the automatic conversion date of May 15, 2005. The holders of Preferred Stock must hold the shares of Preferred Stock for a minimum of sixty (60) days before converting their shares of Preferred Stock to Common Stock. If the holders of Preferred Stock convert their shares prior to May 15, 2005, then each share of Preferred Stock will be converted into one (1) share of Common Stock.

Item 4. Submission of Matters to a Vote of Security Holders

On May 15, 2004, we held our Annual Meeting of Shareholders, and the shareholders took the following actions:

1. Elected as directors the following individuals to three year terms:

	For	Withheld
Oscar M. Bean	2,653,530	16,252
Dewey F. Bensenhaver	2,666,235	9,540
John W. Crites	2,715,355	1,016
James Paul Geary	2,651,542	17,792
Phoebe F. Heishman	2,666,165	9,908
Charles S. Piccirillo	2,665,521	9,456

The following directors' terms of office continued after the 2004 annual shareholders' meeting: Frank A. Baer, III, Patrick N. Frye, Duke A. McDaniel, Ronald F. Miller, George R. Ours Jr., James M. Cookman, Thomas J. Hawse, III, Gary L. Hinkle, Gerald W. Huffman, H. Charles Maddy, III, and Harold K. Michael.

2. Ratified Arnett & Foster, CPA's to serve as our independent auditors for 2004.

For	Against	Abstentions
2,663,344	5,329	3,038

3. Approved amendment to Articles of Incorporation increasing our authorized common shares to 20,000,000.

For	Against	Abstentions
2,599,471	133,494	18,235

Item 6. Reports on Form 8-K

On April 15, 2004, Summit issued a News Release announcing its earnings for the first quarter of 2004.

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: August 13, 2004

ARTICLES OF INCORPORATION

OF

SUMMIT FINANCIAL GROUP, INC.

The undersigned, acting as incorporator of a corporation under Section 27, Article 1, Chapter 31 of the Code of West Virginia, adopts the following Articles of Incorporation for such corporation, FILED IN DUPLICATE:

I. The undersigned agrees to become a corporation by the name of SUMMIT FINANCIAL GROUP, INC.

II. The address of the principal office of said corporation will be 310 North Main Street, City of Moorefield, County of Hardy, State of West Virginia.

III. The purpose or purposes for which this corporation is organized are as follows.

To acquire and own stock and securities, of whatever kind, nature and description, in a bank or banks, and to take such actions as are necessary or incidental to the acquisition of a bank or banks;

To engage, either directly itself, indirectly by the formation of subsidiary corporations or otherwise, in any activity permitted to be undertaken by a bank holding company under existing or future laws, rules and regulations relating thereto;

Subject to the foregoing and unless otherwise limited herein to own, buy, acquire, sell, exchange, assign, lease and deal in and with real property and any interest or right therein; to own, buy, acquire, sell, exchange, assign, lease and deal in and with personal property and any interest or right therein; to own, buy, acquire, sell, exchange, assign, pledge and deal with voting stock, non-voting stock, notes, bonds, evidence of indebtedness and rights and options in and to other corporate and non-corporate entities, and to pay therefor in whole or in part in cash or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such stocks, bonds, debentures, notes, evidences or indebtedness or the securities, contracts, or

obligations, to receive, collect, and dispose of the interest, dividends and income arising from such property, and to possess and exercise in respect thereof, all the rights, powers and privileges of ownership, including all voting powers on any stocks so owned; and to borrow money without limit as to amount; and

Otherwise, subject to the foregoing and unless otherwise limited herein, to engage in any lawful act or activity for which corporations may be organized under the laws of the State of West Virginia.

IV. A. The amount of total authorized capital stock of the Corporation shall be Fifty Million Two Hundred Fifty Thousand Dollars ($50,250,000), which shall be divided into Five Million (5,000,000) shares of common stock with the par value of $2.50 each and Two Hundred Fifty Thousand (250,000) shares of preferred stock with the par value of $1.00 each.

B. The Corporation may issue shares of preferred or special classes: (i) subject to the right of the Corporation to redeem any of such shares at the price fixed by the Articles of Incorporation for the redemption thereof; (ii) entitling the holders thereof to cumulative, non-cumulative or partially cumulative dividends; (iii) having preference over any other class or classes of shares as to the payment of dividends; (iv) having preference in the assets of the Corporation over any other class or classes of shares upon the voluntary or involuntary liquidation of the Corporation; and (v) convertible into shares of any other class or into shares of any series of the same or any other class, except a class having prior or superior rights and preferences as to dividends or distribution of assets upon liquidation, but shares without par value, if any, shall not be converted into shares with par value unless that part of the stated capital of the Corporation represented by such shares without the par value is, at the time of conversion, at least equal to the aggregate par value of the shares into which the shares without par value are to be converted or the amount of any such deficiency is transferred from surplus to stated capital.

C. Preferred stock may be divided into and issued by the Board of Directors from time to time in one or more series. All shares of preferred stock shall be of equal rank and shall be identical, except as to the following relative rights and preferences which may be fixed and determined by the Board of Directors, as to which there may be variations between different series:

(1) the rate of dividends;

(2) whether shares may be redeemed and, if so, the redemption price and the terms and conditions of redemption;

(3) the amount payable upon shares in event of voluntary and involuntary liquidation;

(4) sinking fund provisions, if any, for the redemption or purchase of shares;

(5) the terms and conditions, if any, on which shares may be converted; and

(6) voting rights, if any.

D. The Board of Directors of the Corporation shall have all of the power and authority with respect to the shares of preferred stock that may be delegated to the Board of Directors pursuant to the terms and provisions of Chapter 31, Article 1, Sections 78 and 79 of the Code of West Virginia, as amended, or such corresponding section of the Code of West Virginia as may be adopted from time to time, and shall exercise such power and authority by the adoption of a resolution or resolutions as prescribed by law.

