UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2008**

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)	(I.R.S. Employer Identification No.)
300 N. Main Street Moorefield, West Virginia	**26836**
(Address of principal executive offices)	(Zip Code)

(304) 530-1000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Common
(Title of Class)

The NASDAQ SmallCap Market
(Name of Exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K [§229.405 of this chapter] is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☐

Indicate by check mark whether the registrant is large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of " large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the Registrant at June 30, 2008, was approximately $68,402,000. The number of shares of the Registrant's Common Stock outstanding on March 2, 2009, was 7,415,310. (Registrant has assumed that all of its executive officers and directors are affiliates. Such assumption shall not be deemed to be conclusive for any other purpose.)

Documents Incorporated by Reference

The following lists the documents which are incorporated by reference in the Annual Report Form 10-K, and the Parts and Items of the Form 10-K into which the documents are incorporated.

Document	Part of Form 10-K into which document is incorporated
Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held May 14, 2009	**Part III - Items 10, 11, 12, 13, and 14**

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FORWARD LOOKING INFORMATION

This filing contains certain forward looking statements (as defined in the Private Securities Litigation Act of 1995), which reflect our beliefs and expectations based on information currently available. These forward looking statements are inherently subject to significant risks and uncertainties, including changes in general economic and financial market conditions, our ability to effectively carry out our business plans and changes in regulatory or legislative requirements. Other factors that could cause or contribute to such differences are changes in competitive conditions and continuing consolidation in the financial services industry. Although we believe the expectations reflected in such forward looking statements are reasonable, actual results may differ materially.

PART I.

Item 1. Business

General

Summit Financial Group, Inc. ("Company" or "Summit") is a $1.6 billion financial holding company headquartered in Moorefield, West Virginia. We provide commercial and retail banking services primarily in the Eastern Panhandle and South Central regions of West Virginia and the Northern region of Virginia. We provide these services through our community bank subsidiary: Summit Community Bank ("Summit Community"). We also operate Summit Insurance Services, LLC in Moorefield, West Virginia and Leesburg, Virginia.

Community Banking

We provide a wide range of community banking services, including demand, savings and time deposits; commercial, real estate and consumer loans; letters of credit; and cash management services. The deposits of the Summit Community are insured by the Federal Deposit Insurance Corporation ("FDIC").

In order to compete with other financial service providers, we principally rely upon personal relationships established by our officers, directors and employees with our customers, and specialized services tailored to meet our customers' needs. We and our Bank Subsidiary have maintained a strong community orientation by, among other things, supporting the active participation of staff members in local charitable, civic, school, religious and community development activities. We also have a marketing program that primarily utilizes local radio and newspapers to advertise.

Our primary lending focus is providing commercial loans to local businesses with annual sales ranging from $300,000 to $30 million and providing owner-occupied real estate loans to individuals. Typically, our customers have financing requirements between $50,000 and $1,000,000. We generally do not seek loans of more than $5 million, but will consider larger lending relationships which involve exceptional levels of credit quality. Under our commercial banking strategy, we focus on offering a broad line of financial products and services to small and medium-sized businesses through full service banking offices. Summit Community Bank has senior management with extensive lending experience. These managers exercise substantial authority over credit and pricing decisions, subject to loan committee approval for larger credits. This decentralized management approach, coupled with continuity of service by the same staff members, enables Summit Community to develop long-term customer relationships, maintain high quality service and respond quickly to customer needs. We believe that our emphasis on local relationship banking, together with a conservative approach to lending, are important factors in our success and growth. We centralize operational and support functions that are transparent to customers in order to achieve consistency and cost efficiencies in the delivery of products and services by each banking office. The central office provides services such as data processing, bookkeeping, accounting, treasury management, loan administration, loan review, compliance, risk management and internal auditing to enhance our delivery of quality service. We also provide overall direction in the areas of credit policy and administration, strategic planning, marketing, investment portfolio management and other financial and administrative services. The banking offices work closely with us to develop new products and services needed by their customers and to introduce enhancements to existing products and services.

