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

FORM 10 - Q

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

For the quarterly period ended June 30, 2002

or

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

Commission File Number 0-16587

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

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

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

(304) 538-7233
(Registrant's telephone number, including area code)

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

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

Common Stock, $2.50 par value
1,754,310 shares outstanding as of July 29, 2002

Summit Financial Group, Inc. and Subsidiaries

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Summit Financial Group, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30, 2002 (unaudited)	December 31, 2001 (*)	June 30, 2001 (unaudited)
ASSETS			
Cash and due from banks	$ 9,259,622	$ 11,776,231	$ 10,675,040
Interest bearing deposits with other banks	2,657,807	2,261,826	1,153,609
Federal funds sold	7,290,582	1,848,129	7,638,000
Securities available for sale	199,207,204	206,967,097	175,393,188
Securities held to maturity	-	150,280	150,549
Loans, net	375,927,073	344,415,429	297,565,929
Premises and equipment, net	13,202,702	12,911,507	12,461,181
Accrued interest receivable	3,953,766	3,874,002	3,880,353
Intangible assets	3,276,705	3,352,281	3,493,376
Other assets	6,041,915	4,199,975	3,927,005
Total assets	$ 620,817,376	$ 591,756,757	$ 516,338,230
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits			
Non interest bearing	$ 40,995,979	$ 38,685,688	$ 32,570,233
Interest bearing	380,394,974	357,519,290	335,482,088
Total deposits	421,390,953	396,204,978	368,052,321
Short-term borrowings	13,632,174	24,032,790	11,965,120
Long-term borrowings	134,601,106	123,444,531	90,599,652
Other liabilities	3,110,023	3,787,111	3,300,079
Total liabilities	572,734,256	547,469,410	473,917,172
Commitments and Contingencies			
Shareholders' Equity			
Common stock, $2.50 par value; authorized 5,000,000 shares; issued	1,780,780	4,451,950	4,451,950
Capital surplus	8,256,901	8,256,901	8,256,901
Retained earnings	33,425,208	30,803,543	28,359,462
Less cost of shares acquired for the treasury 26,470 shares	(532,479)	(532,479)	(532,479)
Accumulated other comprehensive income	2,481,540	1,307,432	1,885,224
Total shareholders' equity	48,083,120	44,287,347	42,421,058
Total liabilities and shareholders' equity	$ 620,817,376	$ 591,756,757	$ 516,338,230

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

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Interest Income				
Interest and fees on loans				
Taxable	$ 7,037,735	$ 6,300,208	$13,751,819	$12,269,591
Tax-exempt	87,522	42,425	169,077	82,341
Interest and dividends on securities				
Taxable	2,498,834	2,729,810	5,100,145	5,575,709
Tax-exempt	385,002	227,708	788,458	448,219
Interest on interest bearing deposits with other banks	23,660	5,315	46,510	9,075
Interest on Federal funds sold	10,317	74,924	21,676	121,881
Total interest income	10,043,070	9,380,390	19,877,685	18,506,816
Interest expense				
Interest on deposits	2,820,314	3,853,363	5,711,508	7,814,138
Interest on short-term borrowings	94,767	109,133	181,260	280,283
Interest on long-term borrowings	1,774,411	1,237,569	3,452,109	2,409,189
Total interest expense	4,689,492	5,200,065	9,344,877	10,503,610
Net interest income	5,353,578	4,180,325	10,532,808	8,003,206
Provision for loan losses	307,500	180,000	600,000	325,000
Net interest income after provision for loan losses	5,046,078	4,000,325	9,932,808	7,678,206
Other income				
Insurance commissions	49,813	26,152	75,150	41,310
Service fees	327,924	244,821	623,221	467,094
Securities gains (losses)	12,397	93,125	65,077	177,267
Other	184,777	33,762	173,816	76,792
Total other income	574,911	397,860	937,264	762,463
Other expense				
Salaries and employee benefits	1,710,505	1,366,711	3,355,707	2,691,753
Net occupancy expense	198,508	183,893	380,982	378,228
Equipment expense	344,336	283,894	635,115	567,967
Supplies	114,656	83,308	238,435	135,214
Amortization of intangibles	37,788	70,548	75,576	141,096
Other	882,110	775,721	1,579,367	1,371,383
Total other expense	3,287,903	2,764,075	6,265,182	5,285,641
Income before income taxes	2,333,086	1,634,110	4,604,890	3,155,028
Income tax expense	692,900	434,750	1,334,130	946,655
Net income	$ 1,640,186	$ 1,199,360	$ 3,270,760	$ 2,208,373
Basic earnings per common share	$ 0.93	$ 0.68	$ 1.86	$ 1.26
Diluted earnings per common share	$ 0.93	$ 0.68	$ 1.85	$ 1.26
Average common shares outstanding				
Basic	1,754,310	1,754,310	1,754,310	1,754,590
Diluted	1,767,950	1,754,310	1,767,471	1,754,590
Dividends per common share	$ 0.37	$ 0.35	$ 0.37	$ 0.35