E. Rockingham National Bank Series Convertible Preferred Stock. A series of Preferred Stock consisting of up to Forty Thousand (40,000) shares, par value $1.00 per share, designated and known as "Rockingham National Bank Series Convertible Preferred Stock" is hereby established with the rights, preferences and privileges set forth below in this Article IV, Paragraph E and elsewhere in Article IV of these Articles of Incorporation.

1. Definitions. For purposes of this Article IV, Paragraph E, the following definitions shall apply:

"Board" means the Board of Directors of the Corporation.

"Common Stock" means shares of common stock of the Corporation having a par value of $2.50 per share.

"Corporation" means Summit Financial Group, Inc., a West Virginia corporation.

"Office Opening Date" means the opening date for the first banking office in the Rockingham National Bank division of May 15, 2003.

"Person" means an individual, a partnership, a joint venture, a corporation, a trust, or any other entity or organization.

"Preferred Stock" means the preferred Stock designated as the Rockingham National Bank Series Convertible Preferred Stock"

"Purchase Price" means the price per share of Preferred Stock which equals the mean of the closing prices of the Corporation's common stock reported on the last five (5) business days on which the stock traded prior to and inclusive of May 10, 2004.

"Rockingham National Bank division" means the new banking division of the Corporation's subsidiary, Shenandoah Valley National Bank.

2. Dividends. The Preferred Stock will not pay any dividends.

3. Conversion Rights. The shares of Preferred Stock shall be convertible into shares of Common Stock as follows:

(a) Optional Conversion. The holders of Preferred Stock have the option to convert shares of Preferred Stock into Common Stock prior to the second anniversary of the Office Opening Date. The holders of Preferred Stock must hold the shares of Preferred Stock for a minimum of sixty (60) days before converting their shares of Preferred Stock to Common Stock. If the holders of Preferred Stock convert their shares of Preferred Stock prior to the second anniversary of the Office Opening Date, then each share of Preferred Stock will be converted into one share of Common Stock.

(b) Automatic Conversion. Each outstanding share of Preferred Stock shall automatically be converted on May 15, 2005, the second anniversary of the Office Opening Date, without any further act of the Corporation or the holders of Preferred Stock, into a certain number of fully paid and nonassessable shares of Common Stock, the exact number to be based on the total loans and deposits of the Rockingham National Bank division on May 15, 2005. The following table sets forth the conversion ratios to convert each share of Preferred Stock into the specified number of shares of Common Stock on May 15, 2005:

Total Loans and Deposits of Rockingham National Bank Division	Conversion Ratio (Number of Shares of Common Stock to Number of Shares of Preferred Stock)
$0 - $29,999,999	1.00 to 1.00
$30,000,000 - $39,999,999	1.10 to 1.00
$40,000,000 - $59,999,999	1.15 to 1.00
$60,000,000 and above	1.25 to 1.00

For the purposes of determining the total deposits and loans, the Corporation will follow the following procedures:

Deposits: The term "deposits" shall have the meaning set forth in 12 U.S.C. ss. 1813(l). The Corporation's accounting system will track and account for all depository accounts of the Rockingham National Bank division on a daily basis.

Loans: The term "loans" shall mean all loans reported on Schedule RC-C of Shenandoah Valley National Bank's Consolidated Report of Condition and Income for a Bank with Domestic Offices Only (the "Call Report") filed with the Federal Deposit Insurance Corporation, which are attributable to the Rockingham National Bank division. The Corporation's accounting system will track and account for all loans made by the Rockingham National Bank division on a daily basis.

All determinations regarding the total amount of deposits and loans of the Rockingham National Bank division shall be made by the Board, whose determinations in this regard shall be final and conclusive for all purposes.

(c) Mechanics of Optional Conversion.

(i) In order for a holder of shares of Preferred Stock to convert shares of Preferred Stock into shares of Common Stock prior to the second anniversary of the Office Opening Date, such holder shall surrender the certificate or certificates evidencing the ownership of such shares of Preferred Stock at the office of the transfer agent for the shares of Preferred Stock (or at the principal office of the Corporation, if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Preferred Stock represented by such certificate or certificates. Such notice shall state such holder's name or the names of the permitted nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his or its attorney-in-fact duly authorized in writing. The date of receipt of such certificates and notice by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) shall be the conversion date (the "Optional Conversion Date"). The Corporation shall, as soon as practicable after the Optional Conversion Date, issue and deliver at such office to such holder of shares of Preferred Stock, or to his or its permitted nominees, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled, together with cash in lieu of any fraction of a share. Such conversion shall be deemed to have been made immediately prior to the close of business on the Optional Conversion Date, and the Person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a holder of record of such Common Stock on the Optional Conversion Date.

(d) Mechanics of Automatic Conversion. Pursuant to the provisions in Section 3(b) hereof, the outstanding shares of Preferred Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the office of the transfer agent for the shares of Preferred Stock (or at the principal office of the Corporation, if the Corporation serves as its own transfer agent); provided, however that the Corporation shall not be obligated to issue to any holder certificates evidencing the shares of Common Stock issuable upon such conversion unless certificates evidencing such shares of Preferred Stock are delivered either to the transfer agent for the shares of Preferred Stock (or at the principal office of the Corporation, if the Corporation serves as its own transfer agent). Conversion shall be deemed to have been effected on the second anniversary of the Office Opening Date, and such date is referred to herein as the "Automatic Conversion Date." As promptly as practicable thereafter (and after surrender of the certificate or certificates representing shares of Preferred Stock to the Corporation or any transfer agent designated by the Corporation), the Corporation shall issue and deliver to such holder a certificate or certificates for the number of full shares of Common Stock to which such holder is entitled as provided in Section 3(b) hereof. Such conversion shall be deemed to have been made immediately prior to the close of business on the Automatic Conversion Date, and the Person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a holder of record of such Common Stock on the Automatic Conversion Date.

