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 March 31, 2003.

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 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
3,504,320 shares outstanding as of May 9, 2003

Summit Financial Group, Inc. and Subsidiaries

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Summit Financial Group, Inc. and Subsidiaries

Consolidated Balance Sheets

	March 31, 2003 (unaudited)	December 31, 2002 (*)	March 31, 2002 (unaudited)
ASSETS			
Cash and due from banks	$ 11,816,307	$ 11,470,311	$ 7,667,319
Interest bearing deposits with other banks	3,820,145	2,185,369	2,309,456
Federal funds sold	51,223	3,390,135	208,070
Securities available for sale	231,559,929	212,597,975	206,295,842
Securities held to maturity	-	-	150,157
Loans held for sale	2,083,065	906,900	531,300
Loans, net	433,937,306	414,245,082	358,435,577
Property held for sale	1,393,798	1,859,650	81,000
Premises and equipment, net	11,285,970	11,199,037	12,942,917
Accrued interest receivable	4,095,971	4,025,167	4,288,987
Intangible assets	3,163,340	3,201,128	3,314,493
Other assets	7,556,365	6,703,636	7,063,967
Total assets	$ 710,763,419	$ 671,784,390	$ 603,289,085
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits			
Non interest bearing	$ 44,806,740	$ 46,312,596	$ 38,337,889
Interest bearing	424,035,131	412,334,977	361,414,256
Total deposits	468,841,871	458,647,573	399,752,145
Short-term borrowings	28,029,455	20,191,103	18,861,192
Long-term borrowings	152,713,067	133,787,020	133,813,139
Company-obligated mandatorily redeemable capital securities of subsidiary trust holding solely subordinated debentures of the Company	3,500,000	3,500,000	-
Other liabilities	4,300,023	3,578,898	5,839,663
Total liabilities	657,384,416	619,704,594	558,266,139
Commitments and Contingencies			
Shareholders' Equity			
Preferred stock, $1.00 par value; authorized 250,000 shares; no shares issued	-	-	-
Common stock, $2.50 par value; authorized 5,000,000 shares; issued 2003 - 3,562,260 shares ; December 2002 - 3,561,660 shares; March 2002 - 3,561,560 shares	8,905,650	8,904,150	8,903,900
Capital surplus	3,811,531	3,805,891	3,804,951
Retained earnings	38,590,570	36,726,583	32,434,117
Less cost of shares acquired for the treasury, 2003 - 57,940 shares; December 2002 - 57,940 shares; March 2002 - 52,940 shares	(627,659)	(619,711)	(532,479)
Accumulated other comprehensive income	2,698,911	3,262,883	412,457
Total shareholders' equity	53,379,003	52,079,796	45,022,946
Total liabilities and shareholders' equity	$ 710,763,419	$ 671,784,390	$ 603,289,085

(*) - December 31, 2002 financial information has been extracted from audited consolidated financial statements

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Interest income		
Interest and fees on loans		
Taxable	$ 7,412,062	$ 6,714,084
Tax-exempt	83,668	81,555
Interest and dividends on securities		
Taxable	2,113,879	2,601,311
Tax-exempt	474,714	403,456
Interest on interest bearing deposits with other banks	35,509	22,850
Interest on Federal funds sold	9,760	11,359
Total interest income	10,129,592	9,834,615
Interest expense		
Interest on deposits	2,625,468	2,891,194
Interest on short-term borrowings	80,196	86,493
Interest on long-term borrowings	1,755,557	1,677,698
Total interest expense	4,461,221	4,655,385
Net interest income	5,668,371	5,179,230
Provision for loan losses	217,500	292,500
Net interest income after provision for loan losses	5,450,871	4,886,730
Other income		
Insurance commissions	20,232	25,337
Service fees	339,387	295,297
Mortgage origination revenue	139,000	43,184
Securities gains	40,892	52,680
Other	33,872	(54,145)
Total other income	573,383	362,353
Other expense		
Salaries and employee benefits	1,918,620	1,645,202
Net occupancy expense	194,741	182,474
Equipment expense	300,245	290,779
Supplies	105,924	123,779
Professional fees	128,754	92,321
Amortization of intangibles	37,788	37,788
Other	654,320	604,936
Total other expense	3,340,392	2,977,279
Income before income taxes	2,683,862	2,271,804
Income tax expense	819,875	641,230
Net income	$ 1,863,987	$ 1,630,574
Basic earnings per common share	$ 0.53	$ 0.46
Diluted earnings per common share	$ 0.53	$ 0.46
Average common shares outstanding		
Basic	3,503,930	3,508,620
Diluted	3,529,886	3,532,402
Dividends per common share	$ -	$ -

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity (unaudited)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Compre-hensive Income	Total Share-holders' Equity
Balance, December 31, 2002	$ 8,904,150	$ 3,805,891	$ 36,726,583	$ (619,711)	$ 3,262,883	$ 52,079,796
Three Months Ended March 31, 2003						
Comprehensive income:						
Net income	-	-	1,863,987	-	-	1,863,987
Other comprehensive income, net of deferred taxes of $1,390,348:						
Net unrealized (loss) on securities of ($589,325), net of reclassification adjustment for gains included in net income of $25,353	-	-	-	-	(563,972)	(563,972)
Total comprehensive income						1,300,015
Exercise of stock options	1,500	5,640	-	-	-	7,140
Purchase of treasury shares	-	-	-	(7,948)	-	(7,948)
Balance, March 31, 2003	$ 8,905,650	$ 3,811,531	$ 38,590,570	$ (627,659)	$ 2,698,911	$ 53,379,003
Balance, December 31, 2002	$ 8,903,900	$ 3,804,951	$ 30,803,543	$ (532,479)	$ 1,307,432	$ 44,287,347
Three Months Ended March 31, 2002						
Comprehensive income:						
Net income	-	-	1,630,574	-	-	1,630,574
Other comprehensive income, net of deferred taxes of $548,533:						
Net unrealized (loss) on securities of ($862,313), net of reclassification adjustment for gains included in net income of $32,662	-	-	-	-	(894,975)	(894,975)
Total comprehensive income	-	-	-	-	-	735,599
Balance, March 31, 2002	$ 8,903,900	$ 3,804,951	$ 32,434,117	$ (532,479)	$ 412,457	$ 45,022,946