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity (unaudited)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Compre-hensive Income	Total Share-holders' Equity
Balance, December 31, 2001	$ 4,451,950	$ 8,256,901	$ 30,803,543	$ (532,479)	$ 1,307,432	$ 44,287,347
Six Months Ended June 30, 2002						
Comprehensive income:						
Net income	-	-	3,270,760	-	-	3,270,760
Other comprehensive income, net of deferred taxes of $1,446,314:						
Net unrealized gain on securities of $1,214,456, net of reclassification adjustment for gains included in net income of $40,348	-	-	-	-	1,174,108	1,174,108
Total comprehensive income						4,444,868
Cash dividends declared ($.37 per share)	-	-	(649,095)	-	-	(649,095)
Balance, June 30, 2002	$ 4,451,950	$ 8,256,901	$ 33,425,208	$ (532,479)	$ 2,481,540	$ 48,083,120
Balance, December 31, 2000	$ 4,451,950	$ 8,256,901	$ 26,765,097	$ (517,725)	$ 816,978	$ 39,773,201
Six Months Ended June 30, 2001						
Comprehensive income:						
Net income	-	-	2,208,373	-	-	2,208,373
Other comprehensive income, net of deferred taxes of $1,155,460:						
Net unrealized (loss) on securities of $1,178,152, net of reclassification adjustment for gains (losses) included in net income of $109,906	-	-	-	-	1,068,246	1,068,246
Total comprehensive income						3,276,619
Cash dividends declared ($.35 per share)	-	-	(614,008)	-	-	(614,008)
Purchase of treasury shares	-	-	-	(14,754)	-	(14,754)
Balance, June 30, 2001	$ 4,451,950	$ 8,256,901	$ 28,359,462	$ (532,479)	$ 1,885,224	$ 42,421,058

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

	Six Months Ended	
	June 30, 2002	June 30, 2001
Cash Flows from Operating Activities		
Net income	$ 3,270,760	$ 2,208,373
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	504,884	452,539
Provision for loan losses	600,000	325,000
Deferred income tax (benefit) expense	(269,570)	(55,320)
Securities (gains) losses	(65,077)	(177,267)
(Gain) loss on disposal of bank premises, equipment and other assets	19,020	106,417
Amortization of securities premiums (accretion of discounts), net	117,390	(217,969)
Amortization of intangibles and purchase accounting adjustments, net	87,159	139,098
(Increase) decrease in accrued interest receivable	(79,764)	(119,652)
(Increase) decrease in other assets	(268,879)	(194,962)
Increase (decrease) in other liabilities	(824,133)	(48,492)
Net cash provided by operating activities	3,091,790	2,417,765
Cash Flows from Investing Activities		
Net (increase) decrease in interest bearing deposits with other banks	(395,981)	(680,609)
Proceeds from maturities and calls of securities available for sale	8,246,012	29,148,858
Proceeds from maturities and calls of securities held to maturity	150,000	250,000
Proceeds from sales of securities available for sale	17,740,395	13,591,877
Principal payments received on securities available for sale	19,472,703	10,745,248
Purchases of securities available for sale	(35,873,902)	(52,442,345)
Net (increase) decrease in Federal funds sold	(5,442,453)	(5,827,000)
Net loans made to customers	(32,174,479)	(26,334,094)
Purchases of premises and equipment	(825,131)	(774,971)
Proceeds from disposal of assets	19,900	39,822
Purchases of life insurance contracts	(1,853,018)	(74,200)
Net cash provided by (used in) investing activities	(30,935,954)	(32,357,414)
Cash Flows from Financing Activities		
Net increase (decrease) in demand deposit, NOW and savings accounts	15,267,752	9,267,855
Net increase (decrease) in time deposits	9,952,938	12,795,697
Net increase (decrease) in short-term borrowings	(10,400,615)	2,574,305
Proceeds from long-term borrowings	11,530,000	9,700,000
Repayment of long-term borrowings	(373,425)	(186,277)
Dividends paid	(649,095)	(614,008)
Purchase of treasury shares	-	(14,754)
Net cash provided by financing activities	25,327,555	33,522,818
Increase (decrease) in cash and due from banks	(2,516,609)	3,583,169
Cash and due from banks:		
Beginning	11,776,231	7,091,871
Ending	$ 9,259,622	$ 10,675,040