(e) Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of any shares of Preferred Stock. Instead of any fractional shares of Common Stock which would otherwise be issuable upon conversion of any shares of Preferred Stock, the Corporation will pay the value of such fractional shares in cash on the basis of the closing price of the Corporation's Common Stock as reported on the OTC Bulletin Board, the NASDAQ Stock Market or other securities exchange on the most recently completed trading day the Common Stock actually traded prior to the date of conversion.

(f) Rights after Conversion Date. From and after the Optional Conversion Date and the Automatic Conversion Date (hereinafter collectively referred to as the "Conversion Date") (unless the Corporation defaults in issuing shares of Common Stock in exchange for the outstanding shares of Preferred Stock on the Conversion Date), such shares of Preferred Stock shall be deemed not to be outstanding and all rights of the holders of such shares as shareholders of the Corporation by reason of the ownership of such shares shall cease, except the right to receive shares of Common Stock as provided in Section 3(b) herein on presentation and surrender of the respective certificates evidencing such shares of Preferred Stock. Upon presentation and surrender, on or after the Conversion Date, of any certificate evidencing shares of Preferred Stock (properly endorsed or assigned for transfer, if the

Corporation shall so require), such shares shall be exchanged by the Corporation for shares of Common Stock as provided in this Section 3.

(g) Status of Preferred Shares After Conversion to Common Shares. Any shares of Preferred Stock that shall at any time have been converted into shares of Common Stock pursuant to this Section 3 shall, after such exchange, not be reissued as Preferred Stock, but shall become authorized but unissued shares of. Preferred Stock of the Corporation and the certificates evidencing such shares shall be canceled.

(h) Reservation of Shares. The Corporation shall reserve at all times so long as any shares of Preferred Stock remain outstanding, free from preemptive rights, out of its treasury stock or its authorized but unissued shares of Common Stock, or both, solely for the purpose of effecting the conversion of the shares of Preferred Stock, sufficient shares of Common Stock to provide for the exchange of all outstanding shares of Preferred Stock.

(i) Fully Paid and Nonassessable Shares. All shares of Common Stock or other securities which may be issued upon exchange of the shares of Preferred Stock will upon issuance by the Corporation be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof and the Corporation shall take no action which would cause a contrary result.

4. Conversion Ratio Adjustments. The number of shares of Common Stock into which the shares of Preferred Stock shall be converted pursuant to Section 3 (the "Conversion Ratios") and the securities or other property deliverable upon exchange of the Preferred Stock shall be subject to adjustment from time to time as follows:

(a) Stock Dividends, Subdivisions or Split-Ups. If the number of shares of Common Stock outstanding at any time after the date of issuance of the Preferred Stock is adjusted by a stock dividend payable in shares of Common Stock or by a subdivision or split-up of shares of Common Stock, then immediately after the record date fixed for the determination of holders of Common Stock entitled to receive such stock dividend or the effective date of such subdivision or split-up, as the case may be, the Conversion

Ratios shall be appropriately adjusted so that the holder of any shares of Preferred Stock thereafter exchanged shall be entitled to receive the number of shares of Common Stock of the Corporation which he would have owned immediately following such action had such shares of Preferred Stock been exchanged immediately prior thereto.

(b) Combinations of Stock. If the number of shares of Common Stock outstanding at any time after the date of issuance of the Preferred Stock is adjusted by a combination of the outstanding shares of Common Stock, then, immediately after the effective date of such combination, the Conversion Ratios applicable thereto shall be appropriately adjusted so that the holder of any shares of Preferred Stock thereafter converted shall be entitled to receive the number of shares of Common Stock of the Corporation which he would have owned immediately following such action had such shares of Preferred Stock been exchanged immediately prior thereto.

(c) Reorganization, Reclassification, Merger, Sale of All Assets, etc. In case of any capital reorganization of the Corporation, or of any reclassification of the Common Stock, or in case of the consolidation of the Corporation with or the merger of the Corporation with or into any other Person or of the sale, lease or other transfer of all or substantially all of the assets of the Corporation to any other Person, or in the case of any distribution of cash or other assets or of notes or other indebtedness of the Corporation or any other securities of the Corporation (except Common Stock) to the holders of its Common Stock (collectively, a "Triggering Event"), each share of Preferred Stock shall be converted into a certain number of shares of Common Stock, the exact number to be based on the total deposits and total loans of the Rockingham National Bank division as set forth in the conversion chart in Section 3(b) hereof. The conversion ratio shall be based on the total deposits and total loans of the Rockingham National Bank division as set forth in the conversion chart in Section 3(b) hereof even if the Triggering Event occurs prior to the second anniversary of the Office Opening Date.

After such Triggering Event, each share of Common Stock that was converted from Preferred Stock shall be convertible into the number of shares of stock or other securities or property to which the Common Stock outstanding at the time of the Triggering Event would have been entitled upon such Triggering Event. The conversion date for purposes of determining the total deposits and total loans of the Rockingham National Bank division shall be the date the Triggering Event is announced publicly through a press release or through a Form 8-K files with the Securities and Exchange Commission.

(d) Rounding of Calculations: Minimum Adjustment. All calculations under this Section 4 shall be made to the nearest one hundredth (1/100th) of a share of Common Stock, as the case may be. Any provision of this Section 4 to the contrary notwithstanding, no adjustment in the Conversion Ratios shall be made if the amount of. such adjustment would be less than one hundredth of a share of Common Stock, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of any together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate one hundredth of a share of Common Stock or more.

(e) Timing of Issuance of Additional Common Stock upon Certain Adjustments. In any case in which the provisions of this Section 4 shall require that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event issuing to the holder of any share of Preferred Stock exchanged after such record date and before the occurrence of such event the additional shares of Common Stock or other issuable or deliverable upon such exchange by reason of the adjustment required by such event over and above the shares of Common Stock or other property issuable or deliverable upon such exchange before giving effect to such adjustment; provided, however, that the Corporation, --------- -------- upon request of a holder of Preferred Stock, shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares or other property, and such cash, upon the occurrence of the event requiring such adjustment.