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended	
	March 31, 2003	March 31, 2002
Cash Flows from Operating Activities		
Net income	$ 1,863,987	$ 1,630,574
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	252,433	250,869
Provision for loan losses	217,500	292,500
Deferred income tax (benefit) expense	(68,000)	(149,270)
Loans originated for sale	(7,644,790)	(2,138,600)
Proceeds from loans sold	6,468,625	2,954,300
Securities (gains) losses	(40,892)	(52,680)
(Gain) loss on disposal of other assets	19,558	15,797
Amortization of securities premiums (accretion of discounts) net	306,650	56,020
Amortization of goodwill and purchase accounting adjustments, net	43,086	45,072
(Increase) decrease in accrued interest receivable	(70,804)	(414,985)
(Increase) decrease in other assets	(663,774)	(462,883)
Increase (decrease) in other liabilities	919,631	2,052,552
Net cash provided by operating activities	1,603,210	4,079,266
Cash Flows from Investing Activities		
Net (increase) decrease in interest bearing deposits with other banks	(1,634,776)	(47,630)
Proceeds from maturities and calls of securities available for sale	11,995,000	3,000,000
Proceeds from sales of securities available for sale	1,394,555	4,814,367
Principal payments received on securities available for sale	21,629,654	10,120,896
Purchases of securities available for sale	(55,146,213)	(18,678,877)
Net (increase) decrease in Federal funds sold	3,338,912	1,640,059
Net loans made to customers	(20,533,164)	(15,680,083)
Purchases of premises and equipment	(298,488)	(311,011)
Proceeds from sales of other assets	1,023,695	8,900
Purchases of life insurance contracts	-	(1,853,018)
Net cash provided by (used in) investing activities	(38,230,825)	(16,986,397)
Cash Flows from Financing Activities		
Net increase (decrease) in demand deposit, NOW and savings accounts	(2,388,533)	4,308,805
Net increase (decrease) in time deposits	12,620,347	(707,595)
Net increase (decrease) in short-term borrowings	7,838,352	(5,171,599)
Proceeds from long-term borrowings	19,250,000	10,530,000
Repayment of long-term borrowings	(345,747)	(161,392)
Exercise of stock options	7,140	-
Purchase of treasury stock	(7,948)	-
Net cash provided by financing activities	36,973,611	8,798,219
Increase (decrease) in cash and due from banks	345,996	(4,108,912)
Cash and due from banks:		
Beginning	11,470,311	11,776,231
Ending	$ 11,816,307	$ 7,667,319

(Continued)

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows - continued (unaudited)

	Three Months Ended	
	March 31, 2003	March 31, 2002
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ 4,508,920	$ 4,814,857
Income taxes	$ -	$ 50,000
Supplemental Schedule of Noncash Investing and Financing Activities		
Other assets acquired in settlement of loans	$ 622,441	$ 17,450

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 effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

The results of operations for the three months ended March 31, 2003 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 2002 audited financial statements and Annual Report on Form 10-K. Certain accounts in the consolidated financial statements for December 31, 2002 and March 31, 2002, as previously presented, have been reclassified to conform to current year classifications.

Note 2. Earnings per Share

The computations of basic and diluted earnings per share follow:

	Three Months Ended March 31,	
	2003	2002
Numerator:		
Net Income	$1,863,987	$1,630,574
Denominator:		
Denominator for basic earnings per share - weighted average common shares outstanding	3,503,930	3,508,620
Effect of dilutive securities:		
Stock options	25,956	23,782
Denominator for diluted earnings per share - weighted average common shares outstanding and assumed conversions	3,529,886	3,532,402
Basic earnings per share	$ 0.53	$ 0.46
Diluted earnings per share	$ 0.53	$ 0.46

Note 3. Securities

The amortized cost, unrealized gains, unrealized losses and estimated fair values of securities at March 31, 2003 and December 31, 2002, and March 31, 2002 are summarized as follows:

	March 31, 2003			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies and corporations	$ 26,769,001	$ 943,685	$ -	$ 27,712,686
Mortgage-backed securities	115,746,226	1,679,106	555,378	116,869,954
State and political subdivisions	5,119,239	40,581	-	5,159,820
Corporate debt securities	29,416,044	1,176,470	24,326	30,568,188
Federal Reserve Bank stock	418,000	-	-	418,000
Federal Home Loan Bank stock	9,051,100	-	-	9,051,100
Other equity securities	102,452	-	-	102,452
Total taxable	186,622,062	3,839,842	579,704	189,882,200
Tax-exempt:				
State and political subdivisions	34,103,877	1,074,465	15,749	35,162,593
Federal Reserve Bank stock	8,400	-	-	8,400
Other equity securities	6,561,822	89,577	144,663	6,506,736
Total tax-exempt	40,674,099	1,164,042	160,412	41,677,729
Total	$227,296,161	$ 5,003,884	$ 740,116	$231,559,929

	December 31, 2002			
	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies and corporations	$ 32,699,059	$ 1,121,860	$ -	$ 33,820,919
Mortgage-backed securities	94,022,894	1,925,599	168,040	95,780,453
State and political subdivisions	5,450,901	94,315	-	5,545,216
Corporate debt securities	27,961,831	1,163,744	7,352	29,118,223
Federal Reserve Bank stock	397,000	-	-	397,000
Federal Home Loan Bank stock	7,738,200	-	-	7,738,200
Other equity securities	88,348	-	-	88,348
Total taxable	168,358,233	4,305,518	175,392	172,488,359
Tax-exempt:				
State and political subdivisions	34,003,131	1,166,600	101,629	35,068,102
Federal Reserve Bank stock	8,400	-	-	8,400
Other equity securities	5,065,152	106,169	138,207	5,033,114
Total tax-exempt	39,076,683	1,272,769	239,836	40,109,616
Total	$207,434,916	$ 5,578,287	$ 415,228	$212,597,975

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

The maturites, amortized cost and estimated fair values of securities at March 31, 2003, are summarized as follows:

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$127,713,273	$129,950,092
Due from one to five years	70,913,585	72,193,050
Due from five to ten years	10,007,167	10,355,150
Due after ten years	13,199,284	13,582,156
Equity securities	5,462,852	5,479,481
	$227,296,161	$231,559,929

Note 4. Loans

Loans are summarized as follows:

	March 31, 2003	December 31, 2002	March 31, 2002
Commerical	$ 38,837,124	$ 34,745,430	$ 28,012,043
Commercial real estate	182,146,228	171,822,280	134,612,059
Real estate - construction	3,980,003	4,493,569	1,361,508
Real estate - mortgage	168,273,675	161,005,744	151,582,561
Consumer	39,628,271	40,655,422	40,698,188
Other	6,041,761	6,389,812	6,292,221
Total loans	438,907,062	419,112,257	363,089,880
Less unearned income	841,220	814,044	731,487
Total loans net of unearned income	438,065,842	418,298,213	362,358,393
Less allowance for loan losses	4,128,536	4,053,131	3,391,516
Loans, net	$433,937,306	$414,245,082	$358,435,577

Note 5. Allowance for Loan Losses

An analysis of the allowance for loan losses for the three month periods ended March 31, 2003 and 2002, and for the year ended December 31, 2002 is as follows:

	Three Months Ended March 31,		Year Ended December 31,
	2003	2002	2002
Balance, beginning of period	$4,052,949	$3,110,248	$3,110,248
Losses:			
Commercial	-	-	105,650
Commercial real estate	96,640	-	31,500
Real estate - mortgage	33,653	1,817	30,400
Consumer	35,118	28,570	173,430
Other	7,642	15,786	74,899
Total	173,053	46,173	415,879
Recoveries:			
Commercial	954	347	39,251
Commercial real estate	-	-	-
Real estate - mortgage	300	16,004	16,489
Consumer	22,513	14,545	70,568
Other	7,373	4,045	17,454
Total	31,140	34,941	143,762
Net losses	141,913	11,232	272,117
Provision for loan losses	217,500	292,500	1,215,000
Balance, end of period	$4,128,536	$3,391,516	$4,053,131

Note 6. Deposits

The following is a summary of interest bearing deposits by type as of March 31, 2003 and 2002 and December 31, 2002:

	March 31, 2003	December 31, 2002	March 31, 2002
Interest bearing demand deposits	$ 97,850,089	$ 99,752,155	$ 84,772,287
Savings deposits	47,751,642	46,732,252	45,160,225
Certificates of deposit	253,475,978	241,439,194	209,928,542
Individual retirement accounts	24,957,422	24,411,376	21,553,202
Total	$424,035,131	$412,334,977	$361,414,256

The following is a summary of the maturity distribution of certificates of deposit and Individual Retirement Accounts in denominations of $100,000 or more as of March 31, 2003:

	Amount	Percent
Three months or less	$10,856,026	14.1%
Three through six months	14,169,840	18.3%
Six through twelve months	21,392,600	27.7%
Over twelve months	30,809,326	39.9%
Total	$77,227,792	100.0%

A summary of the scheduled maturities for all time deposits as of March 31, 2003 is as follows:

Nine month period ending December 31, 2003	$ 123,824,875
Year Ending December 31, 2004	103,573,058
Year Ending December 31, 2005	26,675,129
Year Ending December 31, 2006	5,648,232
Year Ending December 31, 2007	14,978,425
Thereafter	3,733,681
	$ 278,433,400

Note 7. Borrowed Funds

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

	Quarter Ended March 31, 2003		
	Federal Funds Purchased and Lines of Credit	Repurchase Agreements	Federal Home Loan Bank Short-term Advances
Balance at March 31	$ 490,000	$ 8,979,955	$ 18,559,500
Average balance outstanding for the quarter	338,300	8,385,866	12,645,338
Maximum balance outstanding at any month end during quarter	490,000	8,979,955	18,559,500
Weighted average interest rate for the quarter	2.32%	1.56%	1.44%
Weighted average interest rate for balances outstanding at March 31	2.99%	1.59%	1.48%

	Year Ended December 31, 2002		
	Federal Funds Purchased and Lines of Credit	Repurchase Agreements	Federal Home Loan Bank Short-term Advances
Balance at December 31	$ -	$ 8,596,103	$ 11,595,000
Average balance outstanding for the year	934,768	8,960,391	6,057,233
Maximum balance outstanding at any month end	2,370,000	10,778,052	11,595,000
Weighted average interest rate for the year	4.19%	1.71%	2.21%
Weighted average interest rate for balances outstanding at December 31	-	1.57%	1.48%

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

Long-term borrowings: Our long-term borrowings of $152,713,067, $133,787,020 and $133,813,000 at March 31, 2003, December 31, 2002, and March 31, 2002 respectively, consisted primarily of advances from the Federal Home Loan Bank ("FHLB").

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

The average interest rate paid on long-term borrowings for the three month period ended March 31, 2003 was 4.96% compared to 5.13% for the first three months of 2002.

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
2003	$ 5,777,209
2004	20,353,916
2005	9,509,278
2006	9,345,157
2007	5,434,877
Thereafter	102,292,630
	$ 152,713,067

Note 8. 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 March 31, 2003 and 2002, 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).

	Quarter Ended March 31,	
	2003	2002
(in thousands, except per share data)		
Net income:		
As reported	$ 1,864	$ 1,631
Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(10)	(8)
Pro forma	$ 1,854	$ 1,623
Basic earnings per share:		
As reported	$ 0.53	$ 0.46
Pro forma	$ 0.53	$ 0.46
Diluted earnings per share:		
As reported	$ 0.53	$ 0.46
Pro forma	$ 0.53	$ 0.46

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. There were no option grants during the first quarter 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 9. Stock Split

On February 21, 2003, our Board of Directors authorized a 2-for-1 split of our common stock to be effected in the form of a 100% stock dividend that was distributed on March 14, 2003 to shareholders of record as of March 3, 2003. All share and per share amounts included in the consolidated financial statements and the accompanying notes have been restated to give effect to the stock split.