(Continued)

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows - continued (unaudited)

	Six Months Ended	
	June 30, 2002	June 30, 2001
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ 9,549,642	$ 10,640,583
Income taxes	$ 1,555,000	$ 1,025,000
Supplemental Schedule of Noncash Investingand Financing Activities		
Other assets acquired in settlement of loans	$ 59,850	$ 31,817

Note 1. Basis of Presentation

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

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

The results of operations for the six months ended June 30, 2002 are not necessarily indicative of the results to be expected for the full year. The consolidated financial statements and notes included herein should be read in conjunction with the Company's 2001 audited financial statements and Annual Report on Form 10-K. Certain accounts in the consolidated financial statements for December 31, 2001 and June 30, 2002, as previously presented, have been reclassified to conform to current year classifications.

Note 2. Accounting Change

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

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

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

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Reported net income	$ 1,640,186	$ 1,199,360	$ 3,270,760	$ 2,208,373
Add back: goodwill amortization, net of applicable tax effect	-	32,760	-	65,520
Adjusted net income	$ 1,640,186	$ 1,232,120	$ 3,270,760	$ 2,273,893
Basic earnings per share				
Reported net income	$ 0.93	$ 0.68	$ 1.86	$ 1.26
Add back: goodwill amortization, net of applicable tax effect	-	0.02	-	0.04
Adjusted net income	$ 0.93	$ 0.70	$ 1.86	$ 1.30
Diluted earnings per share				
Reported net income	$ 0.93	$ 0.68	$ 1.85	$ 1.26
Add back: goodwill amortization, net of applicable tax effect	-	0.02	-	0.04
Adjusted net income	$ 0.93	$ 0.70	$ 1.85	$ 1.30

The carrying amount of goodwill at June 30, 2002 and December 31, 2001 was $1,488,030. Accordingly, no changes in goodwill were recorded during the six months ended June 30, 2002.

At June 30, 2002 and December 31, 2001, Summit had $1,788,675 and $1,864,251, respectively, in unamortized acquired intangible assets consisting entirely of goodwill recorded in accordance with SFAS 72. Amortization of $75,576 was recorded for the six months ended June 30, 2002 relative to these intangible assets. Annual amortization is expected to be approximately $151,000 for each of the years ending 2002 through 2006.

Note 3. Earnings per Share

The computations of basic and diluted earnings per share follow:

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Numerator:				
Net Income	$1,640,186	$1,199,360	$3,270,760	$2,208,373
Denominator:				
Denominator for basic earnings per share - weighted average common shares outstanding	1,754,310	1,754,310	1,754,310	1,754,590
Effect of dilutive securities:				
Stock options	13,640	-	13,161	-
Denominator for diluted earnings per share - weighted average common shares outstanding and assumed conversions	1,767,950	1,754,310	1,767,471	1,754,590
Basic earnings per share	$ 0.93	$ 0.68	$ 1.86	$ 1.26
Diluted earnings per share	$ 0.93	$ 0.68	$ 1.85	$ 1.26

Note 4. Securities

The amortized cost, unrealized gains, unrealized losses and estimated fair values of securities at June 30, 2002, December 31, 2001, and June 30, 2001 are summarized as follows:

	June 30, 2002			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies and corporations	$ 33,790,843	$ 994,820	$ 419	$ 34,785,244
Mortgage-backed securities	87,639,606	1,412,093	82,080	88,969,619
State and political subdivisions	5,127,802	29,558	205	5,157,155
Corporate debt securities	26,073,112	1,005,335	43,265	27,035,182
Federal Reserve Bank stock	401,300	-	-	401,300
Federal Home Loan Bank stock	7,296,900	-	-	7,296,900
Other equity securities	306,625	30,000	-	336,625
Total taxable	160,636,188	3,471,806	125,969	163,982,025
Tax-exempt:				
State and political subdivisions	29,571,408	670,268	128,824	30,112,852
Federal Reserve Bank stock	4,100	-	-	4,100
Other equity securities	5,067,906	45,101	4,780	5,108,227
Total tax-exempt	34,643,414	715,369	133,604	35,225,179
Total	$195,279,602	$ 4,187,175	$ 259,573	$199,207,204

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

	December 31, 2001			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Held to Maturity				
Tax-exempt:				
State and political subdivisions	$ 150,280	$ 1,410	$ 157	$ 151,533

	June 30, 2001			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies and corporations	$ 48,668,987	$ 1,201,057	$ 4,035	$ 49,866,009
Mortgage-backed securities	70,519,158	1,074,643	200,870	71,392,931
State and political subdivisions	4,637,931	17,897	-	4,655,828
Corporate debt securities	26,763,218	761,741	796	27,524,163
Federal Reserve Bank stock	341,300	-	-	341,300
Federal Home Loan Bank stock	5,184,000	-	-	5,184,000
Other equity securities	306,625	-	87,000	219,625
Total taxable	156,421,219	3,055,338	292,701	159,183,856
Tax-exempt:				
State and political subdivisions	11,412,316	284,416	6,386	11,690,346
Federal Reserve Bank stock	4,100	-	-	4,100
Other equity securities	4,514,902	2,403	2,419	4,514,886
Total tax-exempt	15,931,318	286,819	8,805	16,209,332
Total	$172,352,537	$ 3,342,157	$ 301,506	$175,393,188

	June 30, 2001			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Held to Maturity				
Tax-exempt:				
State and political subdivisions	$ 150,549	$ 2,768	$ 157	$ 153,160

The maturities, amortized cost and estimated fair values of securities at June 30, 2002, are summarized as follows:

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 52,129,959	$ 53,136,235
Due from one to five years	78,481,349	80,554,079
Due from five to ten years	17,513,862	18,177,309
Due after ten years	34,077,444	34,192,272
Equity securities	13,076,831	13,147,152
	$195,279,445	$199,207,047

Note 5. Loans

Loans are summarized as follows:

	June 30, 2002	December 31, 2001	June 30, 2001
Commerical	$ 28,843,866	$ 26,464,421	$ 26,904,660
Commercial real estate	145,634,533	121,576,437	92,524,939
Real estate - construction	1,283,675	2,393,754	2,818,227
Real estate - mortgage	156,554,578	149,050,426	135,186,558
Consumer	40,862,626	41,508,960	40,414,736
Other	7,148,009	7,263,448	3,042,717
Total loans	380,327,287	348,257,446	300,891,837
Less unearned income	760,008	731,769	627,166
Total loans net of unearned income	379,567,279	347,525,677	300,264,671
Less allowance for loan losses	3,640,206	3,110,248	2,698,742
Loans, net	$375,927,073	$344,415,429	$297,565,929

Note 6. Allowance for Loan Losses

An analysis of the allowance for loan losses for the six month periods ended June 30, 2002 and 2001, and for the year ended December 31, 2001 is as follows:

	Six Months Ended June 30,		Year Ended December 31,
	2002	2001	2001
Balance, beginning of period	$3,110,248	$2,570,776	$2,570,776
Losses:			
Commercial	25,000	38,624	38,624
Commercial - real estate	-	52,556	69,233
Real estate - mortgage	18,618	28,620	46,977
Consumer	73,541	86,792	190,804
Other	23,626	31,209	75,643
Total	140,785	237,801	421,281
Recoveries:			
Commercial	2,393	1,057	2,672
Commercial - real estate	-	-	7,500
Real estate - mortgage	14,389	728	728
Consumer	43,282	31,674	98,940
Other	10,679	7,308	20,913
Total	70,743	40,767	130,753
Net losses	70,042	197,034	290,528
Provision for loan losses	600,000	325,000	830,000
Balance, end of period	$3,640,206	$2,698,742	$3,110,248