(f) Statement Regarding Adjustments. Whenever the Conversion Ratios shall be adjusted as provided in this Section 4, the Corporation shall forthwith file, at the office of any transfer agent for the Preferred Stock (or at the principal office of the Corporation, if the Corporation serves as its own transfer agent) a statement showing in detail the facts requiring such adjustment and the Conversion Ratios that shall be in effect after such adjustment, and the Corporation shall also cause a copy of such statement to be mailed, first class postage prepaid, to each holder of shares of Preferred Stock at his address appearing on the Corporation's records. Each such statement shall be signed by the Corporation's independent public accountants.

(g) Taxes. The Corporation shall pay all documentary, stamp, transfer or other transactional taxes attributable to the issuance or delivery of shares of Common Stock of the Corporation or other securities or property upon exchange of any shares of Preferred Stock; provided, however, that the Corporation shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares or securities in the name other than that of the holder of the shares of Preferred Stock in respect of which such shares are being issued.

5. Voting. The holders of shares of Preferred Stock shall have no right or power to vote on any matter except as required by law. In any matter on which the holders of Preferred Stock shall, as a matter of law, be entitled to vote, the holders shall be entitled to one vote for each share of Preferred Stock held.

6. Liquidation Rights.

(a) Upon the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the holders of the shares of Preferred Stock then outstanding shall be entitled to receive out of the assets of the Corporation an amount per share in cash equal to the Purchase Price before any payment or distribution shall be made on the Common Stock or on any other class of capital stock of the Corporation ranking junior to the Preferred Stock upon liquidation. All outstanding shares of any other series of preferred stock shall rank at parity with the shares of Preferred Stock. The consolidation or merger of the Corporation, or a sale, exchange or transfer of all or substantially all of its assets as an entirety, shall not be regarded as a "dissolution, liquidation or winding up of the Corporation" within the meaning of this Section 6(a).

(b) After the payment to the holders of shares of Preferred Stock of the full preferential amounts fixed hereby for shares of Preferred Stock, the holders of Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation.

(c) If the assets of the Corporation available for distribution to the holders of shares of Preferred Stock upon dissolution, liquidation or winding up of the Corporation are insufficient to pay in full all amounts to which such holders are entitled pursuant to Section 6(a), no distribution shall be made on account of any shares of a class or series of capital stock of the Corporation ranking on a parity with the shares of Preferred Stock, if any, upon such dissolution, liquidation or winding up unless proportionate distributive amounts shall be paid on account of the shares of Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation or winding up.

7. Reports to Holders of Preferred Stock. For so long as there shall remain outstanding any shares of Preferred Stock, the Corporation shall furnish to each holder of record of Preferred Stock (i) all reports sent by the Corporation to holders of record of the Common Stock of the Corporation, and (ii) a quarterly report setting forth the deposits and loans of the Rockingham National Bank division for the most recently completed quarter.

8. Certain Covenants. So long as any shares of Preferred Stock are outstanding, without the prior written consent of the holders of a majority of the outstanding shares of Preferred Stock, the Corporation shall not amend, alter or repeal any provision of the Articles of Incorporation of the Corporation so as to affect adversely the preferences, rights, powers or privileges of the Preferred Stock.

9. Restrictions on Resale; Legend. The shares of Preferred Stock have not been registered under the Securities Act or Virginia law pursuant to applicable exemptions. The shares of the Preferred Stock are subject to substantial restrictions on transfer and may not be sold, assigned, transferred or otherwise disposed of by a holder unless they are subsequently registered, or federal and other exemptions from registration are available. Upon conversion of the Preferred Stock into shares of Common Stock, such shares of Common Stock will be restricted for a period of one (1) year from the date of purchase of the Preferred Shares. This means that the shares of Common Stock may not be sold for at least one (1) year from the date the Preferred Stock was purchased. A legend will be placed on the Preferred Stock and the Common Stock certificates disclosing these restrictions, if applicable.

10. Exclusion of Other Rights. Unless otherwise required by law, the shares of Preferred Stock shall not have any voting powers, preferences or relative, participating, optional or other special rights other than those specifically set forth herein.

V. The name and address of the incorporators and the number of shares subscribed by each of them is as follows:

NAME	ADDRESS	NUMBER OF SHARES
Oscar M. Bean	Rt. 2, Box 116 Moorefield, WV 26836	34
Donald W. Biller	Rt. 1, Box 30 Lost River, WV 26811	35
Thomas J. Hawse	216 Washington Street Moorefield, WV 26836	35
Phoebe F. Heishman	136 S. Main Street Moorefield, WV 26836	35
Ed A. Leatherman, Jr.	Rt. 1, Box 175 Purgitsville, WV 26852	35
J. Aleck Welton	Box 366 Moorefield, WV 26836	35
Renick C. Williams	Box 664 Moorefield, WV 26836	35

Michael T. Wilson	Rt. 4 Sunset View Moorefield, WV 26836	35
Harry C. Welton	Rt. 4, Box 27 Moorefield, WV 26836	35
A. Clyde Ours, Jr.	Box 541 Moorefield, WV 26836	35
E. E. Hott	Box 1 Franklin, WV 26807	35

VI. The existence of this corporation is to be perpetual.

VII. The name and address of the person to whom shall be sent notice or process served upon, or service of which is accepted by The Secretary of State is:

Renick C. Williams
Box 664
Moorefield, WV 26836

VIII. The number of directors constituting the initial board of directors of the corporation is eleven (11). The names and addresses of the persons who are to serve as directors until their term expires and their successors are elected and shall qualify are:

NAME	ADDRESS
Oscar M. Bean	Rt. 2, Box 116 Moorefield, WV 26836
Donald W. Biller	Rt. 1, Box 30 Lost River, WV 26811
Thomas J. Hawse	216 Washington Street Moorefield, WV 26836
Phoebe F. Heishman	136 S. Main Street Moorefield, WV 26836
Ed A. Leatherman, Jr.	Rt. 1, Box 175 Purgitsville, WV 26852

J. Aleck Welton	Box 366 Moorefield, WV 26836
Renick C. Williams	Box 664 Moorefield, WV 26836
Michael T. Wilson	Rt. 4, Sunset View Moorefield, WV 26836
Harry C. Welton	Rt. 4, Box 27 Moorefield, WV 26836
A. Clyde Ours, Jr.	Box 541 Moorefield, WV 26836
E.E. Hott	Box 1 Franklin, WV 26807

IX. Provisions limiting preemptive rights are: The shareholders of the corporation shall not have any preemptive rights to acquire any shares of stock of the corporation.

X. Provisions for the regulations of the internal affairs of the corporation shall be as follows:

A. Definitions. For purposes hereof, the following terms are defined as follows:

1. Affiliate. An "affiliate" of, or a person "affiliated" with, a specific person, means a person (other than this Corporation or a majority-owned or wholly owned subsidiary of this Corporation) that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

2. Associate. The term "associate" when used to indicate a relationship with any person, means (i) any corporation, partnership, limited partnership, association, joint venture, group or other organization (other than this Corporation or a majority- owned or wholly owned subsidiary of this Corporation) of which such person is an officer or partner or is, directly or indirectly, the Beneficial Owner of ten percent (10%) or more of

any class of equity securities or other medium of ownership rights, (ii) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, (iii) any relative or spouse of such person, or any relative of such spouse provided the relative has the same home as such person, or (iv) any investment company registered under the Investment Company Act of 1940 for which such person or any affiliate of such person serves as investment adviser.

3. Beneficial Owner. A person shall be considered the "Beneficial Owner" of any shares of stock whether or not owned of record by such Person:

(a) With respect to any shares as to which such Person or any Affiliate or Associate of such Person directly or indirectly has or shares (i) voting power, including the power to vote or to direct the voting of such shares of stock and/or (ii) investment power, including the power to dispose of or to direct the disposition of such shares of stock; (

b) With respect to any shares as to which such Person or any Affiliate or Associate of such Person has (i) the right to acquire such shares (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, and/or (ii) the right to vote pursuant to any agreement, arrangement or understanding (whether such right is exercisable immediately or only after the passage of time); or

(c) With respect to any shares which are Beneficially Owned within the meaning of (a) or (b) of this Paragraph (3) above by any other Person with which such first-mentioned Person or any of its Affiliates or Associates has any agreement, arrangement or understanding, written or oral, with respect to acquiring, holding, voting or disposing of any shares of stock of the Corporation or any Subsidiary of the Corporation or acquiring, holding or disposing of all or substantially all, or any substantial part, of the assets or businesses of the Corporation or a Subsidiary of the Corporation.

For the purpose only of determining whether a Person is the Beneficial Owner of a percentage of outstanding shares, such shares shall be deemed to include any shares which may be issuable pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants, options or otherwise and which are deemed to be beneficially owned by such Person pursuant to the foregoing provisions of this Paragraph (3) above.

4. Business Combination. A "Business Combination" means:

(a) The sale, exchange, lease, transfer or other disposition to or with a Related Person or any Affiliate or Associate of such Related Person by the Corporation or any of its Subsidiaries (in a single transaction or a series of related transactions) of all or substantially all, or any substantial part, or its or their assets or businesses including, without limitation, any securities issued by a Subsidiary;

(b) The purchase, exchange, lease or other acquisition by the Corporation or any of its Subsidiaries (in a single transaction or a series of related transactions) of all or substantially all, or any Substantial Part, of the assets or business of a Related Person or any Affiliate or Associate of such Related Person:

(c) Any merger or consolidation of the Corporation or any Subsidiary thereof into or with a Related Person or any Affiliate or Associate of such Related Person or into or with another person which, after such merger or consolidation, would be an Affiliate or an Associate of a Related Person, in each case irrespective of which Person is the surviving entity in such merger or consolidation;

(d) Any reclassification of securities, recapitalization or other transaction (other than a redemption in accordance with the terms of the security redeemed) which has the effect, directly or indirectly, of increasing the proportionate amount of shares of the Corporation or any Subsidiary thereof which are Beneficially Owned by a Related Person, or any partial or complete liquidation, spinoff, splitoff or splitup of the Corporation or Subsidiary thereof which has the effect, directly or indirectly, of increasing the proportionate amount of shares of the Corporation or any subsidiary thereof which are Beneficially Owned by a Related Person; or

(e) The acquisition upon the issuance thereof of Beneficial Ownership by a Related Person of voting shares or securities convertible into voting shares or any voting securities or securities convertible into voting securities of any Subsidiary of the Corporation, or the acquisition upon the issuance thereof of Beneficial Ownership by a Related Person of any rights, warrants or options to acquire any of the foregoing or any combination of the foregoing voting shares or voting securities of a Subsidiary. As used herein a `series of related transactions' shall be deemed to include not only a series of transactions with the same Related Person but also a series of separate transactions with a Related Person or any Affiliate or Associate of such Related Person.

(f) Notwithstanding the foregoing, the term "Business Combination" shall not mean the formation of the Corporation or the acquisition by it of South Branch Valley National Bank, a national banking association, with its principal banking offices located in Moorefield, West Virginia. 5. Corporation. "Corporation" shall mean South Branch Valley Bancorp, Inc., a West Virginia business corporation.