Note 10. 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 March 31, 2003, 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 March 31, 2003						
Total Capital (to risk weighted assets)						
Summit	$ 55,091	11.4%	38,515	8.0%	48,144	10.0%
Summit Community	27,160	11.2%	19,353	8.0%	24,191	10.0%
Capital State	11,452	10.3%	8,923	8.0%	11,154	10.0%
Shenandoah	13,826	10.9%	10,105	8.0%	12,631	10.0%
Tier I Capital (to risk weighted assets)						
Summit	50,963	10.6%	19,258	4.0%	28,886	6.0%
Summit Community	24,937	10.3%	9,677	4.0%	14,515	6.0%
Capital State	10,573	9.5%	4,461	4.0%	6,692	6.0%
Shenandoah	12,785	10.1%	5,053	4.0%	7,579	6.0%
Tier I Capital (to average assets)						
Summit	50,963	7.5%	20,512	3.0%	34,187	5.0%
Summit Community	24,937	7.2%	10,427	3.0%	17,379	5.0%
Capital State	10,573	6.9%	4,599	3.0%	7,665	5.0%
Shenandoah	12,785	7.0%	5,454	3.0%	9,090	5.0%
As of December 31, 2002						
Total Capital (to risk weighted assets)						
Summit	$ 53,114	11.7%	$ 36,310	8.0%	$ 45,388	10.0%
Summit Community	25,916	11.1%	18,661	8.0%	23,327	10.0%
Capital State	11,041	10.7%	8,247	8.0%	10,309	10.0%
Shenandoah	12,816	11.0%	9,304	8.0%	11,630	10.0%
Tier I Capital (to risk weighted assets)						
Summit	49,043	10.8%	18,155	4.0%	27,233	6.0%
Summit Community	23,708	10.2%	9,334	4.0%	14,001	6.0%
Capital State	10,146	9.8%	4,124	4.0%	6,187	6.0%
Shenandoah	11,848	10.2%	4,651	4.0%	6,976	6.0%
Tier I Capital (to average assets)						
Summit	49,043	7.4%	20,012	3.0%	33,353	5.0%
Summit Community	23,708	7.0%	10,161	3.0%	16,934	5.0%
Capital State	10,146	6.8%	4,457	3.0%	7,428	5.0%
Shenandoah	11,848	6.7%	5,289	3.0%	8,815	5.0%

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"), and Shenandoah Valley National Bank ("Shenandoah") for the periods indicated. This discussion and analysis should be read in conjunction with our 2002 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.

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 2002 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 2002 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 2002 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 2003. We cannot assure you that future goodwill impairment tests will not result in a charge to earnings. See Notes 1 and 9 of the consolidated financial statements of our Annual Report on Form 10-K for further discussion of our intangible assets, which include goodwill.

RESULTS OF OPERATIONS

Earnings Summary

Net income for the quarter ended March 31, 2003 grew 14.3% to $1,864,000, or $0.53 per diluted share as compared to $1,631,000, or $0.46 per diluted share for the quarter ended March 31, 2002. Returns on average equity and assets for the first quarter of 2003 were 14.33% and 1.09%, respectively, compared with 14.75% and 1.10% for the same period of 2002.

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 $5,947,000 for the three month period ended March 31, 2003 compared to $5,417,000 for the same period of 2002, representing an increase of $530,000 or 9.8%. This increase resulted from growth in interest earning assets, primarily loans, which served to more than offset the 10 basis points decline in the net yield on interest earning assets during the same period. Average interest earning assets grew 15.7% from $561,526,000 during the first quarter of 2002 to $649,572,000 for the first quarter of 2003. Average interest bearing liabilities grew 15.1% from $508,362,000 at March 31, 2002 to $584,923,000 at March 31, 2003, at an average yield for the first three months of 2003 of 3.1% compared to 3.7% for the same period of 2002.

Our net yield on interest earning assets decreased to 3.7% for the three month period ended March 31, 2003, compared to 3.9% for the same period in 2002, as the yields on taxable securities and loans declined 130 and 70 basis points, respectively, during the same period. 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 Quarter Ended								
	March 31, 2003			March 31, 2002			December 31, 2002		
	Average Balance	Earnings/ Expense	Yield/ Rate	Average Balance	Earnings/ Expense	Yield/ Rate	Average Balance	Earnings/ Expense	Yield/ Rate
Interest earning assets									
Loans, net of unearned income									
Taxable	$ 422,953	$ 7,412	7.0%	$ 346,877	$ 6,714	7.7%	$ 407,562	$ 7,551	7.4%
Tax-exempt (1)	6,208	127	8.2%	5,775	124	8.6%	6,569	138	8.4%
Securities									
Taxable	174,478	2,114	4.8%	171,374	2,601	6.1%	171,980	2,333	5.4%
Tax-exempt (1)	39,209	710	7.2%	32,325	599	7.4%	38,297	681	7.1%
Federal funds sold and interest bearing deposits with other banks	6,724	45	2.7%	5,175	34	2.6%	7,119	35	2.0%
Total interest earning assets	649,572	10,408	6.4%	561,526	10,072	7.2%	631,527	10,738	6.8%
Noninterest earning assets									
Cash & due from banks	8,168			8,174			9,512		
Premises and equipment	12,765			12,975			13,049		
Other assets	19,895			13,870			20,197		
Allowance for loan losses	(4,091)			(3,233)			(4,029)		
Total assets	$ 686,309			$ 593,312			$ 670,256		
Interest bearing liabilities									
Interest bearing demand deposits	$ 99,283	$ 229	0.9%	$ 82,414	$ 296	1.4%	$ 102,317	$ 295	1.2%
Savings deposits	46,098	73	0.6%	44,612	141	1.3%	45,367	103	0.9%
Time deposits	273,566	2,323	3.4%	233,648	2,454	4.2%	265,542	2,456	3.7%
Short-term borrowings	21,337	80	1.5%	16,930	87	2.1%	19,088	80	1.7%
Long-term borrowings and capital trust securities	144,639	1,756	4.9%	130,758	1,677	5.1%	137,550	1,760	5.1%
Total interest bearing liabilities	584,923	4,461	3.1%	508,362	4,655	3.7%	569,864	4,694	3.3%
Noninterest bearing liabilities and shareholders' equity									
Demand deposits	44,217			36,237			42,838		
Other liabilities	5,152			4,488			5,611		
Shareholders' equity	52,017			44,225			51,943		
Total liabilities and shareholders' equity	$ 686,309			$ 593,312			$ 670,256		
Net interest earnings		$ 5,947			$ 5,417			$ 6,044	
Net yield on interest earning assets			3.7%			3.9%			3.8%

(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 $278,000, $237,000 and $272,000 for the quarters ended March 31, 2003 and 2002, and December 31, 2002 respectively.