Note 7. Deposits

The following is a summary of interest bearing deposits by type as of June 30, 2002 and 2001, and December 31, 2001:

	June 30, 2002	December 31, 2001	June 30, 2001
Interest bearing demand deposits	$ 89,677,471	$ 81,509,961	$ 74,059,088
Savings deposits	48,555,899	43,765,947	39,438,595
Certificates of deposit	219,690,605	211,116,608	201,967,651
Individual retirement accounts	22,470,999	21,126,774	20,016,754
Total	$380,394,974	$357,519,290	$335,482,088

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, 2002:

	Amount	Percent
Three months or less	$ 9,698,102	16.2%
Three through six months	10,337,485	17.2%
Six through twelve months	15,989,071	26.7%
Over twelve months	24,010,305	40.0%
Total	$ 60,034,963	100.1%

A summary of the scheduled maturities for all time deposits as of June 30, 2002 is as follows:

Six Month Period Ending December 31, 2002	$ 84,569,903
Year Ending December 31, 2003	82,011,065
Year Ending December 31, 2004	54,996,296
Year Ending December 31, 2005	9,354,509
Year Ending December 31, 2006	4,435,247
Thereafter	6,794,584
	$ 242,161,604

Note 8. Borrowed Funds

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

	Six Months Ended June 30, 2002		
	Federal Funds Purchased and Other Short-term Advances	Repurchase Agreements	Federal Home Loan Bank Short-term Advances
Balance at June 30	$ 550,000	$ 10,082,174	$ 3,000,000
Average balance outstanding for the period	1,227,116	9,504,480	5,971,096
Maximum balance outstanding at any month end during period	2,370,000	10,778,052	9,344,800
Weighted average interest rate for the period	4.25%	1.72%	2.46%
Weighted average interest rate for balances outstanding at June 30	4.25%	1.87%	2.44%

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

	Six Months Ended June 30, 2001		
	Federal Funds Purchased and Other Short-term Advances	Repurchase Agreements	Federal Home Loan Bank Short-term Advances
Balance at June 30	$ 1,000,000	$ 7,460,519	$ 3,504,600
Average balance outstanding for the year	1,321,603	6,808,106	3,558,363
Maximum balance outstanding at any month end	4,298,000	7,460,519	7,467,100
Weighted average interest rate for the year	6.08%	4.18%	5.50%
Weighted average interest rate for balances outstanding at June 30	6.50%	3.45%	4.27%

Long-term borrowings: The Company's long-term borrowings of $134,601,106, $123,444,531 and $90,599,652 at June 30, 2002, December 31, 2001 and June 30, 2001, respectively, consisted primarily of advances from the Federal Home Loan Bank ("FHLB").

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

The average interest rate paid on long-term borrowings for the six month period ended June 30, 2002 was 5.22% compared to 5.64% for the first six months of 2001.

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

Year Ending December 31,	Amount
2002	$ 1,403,066
2003	5,893,925
2004	18,857,794
2005	23,844,041
2006	7,656,710
Thereafter	76,945,570
	$ 134,601,106

Note 9. Restrictions on Capital

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

Quantitative measures established by regulation to ensure capital adequacy require Summit and each of its subsidiaries to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of June 30, 2002, that Summit and each of its subsidiaries met all capital adequacy requirements to which they were subject.

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

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

(Dollars in thousands)