Supervision and Regulation

General

We, as a financial holding company, are subject to the restrictions of the Bank Holding Company Act of 1956, as amended ("BHCA"), and are registered pursuant to its provisions. As a registered financial holding company, we are subject to the reporting requirements of the Federal Reserve Board of Governors ("FRB"), and are subject to examination by the FRB.

As a financial holding company doing business in West Virginia, we are also subject to regulation by the West Virginia Board of Banking and Financial Institutions and must submit annual reports to the West Virginia Division of Banking.

The BHCA prohibits the acquisition by a financial holding company of direct or indirect ownership of more than five percent of the voting shares of any bank within the United States without prior approval of the FRB. With certain exceptions, a financial holding company is prohibited from acquiring direct or indirect ownership or control or more than five percent of the voting shares of any company which is not a bank, and from engaging directly or indirectly in business unrelated to the business of banking or managing or controlling banks.

The FRB, in its Regulation Y, permits financial holding companies to engage in non-banking activities closely related to banking or managing or controlling banks. Approval of the FRB is necessary to engage in these activities or to make acquisitions of corporations engaging in these activities as the FRB determines whether these acquisitions or activities are in the public interest. In addition, by order, and on a case by case basis, the FRB may approve other non-banking activities.

The BHCA permits us to purchase or redeem our own securities. However, Regulation Y provides that prior notice must be given to the FRB if the total consideration for such purchase or consideration, when aggregated with the net consideration paid by us for all such purchases or redemptions during the preceding 12 months is equal to 10 percent or more of the company's consolidated net worth. Prior notice is not required if (i) both before and immediately after the redemption, the financial holding company is well-capitalized; (ii) the financial holding company is well-managed and (iii) the financial holding company is not the subject of any unresolved supervisory issues.

Federal law restricts subsidiary banks of a financial holding company from making certain extensions of credit to the parent financial holding company or to any of its subsidiaries, from investing in the holding company stock, and limits the ability of a subsidiary bank to take its parent company stock as collateral for the loans of any borrower. Additionally, federal law prohibits a financial holding company and its subsidiaries from engaging in certain tie-in arrangements in conjunction with the extension of credit or furnishing of services.

Summit Community is subject to West Virginia statutes and regulations, and is primarily regulated by the West Virginia Division of Banking and is also subject to regulations promulgated by the FRB and the FDIC. As members of the FDIC, the deposits of the bank are insured as required by federal law. Bank regulatory authorities regularly examine revenues, loans, investments, management practices, and other aspects of Summit Community. These examinations are conducted primarily to protect depositors and not shareholders. In addition to these regular examinations, Summit Community must furnish to regulatory authorities quarterly reports containing full and accurate statements of their affairs.

FDIC Assessments

In late 2008, the FDIC raised assessment rates for the first quarter of 2009 by a uniform 7 basis points, resulting in a range between 12 and 50 basis points, depending upon the risk category. At the same time, the FDIC proposed further changes in the assessment system beginning in the second quarter of 2009. These changes commencing April 1, 2009, would set base assessment rates between 10 and 45 basis points, depending on the risk category, but would apply adjustments (relating to unsecured debt, secured liabilities, and brokered deposits) to individual institutions that could result in assessment rates between 8 and 21 basis points for institutions in the lowest risk category and 43 to 77.5 basis points for institutions in the highest risk category. A final rule to be issued in early 2009 could adjust these assessment rates further in light of developing conditions. The purpose of the April 1, 2009 changes is to ensure that riskier institutions will bear a greater share of the proposed increase in assessments, and will be subsidized to a lesser degree by less risky institutions. The changes are also part of an FDIC plan to restore the designated reserve ratio to 1.25% by 2013.