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

	For the Quarter Ended March 31, 2003 versus March 31, 2002 Increase (Decrease) Due to Change in:			For the Quarter Ended March 31, 2003 versus December 31, 2002 Increase (Decrease) Due to Change in:		
	Volume	Rate	Net	Volume	Rate	Net
Interest earned on:						
Loans						
Taxable	$ 1,375	$ (677)	$ 698	$ 279	$ (418)	$ (139)
Tax-exempt	9	(6)	3	(8)	(3)	(11)
Securities						
Taxable	46	(533)	(487)	34	(253)	(219)
Tax-exempt	125	(14)	111	16	13	29
Federal funds sold and interest bearing deposits with other banks	10	1	11	(2)	12	10
Total interest earned on interest earning assets	1,565	(1,229)	336	319	(649)	(330)
Interest paid on:						
Interest bearing demand deposits	53	(120)	(67)	(9)	(57)	(66)
Savings deposits	5	(73)	(68)	2	(32)	(30)
Time deposits	381	(512)	(131)	72	(205)	(133)
Short-term borrowings	20	(27)	(7)	8	(8)	-
Long-term borrowings and capital trust securities	173	(94)	79	89	(93)	(4)
Total interest paid on interest bearing liabilities	632	(826)	(194)	162	(395)	(233)
Net interest income	$ 933	$ (403)	$ 530	$ 157	$ (254)	$ (97)

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 $218,000 provision for loan losses for the first three months of 2003, compared to $293,000 for the same period in 2002. Net loan charge offs for the first quarter of 2003 were $142,000, as compared to $11,000 over the same period of 2002. At March 31, 2003, the allowance for loan losses totaled $4,129,000 or 0.94% of loans, net of unearned income, compared to $4,053,000 or 0.97% of loans, net of unearned income at December 31, 2002.

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)

	March 31, 2003	March 31, 2002	December 31, 2002
Accruing loans past due 90 days or more	$ 247	$ 80	$ 574
Nonperforming assets:			
Nonaccrual loans	468	784	917
Nonaccrual securities	412	-	421
Foreclosed properties	677	81	81
Repossessed assets	19	9	14
Total	$1,823	$ 954	$2,007
Total nonperforming loans as a percentage of total loans	0.3%	0.3%	0.4%
Total nonperforming assets as a percentage of total assets	0.3%	0.2%	0.3%

Noninterest Expense

Total noninterest expense increased approximately $363,000, or 12.2% to $3,340,000 during the first quarter of 2003 as compared to the same period in 2002. Substantially all of this increase resulted primarily from an increase in salaries and employee benefits as we awarded general merit raises and also, the addition of new staff positions required as a result of our growth.

FINANCIAL CONDITION

Our total assets were $710,763,000 at March 31, 2003, compared to $671,784,000 at December 31, 2002, representing a 5.8% increase. Table IV below serves to illustrate significant changes in the our financial position between December 31, 2002 and March 31, 2003.

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

	Balance December 31, 2002	Increase (Decrease) Amount	Increase (Decrease) Percentage	Balance March 31, 2003
Assets				
Federal funds sold	$ 3,390	$ (3,339)	-98.5%	$ 51
Securities available for sale	212,598	18,962	8.9%	231,560
Loans, net of unearned income	415,152	20,868	5.0%	436,020
Liabilities				
Interest bearing deposits	$ 412,335	$ 11,700	2.8%	$ 424,035
Short-term borrowings	20,191	7,838	38.8%	28,029
Long-term borrowings	133,787	18,926	14.1%	152,713

Loan growth during the first three months of 2003, 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 March 31, 2003 and December 31, 2002.

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 $109 million, or 18% of total assets at March 31, 2002 versus $116 million, or 17% of total assets at December 31, 2002.

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 March 31, 2003 totaled $53,379,000 compared to $52,080,000 at December 31, 2002, representing an increase of 2.5%.

Refer to Note 10 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 March 31, 2003.

	Long Term Debt	Capital Trust Securities
2003	$ 5,777,209	$ -
2004	20,353,916	-
2005	9,509,278	-
2006	9,345,157	-
2007	5,434,877	-
Thereafter	102,292,630	3,500,000
Total	$ 152,713,067	$ 3,500,000

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 March 31, 2003 are presented in the following table.

	March 31, 2003
Commitments to extend credit:	
Revolving home equity and credit card lines	$ 16,038,129
Construction loans	21,554,948
Other loans	21,443,807
Standby letters of credit	3,010,341
Total	$ 62,047,225

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 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. Assumptions used to project yields and rates for new loans and deposits are derived from historical analysis. Securities portfolio maturities and prepayments are reinvested in like instruments. Mortgage loan prepayment assumptions are developed from industry estimates of prepayment speeds. Noncontractual deposit repricings are modeled on historical patterns.

As of March 31, 2003, our earnings simulation model projects net interest income would decrease by approximately 0.7% if rates rise evenly by 200 basis points over the next year, as compared to projected stable rate net interest income. The model projects that if rates fall evenly by 200 basis points over the next year, our net interest income would remain unchanged, as compared to projected stable rate net interest income. These projected changes are well within our ALCO policy limit of +/- 10%.

CONTROLS AND PROCEDURES

Our management, including the Chief Executive Officer and Chief Financial Officer, have conducted within 90 days of the filing of this Form 10-Q an evaluation of the effectiveness of disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures (i) enable us to record, process, summarize and report in a timely manner the information that we are required to disclose in our Exchange Act reports, and (ii) are designed with the objective of ensuring that such information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. There have been no significant changes in internal controls, or in factors that could significantly affect internal controls, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation.

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.

SIGNATURES

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

SUMMIT FINANCIAL GROUP, INC.
(registrant)

By: /s/ H. Charles Maddy, III

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

By: /s/ Robert S. Tissue

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

Date: May 9, 2003

CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

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 quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
b) any fraud, whether or not material, that involves management or other employees who have a significant role in registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

/s/ H. Charles Maddy, III

H. Charles Maddy, III
President and Chief Executive Officer

CERTIFICATION

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 quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
b) any fraud, whether or not material, that involves management or other employees who have a significant role in registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

/s/ Robert S. Tissue

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

AMENDED AND RESTATED
SUMMIT FINANCIAL GROUP, INC.

1998 OFFICER STOCK OPTION PLAN

Witnesseth this 1998 OFFICER STOCK OPTION PLAN dated as of the _____ day of _______, 2003, by SUMMIT FINANCIAL GROUP, INC. ("Corporation"), a West Virginia corporation:

1. PURPOSE OF PLAN. The purpose of this 1998 Officer Stock Option Plan ("Plan") is to further the success of the Corporation and its subsidiaries by making stock of the Corporation available for purchase by officers of the Corporation or its subsidiaries through stock option grants. The Plan provides an additional incentive to such officers to continue in the Corporation's service and give them a greater interest as stockholders in the success of the Corporation.