	Actual		Minimum Required Regulatory Capital		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2002						
Total Capital (to risk weighted assets)						
Summit	$ 45,984	11.2%	$ 32,792	8.0%	$ 40,991	10.0%
Summit Community*	24,620	11.4%	17,352	8.0%	21,690	10.0%
Capital State	10,267	11.0%	7,488	8.0%	9,361	10.0%
Shenandoah	11,131	13.1%	6,793	8.0%	8,491	10.0%
Tier I Capital (to risk weighted assets)						
Summit	42,325	10.3%	16,396	4.0%	24,594	6.0%
Summit Community*	22,404	10.3%	8,676	4.0%	13,014	6.0%
Capital State	9,497	10.1%	3,744	4.0%	5,616	6.0%
Shenandoah	10,446	12.3%	3,397	4.0%	5,095	6.0%
Tier I Capital (to average assets)						
Summit	42,325	7.0%	18,222	3.0%	30,370	5.0%
Summit Community*	22,404	6.9%	9,734	3.0%	16,223	5.0%
Capital State	9,497	6.8%	4,172	3.0%	6,954	5.0%
Shenandoah	10,446	8.3%	3,763	3.0%	6,272	5.0%
As of December 31, 2001						
Total Capital (to risk weighted assets)						
Summit	$ 42,695	11.3%	$ 30,173	8.0%	$ 29,586	10.0%
South Branch*	14,014	10.4%	10,811	8.0%	13,514	10.0%
Capital State	9,407	10.4%	7,208	8.0%	9,011	10.0%
Shenandoah	10,386	13.7%	6,065	8.0%	7,581	10.0%
Potomac*	9,273	12.1%	6,121	8.0%	7,651	10.0%
Tier I Capital (to risk weighted assets)						
Summit	39,585	10.5%	15,080	4.0%	22,620	6.0%
South Branch*	12,564	9.3%	5,404	4.0%	8,106	6.0%
Capital State	8,754	9.7%	3,602	4.0%	5,404	6.0%
Shenandoah	9,978	13.2%	3,033	4.0%	4,549	6.0%
Potomac*	8,674	11.3%	3,062	4.0%	4,593	6.0%
Tier I Capital (to average assets)						
Summit	39,585	7.1%	16,797	3.0%	27,995	5.0%
South Branch*	12,564	7.0%	5,369	3.0%	8,949	5.0%
Capital State	8,754	6.7%	3,902	3.0%	6,504	5.0%
Shenandoah	9,978	8.1%	3,709	3.0%	6,182	5.0%
Potomac*	8,674	7.0%	3,739	3.0%	6,231	5.0%

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

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

INTRODUCTION

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

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

RESULTS OF OPERATIONS

Earnings Summary

Summit reported net income of $1,640,000, or $.93 per diluted share for the second quarter of 2002, as compared to $1,199,000, or $.68 per diluted share for the second quarter of 2001. Net income for the six months ended June 30, 2002 grew 48.1% to $3,271,000, or $1.85 per diluted share as compared to $2,208,000, or $1.26 per diluted share for the six months ended June 30, 2001. Returns on average equity and assets for the first six months of 2002 were 14.59% and 1.09%, respectively, compared with 10.71% and 0.88% for the same period of 2001. Improved financial performance for the first six months of 2002 resulted primarily from growth in net interest income.

Net Interest Income

The Company's net interest income on a fully tax-equivalent basis totaled $20,362,000 for the six month period ended June 30, 2002 compared to $18,747,000 for the same period of 2001, representing an increase of $1,615,000 or 8.61%. This increase resulted from growth in interest earning assets. Average interest earning assets grew 21.3% from $469,480,000 during the first six months of 2001 to $569,656,000 for the first six months of 2002.

Summit's net yield on interest earning assets increased to 3.9%, for the six month period ended June 30, 2002 compared to 3.5% for the same period of 2001. Consistent with industry trends, the Company's net interest margin has been narrowing as competition from nontraditional financial service providers and shifting customer preferences have made it difficult to attract core deposits, the most significant and lowest cost funding source of commercial banks.