6. Date of Determination. The term `Date of Determination' means (a) the date on which a binding agreement (except for the fulfillment of conditions precedent, including, without limitation, votes of shareholders to approve such transaction) is entered into by this Corporation, as authorized by its board of directors, and another corporation, person or other entity providing for any merger or consolidation of this Corporation or any sale, lease, exchange or disposition of all or substantially all of the assets of this Corporation; or, (b) if such an agreement as referred to in item (a) is amended so as to make it less favorable to this Corporation and its shareholders, the date on which such amendment is approved by the board of directors of this Corporation, or, (c) in cases where neither items (a) nor item (b) shall be applicable, the record date for the determination of shareholders of this Corporation entitled to notice of and to vote upon the transaction in question. The board of directors of this Corporation shall have the power and duty to determine for the purposes hereof the Date of Determination as to any transaction. Any such determination by the board of directors made in good faith shall be conclusive and binding for any and all purposes.

7. Person. The term "Person" shall mean any person, partnership, corporation, group or other entity (other than the Corporation, any Subsidiary of the Corporation, or a trustee holding stock for the benefit of the employees of the Corporation or its Subsidiaries, or any one of them, pursuant to one or more employee benefit plans or arrangements). When two or more Persons act as a partnership, limited partnership, syndicate, association or other group for the purpose of acquiring, holding or disposing of shares of stock, such partnerships, syndicate, association or group shall be deemed a "Person".

8. Related Person. "Related Person" means any Person which is the Beneficial Owner as of the Date of Determination or immediately prior to the consummation of a Business Combination, or both, of twenty-five (25) percent or more of the voting shares of the Corporation or any Person who at any time within two (2) years preceding the Date of Determination was the Beneficial Owner of twenty-five (25) percent or more of the then outstanding voting shares of the Corporation.

9. Subsidiary. "Subsidiary" shall mean South Branch Valley National Bank, a national banking association as of the effective date of the acquisition of said bank by this corporation and any other corporation, bank, banking association or other entity at least a majority of which is owned by South Branch Valley Bancorp, Inc.

10. Capacity to Make Certain Determinations. A majority of the directors of the Corporation shall have the power to determine for the purposes hereof on the basis of information known to them: (i) the number of voting shares of the Corporation of which any Person is the Beneficial Owner, (ii) whether a Person is an Affiliate of Associate of another, (iii) whether a Person has an agreement, arrangement or understanding with another as to the matters referred to in the definition of `Beneficial Owner' as hereinabove defined, (iv) whether the assets subject to any Business Combination constitute a substantial part of total assets, (v) whether two or more transactions constitute a `series of related transactions' as hereinabove defined, and (vi) such other matters with respect to which a determination is required hereunder.

A Related Person shall be deemed to have acquired a share of the Corporation at the time when such Related Person became the Beneficial Owner thereof. With respect to shares owned by Affiliates, Associates or other Persons whose ownership is attributed to a Related Person under the foregoing definition of Beneficial Owner, if the price paid by such Related Person for such shares is not determinable, the price so paid shall be deemed to be the higher of (i) the price paid upon acquisition thereof by the Affiliate, Associate or other Person or (ii) the market price of the shares in question (as determined by a majority of the board of directors of the Corporation) at the time when the Related Person became the Beneficial Owner thereof.

B. Voting Requirements for Merger, Consolidation or Sale of Assets. Subject to any other requirements provided for by law and in this charter or any amendment thereto, in order for any merger or consolidation of this Corporation with another corporation or any sale, lease or exchange by liquidation or otherwise of all or substantially all of the assets of this Corporation to be approved by the shareholders of this Corporation, not less than sixty-six and two-thirds percent (66 2/3%) of the authorized, issued and outstanding voting shares of the Corporation must vote in favor of such action unless the Business Combination has been previously approved by at least sixty-six and two-thirds percent (66 2/3%) of the board of directors of the Corporation in which case only a simple majority vote of the shareholders shall be required.

C. Fair Price Requirement. Neither the Corporation or any of its Subsidiaries shall become party to any Business Combination unless all of the following conditions are satisfied:

(1) The ratio of (i) the aggregate amount of the cash and the fair market value of other consideration to be received per share of common stock of the Corporation in such Business Combination by holders of common stock other than the Related Person involved in such Business Combination, to (ii) the market price per share of the common stock immediately prior to the announcement of the proposed Business Combination, is at least as great as the ratio of (x) the highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) which such Related Person has theretofore paid in acquiring any common stock of the Corporation prior to such Business Combination, to (y) the market price per share of common stock of the Corporation immediately prior to the initial acquisition by such Related Person of any shares of common stock of the Corporation; and

(2) The aggregate amount of the cash and the fair market value of other consideration to be received per share of common stock of the Corporation in such Business Combination by holders of common stock of the Corporation, other than the Related Person involved in such Business Combination, (i) is not less than the highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) paid by such Related Person in acquiring any of its holdings of common stock of the Corporation, and (ii) is not less than the earnings per share of common stock of the Corporation for the four full consecutive fiscal quarters of the Corporation immediately preceding the Date of Determination of such Business Combination multiplied by the then price/earnings multiple (if any) of such Related Person as customarily computed and reported in the financial community; provided, that for the purposes of this clause (ii), if more than one Person constitutes the Related Person involved in the Business Combination, the price/earnings multiple (if any) of the Person having the highest price/earnings multiple shall be used for the computation in this clause, (ii); and

(3) The consideration (if any) to be received in such Business Combination by holders of common stock of the Corporation other than the Related Person involved shall, except to the extent that a stockholder agrees otherwise as to all or part of the shares which he or she owns, be in the same form and of the same kind as the consideration paid by the Related Person in acquiring common stock of the Corporation already owned by it.