2. REFERENCE, CONSTRUCTION, AND DEFINITIONS. Unless otherwise indicated, all references made in this Plan shall be to articles, sections and subsections of this Plan. This Plan shall be construed in accordance with the laws of the state of West Virginia. The headings and subheadings in this Plan have been inserted for convenience of reference only and are to be ignored in construction of the provision of this Plan. In the construction of this Plan, the masculine shall include the feminine and singular the plural, wherever appropriate. The following terms shall have the meanings set forth opposite such terms:

(a) "Board" means the Board of Directors of the Corporation.

(b) "Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday on which the Corporation's Common Stock is available for purchase or sale.

(c) "Change of Control" means (a) a report is filed with the Securities and Exchange Commission (the "SEC") on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Exchange Act, disclosing that any "person", as such term is used in section 13(d) and Section 14(d)(2) of the Exchange Act, other than the company or any company employee benefit plan, is or has become a beneficial owner, directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities; (b) the Company files a report or proxy statement with the SEC pursuant to the Exchange Act disclosing in response to Item 1 of Form 8-K thereunder or Item 6(e) of Schedule 14A thereunder that a Change of Control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction; (c) the Company is merged or consolidated with another corporation and, as a result thereof, securities representing less than fifty percent (50%) of the combined voting power of the surviving or resulting corporation's securities (or of the securities of a parent corporation in case of a merger in which the surviving or resulting corporation becomes a wholly owned subsidiary of the parent corporation) are owned in the aggregate by holders of the Company's securities immediately prior to such merger or consolidation; (d) all or substantially all of the assets of the Company are sold in a single transaction or a series of related transactions to a single purchaser or a group of affiliated purchasers; or (e) during any period of twenty-four (24) consecutive months, individuals who were Directors of the Company at the beginning of such period cease to constitute at least a majority of the Company's board unless the election, or nomination for election by the Company's shareholders, of more than one-half of any new Directors of the Company was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of such twenty-four (24) month period, either actually or by prior operation of this clause (e). A Change of Control shall not include any transaction described in the definition of Change of Control in connection with which the Corporation executes a letter of intent or similar agreement with another company within one year from the effective date of the Plan. The date of a Change of Control shall be deemed to be the date of the earlier of the date of (i) consummation of the transaction involving the Change of Control, or (ii) the execution of a definitive agreement by the Corporation involving a transaction deemed to be a Change of Control; .

(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(e) "Committee" means the Committee of the Board appointed by the Board to administer the Plan as constituted from time to time in accordance with Section 4(a); provided, however, that if the Committee shall not be in existence, the term "Committee" shall mean the Board.

(f) "Common Stock" means the common stock ($2.50 par value) of the Corporation.

(g) "Corporation" means Summit Financial Group, Inc., a West Virginia banking corporation.

(h) "Date of Grant" means the date on which an option is granted under the Plan.

(i) "Effective Date" means the date on which the Plan is approved and adopted by the shareholders of the Corporation.

(j) "Fair Market Value" means the value of Common Stock (i) if listed on an established stock exchange, based on its price on such exchange at the close of business on the date in question; (ii) if traded on a reasonably active basis but not listed on an established stock exchange, based on its price as reflected on the NASDAQ Inter-dealer Quotation System of the National Association of Securities Dealers, Inc. at the close of business on the date in question; (iii) if the Common Stock is not traded on any United States securities exchange but is traded on any formal over-the-counter quotation system in general use in the United States, the value per share shall be the mean of the closing prices reported on the last five (5) Business Days on which the common stock traded prior to the date of grant.

(k) "Non Qualified Stock Option" means an Option which is not of the type described in Section 422(b) or 423(b) of the Code.

(l) "Option" means an option to purchase a share or shares of the Corporation's par value Common Stock.

(m) "Option Agreement" means the written agreement to be entered into by the Corporation and the Participant, as provided in Section 6 hereof.

(n) "Participant" means any officer of the Corporation or its subsidiaries designated by the Committee and approved by the Board to receive a stock option grant pursuant to this Plan.

(o) "Plan" means this 1998 Officer Stock Option Plan.

(p) "Retirement" shall mean termination of employment by the Participant (i) at the age of 65 or more, or (ii) after twenty-five years of service with the Corporation.

(q) "Term" means the period during which a particular Option may be exercised in accordance with Section 8(b) hereof.

(r) "Vest" or "Vesting" means the date, event, or act prior to which an Option, in whole or in part, is not exercisable, and as a consequence of which the Option, in whole or in part, becomes exercisable for the first time.

3. STOCK SUBJECT TO PLAN. Subject to the provisions of Sections 6, 7, and 8, there shall be reserved for issuance or transfer upon the exercise of Options to be granted from time to time under the Plan an aggregate of one hundred twenty thousand (120,000) shares of Common Stock, which shares may be in whole or in part, as the Board shall from time to time determine, authorized and unissued shares of Common Stock, or issued shares of Common Stock which shall have been reacquired by the Corporation. If any Option granted under the Plan shall expire, terminate, or be canceled for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for the purpose of the Plan.

4. ADMINISTRATION.

(a) The Plan shall be administered by the Committee. Actions by the Committee for purposes of this Plan shall be by not less than a majority of its members. Any decision or determination reduced to writing and signed by all Committee members shall be fully as effective as if it had been made by a majority vote at a meeting duly called and held. The Committee shall report all action taken by it to the Board.

(b) The Board may authorize the Committee to administer the Plan. In the event the Board elects to administer the Plan, the Board shall have the power and authority otherwise delegated to the Committee in the Plan documents and all acts performed by the Committee under the Plan shall be performed by the Board.

(c) The Committee shall have authority in its discretion, but subject to the express provisions of the Plan:

(1) to determine Participants to whom Option may be granted;

(2) to determine the time or times when Option may be granted;

(3) to determine the purchase price of the Common Stock covered by each Option grant;

(4) to determine the number of shares of Common Stock to be subject to each Option;

(5) to determine when an Option can be exercised and whether in whole or in installments as the result of a Vesting schedule triggered by the passage of time or the attainment of performance goals set by the Committee and approved by the Board;

(6) to prescribe, amend, or rescind rules and regulations relating to the Plan;

(7) to determine any other terms and provisions and any related amendments to the individual Option Agreements, which need not be identical for each Participant, including such terms and provisions and amendments as shall be required in the judgment of the Committee to conform to any change in any law or regulation applicable thereto, and with particular regard to any changes in or effect of the Code and the regulations thereunder; and

(8) to make all other determinations deemed necessary or advisable for the administration of the Plan.