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

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

	For the Six Months Ended June 30,					
	2002			2001		
	Average Balance	Earnings/ Expense	Yield/ Rate	Average Balance	Earnings/ Expense	Yield/ Rate
Interest earning assets						
Loans, net of unearned income						
Taxable	$ 356,615	$ 13,752	7.7%	$ 284,232	$ 12,269	8.6%
Tax-exempt (1)	6,021	256	8.5%	2,379	126	10.6%
Securities						
Taxable	169,429	5,069	6.0%	160,246	5,584	7.0%
Tax-exempt (1)	32,627	1,218	7.5%	16,954	638	7.5%
Federal funds sold and interest bearing deposits with other banks	4,964	67	2.7%	5,669	130	4.6%
Total interest earning assets	569,656	20,362	7.1%	469,480	18,747	8.0%
Noninterest earning assets						
Cash & due from banks	8,325			8,326		
Premises and equipment	13,015			12,358		
Other assets	14,528			13,876		
Allowance for loan losses	(3,392)			(2,678)		
Total assets	$ 602,132			$ 501,362		
Interest bearing liabilities						
Interest bearing demand deposits	$ 85,355	$ 616	1.4%	$ 69,753	$ 1,051	3.0%
Savings deposits	45,531	293	1.3%	38,564	500	2.6%
Time deposits	235,420	4,803	4.1%	217,963	6,266	5.7%
Short-term borrowings	16,720	181	2.2%	11,688	279	4.8%
Long-term borrowings	132,370	3,452	5.2%	85,410	2,408	5.6%
Total interest bearing liabilities	515,396	9,345	3.6%	423,378	10,504	5.0%
Noninterest bearing liabilities and shareholders' equity						
Demand deposits	37,615			32,664		
Other liabilities	4,277			4,115		
Shareholders' equity	44,844			41,205		
Total liabilities and shareholders' equity	$ 602,132			$ 501,362		
Net interest earnings		$ 11,017			$ 8,243	
Net yield on interest earning assets			3.9%			3.5%

(1) - Interest income on tax-exempt securities and loans 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 $484,000 and $240,000 for the periods ended June 30, 2002 and 2001, respectively.

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

	For the Six Months Ended June 30, 2002 versus June 30, 2001		
	Increase (Decrease) Due to Change in:		
	Volume	Rate	Net
Interest earned on:			
Loans			
Taxable	$ 2,889	$(1,406)	1,483
Tax-exempt	159	(29)	130
Securities			
Taxable	307	(822)	(515)
Tax-exempt	585	(5)	580
Federal funds sold and interest bearing deposits with other banks	(14)	(49)	(63)
Total interest earned on interest earning assets	3,926	(2,311)	1,615
Interest paid on:			
Interest bearing demand deposits	198	(633)	(435)
Savings deposits	78	(285)	(207)
Time deposits	470	(1,933)	(1,463)
Short-term borrowings	91	(189)	(98)
Long-term borrowings	1,237	(193)	1,044
Total interest paid on interest bearing liabilities	2,074	(3,233)	(1,159)
Net interest income	$ 1,852	$ 922	$ 2,774

Credit Experience

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

The Company recorded a $600,000 provision for loan losses for the first six months of 2002, compared to $325,000 for the same period in 2001, an increase of $275,000 or 84.6%. This increase represents continued growth of the loan portfolio. Net loan charge offs for the first six months of 2002 were $70,000, as compared to $197,000 over the same period of 2001. At June 30, 2002, the allowance for loan losses totaled $3,640,000 or 0.98% of loans, net of unearned income, compared to $3,110,000 or 0.89% of loans, net of unearned income at December 31, 2001.

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

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

	June 30, 2002	June 30, 2001	December 31, 2001
Accruing loans past due 90 days or more	$ 63	$ 157	$ 328
Nonperforming assets:			
Nonaccrual loans	743	1,254	788
Foreclosed properties	119	-	81
Repossessed assets	4	31	-
Total	$ 929	$1,442	$1,197
Percentage of total loans	0.2%	0.5%	0.3%

Noninterest Expense

Total noninterest expense increased approximately $979,000, or 18.5% to $6,265,000 during the first six months of 2002 as compared to the same period in 2001. Substantially all of this increase resulted primarily from an increase in salaries and employee benefits expense as a result of the company awarding general merit raises and the addition of new staff positions required as a result of Summit's growth.

FINANCIAL CONDITION

Total assets of the Company were $620,817,000 at June 30, 2002, compared to $591,757,000 at December 31, 2001, representing a 4.9% increase. Table IV below serves to illustrate significant changes in the Company's financial position between December 31, 2001 and June 30, 2002.