D. Evaluation of Acquisition of this Corporation by Another Corporation. In connection with the exercise of its judgment in determining what is in the best interest of the Corporation and its stockholders when evaluating an acquisition of this Corporation by another corporation or a tender or exchange offer for control of this Corporation, the board of directors of the Corporation shall, in addition to considering the adequacy of the amount to be paid in connection with any such transaction, consider all of the following factors and any other factors which it deems relevant: (i) the social and economic effects of the transaction on the Corporation and its Subsidiaries, employees, depositors, loan and other customers, creditors and other elements of the communities in which the Corporation and its Subsidiaries operate or are located; (ii) the business and financial conditions and earnings prospects of the acquiring entity or entities, including, but not limited to, debt service and other existing or likely financial obligations of the acquiring Person or Persons, and the possible effect of such conditions upon the Corporation and its Subsidiaries operate or are located; and (iii) the competence, experience, and integrity of the acquiring entity or entities and its or their management.

E. Classified Board of Directors. At the first annual meeting of the shareholders, after the effective date of the acquisition of South Branch Valley National Bank as a bank subsidiary, the board of directors shall be divided into three classes, designated Class I, Class II and Class III, consisting of an equal number of directors per class. The term of office of directors of one class shall expire at each annual meeting of stockholders, and as to each director until his or her successor shall be elected and shall qualify, or until his or her earlier resignation, removal from office, death or incapacity. Additional directorships resulting from an increase in number of directors shall be apportioned among the classes as equally as possible. A decrease in the number of directors by death, resignation or removal may but shall not be required to be filled by the remaining board members. The initial term of office of directors of Class I shall expire at the first annual meeting of stockholders, that of Class II shall expire at the second annual meeting, and that of Class III shall expire at the third annual meeting, and in all cases as to each director until his or her successor shall be elected and shall qualify, or until his or her earlier resignation, removal from office, death or incapacity. At each annual meeting of stockholders the number of directors equal to the number of directors of the class whose term expires at the time of such meeting (or, if less, the number of directors properly nominated and qualified for election) shall be elected to hold office until the third succeeding annual meeting of the stockholders after their election.

The directors remaining in office acting by a majority vote, or a sole remaining director, although less than a quorum, are hereby expressly delegated the power to fill any vacancies in the board of directors, however occurring, whether by an increase in the number of directors, death, resignation, retirement, disqualification, removal from office, or otherwise, and any director so chosen shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall have been elected and qualified, or until his or her earlier resignation, removal from office, death or incapacity.

The total number of directors of this Corporation shall be not less than nine nor more than twenty-one as from time to time fixed by the board of directors.

F. Nomination of Directors. Nominations for election to the board of directors may be made by the board of directors or by any shareholder entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the existing management of the Corporation, must be made in writing and delivered or mailed to the President of the Corporation not less than thirty (30) days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than thirty (30) days notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Corporation not later than the fifth (5th) day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known by the shareholder: (i) the name and address of each nominee, (ii) the principal occupation of each nominee, (iii) the name and address of the notifying shareholder, and (iv) the number of shares of the Corporation's stock owned by the notifying shareholder. Nominations not made in accordance herewith, may, in the discretion of the chairman of the meeting, be disregarded, and upon his instruction, the votes cast for each such nominee shall be disregarded.

G. Removal of a Director for Cause Only. The removal from office of any director must be for cause as set forth herein. Except as may otherwise be provided by law, cause for removal shall be construed to exist only if:

(1) the director whose removal is proposed has been convicted, or where a director was granted immunity to testify where another has been convicted, of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal;

(2) such director has been adjudicated by a court of competent jurisdiction to be liable for negligence, or misconduct, in the performance of his duty to the Corporation and such adjudication is no longer subject to direct appeal; (3) such director has become mentally incompetent, whether or not so adjudicated, which mental incompetency directly affects his or her ability as a director of the Corporation; (4) such director ceases to fulfill the qualification requirements for a director of a West Virginia bank holding company; or (5) such director's actions or failure to act have been determined by a majority of the board of directors to be in derogation of the director's duties.

Removal for cause, as cause is defined in (1) and (2) above, must be brought within one year of such conviction or adjudication. For purposes of (5) above, the total number of directors as to which a majority is required will not include the director who is the subject of the removal determination, nor will such director be entitled to vote thereon except in his or her shareholder capacity.

H. Anti-Greenmail Provision. The Corporation shall not engage, directly or indirectly, in any Stock Repurchase (as hereinafter defined) from an Interested Stockholder (as hereinafter defined) or an Affiliate (as previously defined) or Associate (as previously defined) of an Interested Stockholder (as hereinafter defined) who has beneficially acquired any shares of voting stock of the Corporation within a period of less than two (2) years immediately prior to the date of such proposed Stock Repurchase (or the date of an agreement in respect thereof) without the affirmative vote of not less than a majority of the votes entitled to be cast by the holders of all then outstanding shares of voting stock of the Corporation which are Beneficially Owned (as previously defined) by persons other than such Interested Stockholder, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage or separate class vote may be specified, by law or otherwise.

The provisions of this Article shall not be applicable to any particular Stock Repurchase from an Interested Stockholder, and such Stock Repurchase shall require only such affirmative vote, if any, as is required by law if the conditions specified in either of the following Paragraphs 1 or 2 are met:

1. The Stock Repurchase is made pursuant to a tender offer or exchange offer for a class of common stock made available on the same basis to all holders of such class of common stock.

2. The Stock Repurchase is made pursuant to an open market purchase program approved by a majority of the directors of the Corporation provided that such repurchase is effected on the open market and is not the result of a privately negotiated transaction.

For purposes hereof:

1. The term "Stock Repurchase" shall mean any repurchase (or any agreement to repurchase), directly or indirectly, by the Corporation or any Subsidiary of any shares of common stock at a price greater than the Fair Market Value of such shares.

2. The term "Interested Stockholder" shall mean any person (other than this Corporation or any Subsidiary and other than any profit-sharing, employee stock ownership or other employee benefit plan of this Corporation or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who (1) is the Beneficial Owner of voting stock of the Corporation representing ten percent (10%) or more of the votes entitled to be cast by the holders of all then outstanding shares of voting stock of the Corporation; and (b) acquired at least one-half of such shares at any time within the two year period immediately prior to the date in question.