5. PARTICIPATION. Options may be granted to officers employed by the Corporation or its subsidiaries. In determining the officers to whom Options may be granted and the number of shares to be covered by each grant, the Committee may take into account the nature of the services rendered by the respective officers, their present and potential contributions to the Corporation's success, and such other factors as the Committee in its discretion shall deem relevant. Options may be granted to officers who currently hold Corporate stock or who hold or have held Options under this Plan.

6. OPTION GRANTS AND LIMITS.

(a) Nothing contained in this Plan or in any resolution adopted or to be adopted by the Board shall constitute the granting of any Option hereunder. The granting of an Option pursuant to the Plan shall take place only when a written Option Agreement shall have been duly executed and delivered by or on behalf of the Corporation and the officer (or his duly authorized attorney-in-fact) in whom such Option is to be granted.

(b) During the Participant's lifetime, any Option granted under this Plan shall be exercisable only by the Participant or any guardian or legal representative of the Participant, and the Option shall not be transferable except, in case of the death of the Participant, by will or the laws of descent and distribution ,nor shall the Option be subject to attachment, execution, or other similar process. In the event of (i) any attempt by the Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of the Option, except as provided in this Plan, or (ii) the levy of any attachment, execution, or similar process upon the rights or interests conferred by the Option, the Corporation may terminate the Option by notice to the Participant and upon such notice the Option shall become null and void.

(c) Each Option Agreement shall include a Vesting schedule describing the date, event, or act upon which an Option shall Vest, in whole or in part, with respect to all or a specified portion of the shares covered by such Option. This condition shall not impose upon the Corporation any obligation to retain the Participant in its employ for any period.

(d) Options shall be limited to Non Qualified Stock Options.

7. OPTION PRICES. The Option price to be paid by the Participants to the Corporation for each share purchased upon the exercise of the Option shall be not less than the Fair Market Value of the share on the date the Option is granted. In no event may an Option be granted under the Plan if the Option price per share is less than the par value of a share.

8. EXERCISE OF OPTIONS.

(a) A Participant may exercise any Option granted under this Plan with respect to all or any part of the number of shares then exercisable under the terms of the written Option Agreement by giving the Committee written notice of intent to exercise. The notice of exercise shall specify the number of shares to be purchased under the Option and the date of exercise.

(b) Each Option granted under the Plan shall be exercisable only during a Term established by the Committee as set forth in the applicable Option Agreement.

(c) Full payment of the option price for the shares purchased shall be made by the Participant on or before the exercise date specified in the notice of exercise. Payment of the purchase price of any shares with respect to which the Option is being exercised shall be (i) cash, (ii) certified check to the order of the Corporation, or (iii) shares of Common Stock of the Corporation valued at the Fair Market Value on such Business Day as the Option or portion thereof is exercised.

(d) The Corporation shall not be required to deliver certificates for such shares until full payment of the Option price has been made. On or as soon as is practicable after the exercise date specified in the Participant's notice and upon full payment of the Option price, the Corporation shall cause to be delivered to the Participant a certificate or certificates for the shares then being purchased (out of previously unissued Common Stock or reacquired Common Stock, as the Corporation may elect). The exercise of the Option and the resulting obligation of the Corporation to deliver Common Stock shall, however, be subject to the condition that the listing, registration, or qualification of the Option or the shares upon any securities exchange or under any state or federal law, or the consent, or approval of any governmental regulatory body shall have been effected or obtained free of any conditions not acceptable to the Committee.

(e) If the Participant fails to pay for any of the shares specified in such notice or fails to accept delivery of the shares, his right to purchase such shares may be terminated by the Corporation. The date specified in the Participant's notice as the date of exercise shall be deemed the date of exercise of the Option, provided that payment in full for the shares to be purchased upon such exercise shall have been received by such date.

(f) The holder of an Option shall not have any of the rights of a stockholder with respect to the shares subject to the Option until such shares shall be issued or transferred to him upon the exercise of his Option.

(g) Notwithstanding the foregoing, any shares that may be purchased as of the Effective Date, pursuant to the terms of any Option granted prior to the Effective Date, shall continue thereafter to be purchasable pursuant to the exercise of such Option.

9. TERMINATION, DISABILITY, OR DEATH OF OPTION HOLDER. The ability to exercise Options under this Plan shall be conditioned as follows:

(a) Exercise During and After Employment. Unless otherwise provided in the terms of an Option, an Option may be exercised by the Participant while he is an employee if it is vested and if he has maintained since the date of the grant of the Option continuous status as an employee.

In the event of termination of the employment of a Participant by either the Participant or the Corporation to whom an Option has been granted under the Plan, other than a termination by reason of Retirement, permanent disability, or death (all as more fully described below), the Participant may (unless otherwise provided in his or her Option Agreement) exercise his or her Option at any time within six months after such termination, or such other time as the Committee may authorize, but in no event after ten years from the date of the granting thereof, with respect to, the number of shares covered by his or her Option which were Vested at the date of termination of employment.

(b) Exercise Upon Retirement. Unless otherwise provided in the terms of an Option, if a Participant's continuous employment shall terminate by reason of his Retirement, at a retirement date authorized by the Committee, from the Corporation or its subsidiaries, a retired Participant shall be come one hundred percent (100%) Vested in any Option he has been granted under the Plan as of that date, and he may exercise the otherwise exercisable Option anytime within one year of his retirement date.

(c) Exercise Upon Permanent Disability. Unless otherwise provided in the terms of an Option, if a Participant's continuous employment shall terminate by reason of a permanent disability (as determined by the Participant establishing to the Committee his disability as defined in Code Section 22(e))(3) of the Code, as amended from time to time), then such Option of the disabled Participant may be exercised with respect to the number of shares covered by the Participant's Option that were Vested immediately prior to that disability. Such Option of the permanently disabled Participant may be exercised during the period the Option would have been exercisable if the permanently disabled Participant had not been permanently disabled and had remained in employment.