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

	Balance December 31, 2001	Increase (Decrease) Amount	Increase (Decrease) Percentage	Balance June 30, 2002
Assets				
Federal funds sold	$ 1,848	$ 5,443	294.5%	$ 7,291
Securities available for sale	206,967	(7,760)	-3.7%	199,207
Loans, net of unearned income	344,415	31,512	9.1%	375,927
Liabilities				
Interest bearing deposits	$357,519	$ 22,876	6.4%	$380,395
Short-term borrowings	24,033	(10,401)	-43.3%	13,632
Long-term borrowings	123,445	11,156	9.0%	134,601

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

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

Refer to Notes 4, 5, 6, 7 and 8 of the notes to the accompanying consolidated financial statements for additional information with regard to changes in the composition of the Summit's securities, loans, deposits and borrowing activity between June 30, 2002 and December 31, 2001.

LIQUIDITY

Liquidity reflects the Company's ability to ensure the availability of adequate funds to meet loan commitments and deposit withdrawals, as well as provide for other transactional requirements. Liquidity is provided primarily by funds invested in cash and due from banks, Federal funds sold, non-pledged securities, and available lines of credit with the FHLB, the total of which approximated $000 million or 00% of total assets at June 30, 2002 versus $126 million, or 21% of total assets at December 31, 2001.

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

MARKET RISK MANAGEMENT

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

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

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

As of June 30, 2002, Summit's earnings simulation model projects net interest income would decrease by approximately 1.6% if rates rise evenly by 200 basis points over the next 12 month period, as compared to a projected stable rate net interest income. Further, the model projects that if rates fall evenly by 200 basis points over the next year, Company net interest income would decrease by approximately 0.3%, as compared to a projected stable rate net interest income. These projected changes are well within Summit's ALCO policy limit of +/- 10%.

CAPITAL RESOURCES

Maintenance of a strong capital position is a continuing goal of Company management. Through management of its capital resources, the Company seeks to provide an attractive financial return to its shareholders while retaining sufficient capital to support future growth. Shareholders' equity at June 30, 2002 totaled $48,083,000 compared to $44,287,000 at December 31, 2001, representing an increase of 8.6% which resulted primarily from net retained earnings of the Company during the first six months of 2002 and the appreciation of the Company's available for sale securities portfolio.

Refer to Note 9 of the notes to the accompanying consolidated financial statements for information regarding regulatory restrictions on the Company's and its subsidiaries' capital.

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

On May 16, 2002, at the annual meeting of the shareholders of Summit Financial Group, Inc., the matters set forth below were voted upon. The number of votes cast for or against, as well as the number of abstentions and withheld votes concerning each matter are indicated in the following tabulations.

1. Election of the following listed individuals to the Company's Board of Directors for three year terms.

	For	Withheld
Frank A. Baer, III	1,399,917	5,007
Patrick N. Frye	1,397,819	7,105
Duke A. McDaniel	1,404,924	0
Ronald F. Miller	1,400,720	4,204
George R. Ours	1,404,065	859

The following directors' terms of office continued after the 2002 annual shareholders' meeting: Oscar M. Bean, Dewey F. Bensenhaver, James M. Cookman, John W. Crites, James Paul Geary, Thomas J. Hawse, III, Phoebe F. Heishman, Gary L. Hinkle, Gerald W. Huffman, H. Charles Maddy, III, Harold K. Michael, and Charles S. Piccirillo.

2. Ratify Arnett & Foster, CPA's to serve as the Company's independent auditors for 2002.

For	Against	Abstentions
1,406,329	643	4,187

Item 6. Reports on Form 8-K

On April 26, 2002, Summit and Monroe Financial, Inc. issued a New Release announcing that the Boards of Directors of Summit and Monroe Financial, Inc. had approved a plan to affiliate, whereby Summit would acquire Monroe and its wholly owned subsidiary, Bank of Greenville.

On May 20, 2002, Summit and Monroe Financial, Inc. issued a News Release announcing that they mutually had agreed to terminate their plan to affiliate.

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,
Sr. Vice President and Chief Financial Officer

Date: August 13, 2002

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Summit Financial Group, Inc. ("Summit") Form 10-Q for the period ending June 30, 2002 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 to the best of my knowledge, 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 the Summit.

/s/ H. Charles Maddy, III

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

Date: August 13, 2002

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 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Summit Financial Group, Inc. ("Summit") Form 10-Q for the period ending June 30, 2002 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 to the best of my knowledge, 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 the Summit.

/s/ Robert S. Tissue

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

Date: August 13, 2002

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.