3. The term `Fair Market Value' means (a) in the case of a cash purchase, the amount of such cash, (b) in the case of a stock exchange, the fair market value on the date in questions of a share of such offered stock as determined in good faith by a majority of the directors; and (c) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the directors.

The board of directors shall have the power and duty to determine for the purposes hereof, on the basis of information known to then after reasonable inquiry, (a) whether a person is an Interested Stockholder, (b) the number of shares of common stock or other securities beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another and (d) whether the consideration to be paid in any Stock Repurchase has an aggregate Fair Market Value in excess of the then Fair Market Value of the shares of common stock being repurchased. Any such determination made in good faith shall be binding and conclusive on all parties.

Nothing contained herein shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

1. Director and Officer Indemnification. Unless otherwise prohibited by law, each director and officer of the corporation now or hereafter serving as such, and each director and officer of any majority or wholly owned subsidiary of the corporation that has been designated as entitled to indemnification by resolution of the board of directors of the corporation as may be from time to time determined by said board, shall be indemnified by the corporation against any and all claims and liabilities (other than an action by or in the right of the corporation or any majority or wholly owned subsidiary of the corporation) including expenses of defending such claim of liability to which he or she has or shall become subject by reason of any action alleged to have been taken, omitted, or neglected by him or her as such director or officer provided the director or officer acted in good faith and in a manner which the director or officer reasonably believed to be in or not opposed to the best interests of the corporation. With respect to any criminal proceeding, a director or officer

shall be entitled to indemnification if such person had no reasonable cause to believe his or her conduct was unlawful. The corporation shall reimburse each such person as provided above in connection with any claim or liability brought or arising by or in the right of the corporation or any majority or wholly owned subsidiary of the corporation provided, however, that such person shall be not indemnified in connection with, any claim or liability brought by or in the right of the corporation or any majority or wholly owned subsidiary of the corporation as to which the director or officer shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the corporation or any majority or wholly owned subsidiary of the corporation unless and only to the extent that the court in which such action or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which such court shall deem proper.

The determination of eligibility for indemnification shall be made by those board members not party to the action or proceeding or in the absence of such board members by a panel of independent shareholders appointed for such purpose by a majority of the shareholders of the corporation or in any other manner provided by law.

The right of indemnification hereinabove provided for shall not be exclusive or any rights to which any director or officer of the corporation may otherwise be entitled by law.

The board of directors may be by resolution, by law or other lawful manner from time to time as it shall determine extend the indemnification provided herein to agents and employees of the corporation, to directors, officers, agents or employees of other corporations or entities owned in whole or in part by the corporation. The corporation may purchase and maintain insurance for the purposes hereof.

J. Voting Requirements for Charter Amendments. Any amendment, change or repeal of this Article X or any other amendment of these Articles of Incorporation, which would have the effect of modifying or permitting circumvention of any provision of these Articles of Incorporation, shall require the affirmative vote, at a meeting of stockholders of the Corporation, of holders of at least sixty-six and two-thirds percent (66 2/3%) of the then outstanding voting shares of the Corporation; provided, however, that this provision shall not apply to, and such vote shall not be required for, any such amendment, change or repeal recommended to stockholders by the favorable vote of not less than sixty-six and two-thirds percent (66 2/3%) of the directors of the Corporation and any such amendment, change or repeal so recommended shall require only a simple majority vote of the shareholders to be approved.

WE, THE UNDERSIGNED, for the purpose of forming a corporation under the laws of the State of West Virginia, do make and file in duplicate these ARTICLES OF INCORPORATION, and we have accordingly hereunto set our hands this 3rd day of March, 1987.

/s/ Oscar M. Bean

Oscar M. Bean

/s/ Donald W. Biller

Donald W. Biller

/s/ Thomas J. Hawse

Thomas J. Hawse

/s/ Phoebe F. Heishman

Phoebe F. Heishman

/s/ Ed A. Leatherman, Jr.

Ed A. Leatherman, Jr.

/s/ Aleck Welton

J. Aleck Welton

/s/ Renick C. Williams

Renick C. Williams

/s/ Michael T. Wilson

Michael T. Wilson

/s/ Harry C. Welton

Harry C. Welton

/s/ A. Clyde Ours, Jr.

A. Clyde Ours, Jr.

/s/ E.E. Hott

E.E. Hott

Exhibit 31.1

SARBANES-OXLEY ACT SECTION 302
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, H. Charles Maddy, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Summit Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in registrant's internal control over financial reporting.

Date: August 13, 2004

/s/ H. Charles Maddy, III

H. Charles Maddy, III
President and Chief Executive Officer

Exhibit 31.2

SARBANES-OXLEY ACT SECTION 302
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert S. Tissue, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Summit Financial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in registrant's internal control over financial reporting.

Date: August 13, 2004

/s/ Robert S. Tissue

Robert S. Tissue
Sr. Vice President and Chief Financial Officer

Exhibit 32.1

SARBANES-OXLEY ACT SECTION 906
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Quarterly Report of Summit Financial Group, Inc. ("Summit ") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Charles Maddy, III, President and Chief Executive Officer of Summit, certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Summit.

/s/ H. Charles Maddy, III

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

Date: August 13, 2004

The foregoing certification is being furnished solely pursuant to 18 U.S.C. ss. 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

SARBANES-OXLEY ACT SECTION 906
CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of Summit Financial Group, Inc. ("Summit ") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert S. Tissue, Senior Vice President and Chief Financial Officer of Summit, certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Summit.

/s/ Robert S. Tissue

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

Date: August 13, 2004

The foregoing certification is being furnished solely pursuant to 18 U.S.C. ss. 1350 and is not being filed as part of the Report or as a separate disclosure document.