(d) Exercise Upon Death. Unless otherwise provided in the terms of an Option, if a Participant's continuous employment shall terminate by reason of his death, then to the extent that the Participant would have been entitled to exercise the Option immediately prior to his death, such Option of the deceased Participant may be exercised during the period the Option would have been exercisable if the deceased Participant had not died and had remained in employment, by the person or persons (including his estate) to whom his rights under such Option shall have passed by will or by laws of descent and distribution.

10. ADJUSTMENTS.

(a) In the event that the outstanding shares of Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Corporation or of another corporation, by reason of a recapitalization, reclassification, stock split-up, combination of shares or dividend or other distribution payable in capital stock, appropriate adjustment shall be made by the Committee in the number and kind of shares for which Options may be granted under the Plan. In addition, the Committee shall make appropriate adjustment in the number and kind of shares as to which outstanding Options, or portions thereof then unexercised, shall be exercisable, to the end that the proportionate interest of the holder of the Option shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustment in outstanding Options shall be made without change in the total price applicable to the unexercised portion of the Option but with a corresponding adjustment in the Option price per share.

(b) In the event of a Change of Control, any Option under the Plan shall terminate as of a date to be fixed by the Committee, provided that not less than ninety (90) days' written notice of the date so fixed shall be given to each Participant, and each such Participant shall have the right during such period to exercise any of his or her Options as to all or any part of the shares covered thereby including shares as to which such Options would not otherwise be exercisable by reason of any insufficient lapse of time.

(c) Adjustment and determinations under this Section 10 shall be made by the Committee, whose decisions as to what adjustments or determinations shall be made, and the extent thereof, shall be final, binding, and conclusive.

11. CHANGE OF CONTROL. Notwithstanding any other Plan provisions or grant term, in the event of a Change of Control, all Options granted hereunder shall become Vested and exercisable regardless of the number of years that have passed since the Date of Grant and regardless of any vesting provisions in the Option Agreements.

12. AMENDMENT AND TERMINATION. Unless the Plan shall theretofore have been terminated as hereinafter provided, no Option shall be granted thereunder after the tenth (10th) anniversary of the Effective Date. All other Plan provisions shall remain in effect with respect to Options granted prior to the tenth (10th) anniversary of the Effective Date. The Board may terminate the Plan or make such modifications or amendments thereof as it shall deem advisable, or to conform to any change in any law or regulation applicable thereto, including without limitation (a) increasing the maximum number of shares to which Options may be granted under the Plan, subject to shareholder approval, (b) changing the class of employees eligible to be granted Options, subject to shareholder approval, (c) increasing the periods during which Options may be granted or Options may be exercised, or (d) providing for the administration of the Plan in a manner which may avoid, without the consent of the Participant to whom any Option shall theretofore have been granted, adversely affecting the rights of such Participant under such grant.

13. RESTRICTIONS ON ISSUING SHARES. The transfer of a share of Common Stock upon the exercise of each Option shall be subject to the condition that if at any time the Corporation shall determine in its discretion that the satisfaction of withholding tax or other withholding liabilities, or that the listing, registration or qualification of any shares otherwise deliverable upon any securities exchange or under any state or federal law, or that the consent or approval of such regulatory body, is necessary or desirable as a condition, of, or in connection with, such transfer of shares pursuant thereto, then in any such event, such transfer shall not be effective unless such withholding, listing, registration, qualification, consent, or approval shall have been effected or obtained under conditions acceptable to the Corporation.

14. USE OF PROCEEDS. The proceeds received from the sale of Common Stock pursuant to the exercise of Options granted under the Plan shall be added to the Corporation's general funds and used for general corporate purposes.

15. INDEMNIFICATION OF COMMITTEE. In addition to such other rights of indemnification as they may have as members of the Board or as members of the Committee, the members of the Committee shall be indemnified by the Corporation against all costs and expenses reasonable incurred by them in connection with any action, suit, or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with the Plan, or any Option and against all amounts paid by them in settlement thereof (provided such settlement is approved by legal counsel selected by the Corporation) or paid by them in satisfaction of a judgment in any such action, suit, or proceeding, except a judgment based upon a finding of bad faith. Upon the institution of any such action, suit, or proceeding, a Committee member shall notify the Corporation in writing, giving an opportunity, at its own expense, to handle and defend the same before such Committee member undertakes to handle it on his own behalf.

16. EFFECTIVENESS OF THE PLAN. The Plan shall become effective as of the Effective Date.

17. MISCELLANEOUS.

(a) Employment Not Affected. Neither the granting of an Option nor its exercise shall be construed as granting to the Participant any right with respect to continuance of his employment with the Corporation or its subsidiaries. Except as may otherwise be limited by a written agreement between the Corporation or its subsidiaries and the Participant, the right of the Corporation or its subsidiaries to terminate at will the Participant's employment with it at any time (whether by dismissal, discharge, retirement, or otherwise) is specifically reserved by the Corporation or its subsidiaries as the employer or on behalf of the employer (whichever the case may be) and acknowledged by the Participant.

(b) Binding on Successors and Assigns. This Plan shall be binding on the Corporation, its successors and assigns.

(c) Notice. Any notice to the Corporation provided for in this instrument shall be addressed to it in care of its President at its principal office in West Virginia, and any notice to the Participant shall be addressed to the Participant at the current address shown on the payroll records of the Corporation. Any notice shall be deemed to be duly given if and when properly addressed and posed by registered or certified mail, postage prepaid.

(d) Construction. If any provision of the Plan or any Option Agreement is held to be illegal or void, such illegality or invalidity shall not affect the remaining provisions of the Plan or Option Agreement, but shall be fully severable, and the Plan or Option Agreement shall be construed and enforced as if said illegal or invalid provisions had never been inserted herein. For all purposes of the Plan, where the context permits, the singular shall include the plural, and the plural shall include the singular. Headings of Articles and Sections herein are inserted only for convenience of reference and are not to be considered in the construction of the Plan. The laws of the State of West Virginia shall govern, control and determine all questions of law arising with respect to the Plan and the interpretation and validity of its respective provisions.

SUMMIT FINANCIAL GROUP, INC.

By: _________________________________

H. Charles Maddy, III
President

Attest: _______________________

Teresa Sherman
Title: Assistant Secretary

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") on Form 10-Q for the period ending March 31, 2003 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: May 9, 2003

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") on Form 10-Q for the period ending March 31, 2003 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: May 9, 2003

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.