On February 27, 2009, the FDIC approved an interim rule to institute a one-time special assessment of 20 cents per $100 in domestic deposits to restore the DIF reserves depleted by recent bank failures. The interim rule additionally reserves the right of the FDIC to charge an additional up-to-10 basis point special premium at a later point if the DIF reserves continue to fall. The FDIC also approved an increase in regular premium rates for the second quarter of 2009. For most banks, this will be between 12 to 16 basis points per $100 in domestic deposits. Premiums for the rest of 2009 have not yet been set. The FDIC noted it would consider reducing the special one-time assessment to 10 cents if the U.S. Congress were to approve an increase in its operating line of credit with the U.S. Treasury.

Recent Legislative and Regulatory Initiatives to Address Financial and Economic Crisis

The Congress, Treasury and the federal banking regulators, including the FDIC, have taken broad action since early September 2008 to address volatility in the U.S. financial system.

In October 2008, the Emergency Economic Stabilization Act (“EESA”) was enacted. EESA authorizes Treasury to purchase from financial institutions and their holding companies up to $700 billion in mortgage loans, mortgage-related securities and certain other financial instruments, including debt and equity securities issued by financial institutions and their holding companies under the Troubled Assets Relief Program (“TARP”). The purpose of TARP is to restore confidence and stability to the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other. Treasury has allocated $250 billion towards the TARP's Capital Purchase Program (“CPP”). Under the CPP, Treasury will purchase debt or equity securities from participating institutions. The TARP also will include direct purchases or guarantees of troubled assets of financial institutions. Participants in the CPP are subject to executive compensation limits and are encouraged to expand their lending and mortgage loan modifications. The American Recovery and Reinvestment Act of 2009 ("ARRA"), as described below, has further modified TARP and the CPP.

ARRA was signed into law on February 17, 2009. ARRA contains a wide variety of programs intended to stimulate the economy and provides for extensive infrastructure, energy, health, and education needs. In addition, ARRA imposes certain new executive compensation and corporate expenditure limits on all current and future TARP recipients.

EESA also increased FDIC deposit insurance on most accounts from $100,000 to $250,000 through 2009.

Following a systemic risk determination, the FDIC established a Temporary Liquidity Guarantee Program ("TLGP") on October 14, 2008. The TLGP includes the Transaction Account Guarantee Program ("TAGP"), which provides unlimited deposit insurance coverage through December 31, 2009 for noninterest-bearing transaction accounts (including all demand deposit checking accounts) and certain funds swept into noninterest-bearing savings accounts. Institutions participating in the TAGP pay a 10 basis points fee (annualized) on the balance of each covered account in excess of $250,000, while the extra deposit insurance is in place. The TLGP also includes the Debt Guarantee Program ("DGP"), under which the FDIC guarantees certain senior unsecured debt of FDIC-insured institutions and their holding companies. The unsecured debt must be issued on or after October 14, 2008 and not later than June 30, 2009, and the guarantee is effective through the earlier of the maturity date or June 30, 2012. The DGP coverage limit is generally 125% of the eligible entity's eligible debt outstanding on September 30, 2008 and scheduled to mature on or before June 30, 2009 or, for certain insured institutions, 2% of their liabilities as of September 30, 2008. Depending on the term of the debt maturity, the nonrefundable DGP fee ranges from 50 to 100 basis points (annualized) for covered debt outstanding until the earlier of maturity or June 30, 2012. The TAGP and DGP are in effect for all eligible entities, unless the entity opted out on or before December 5, 2008. Summit and Summit Community participate in the TAGP and did not opt out of the DGP. As of March 2, 2009, neither had utilized the DGP by issuing senior unsecured debt.

Permitted Non-banking Activities

The FRB permits, within prescribed limits, financial holding companies to engage in non-banking activities closely related to banking or to managing or controlling banks. Such activities are not limited to the state of West Virginia. Some examples of non-banking activities which presently may be performed by a financial holding company are: making or acquiring, for its own account or the account of others, loans and other extensions of credit; operating as an industrial bank, or industrial loan company, in the manner authorized by state law; servicing loans and other extensions of credit; performing or carrying on any one or more of the functions or activities that may be performed or carried on by a trust company in the manner authorized by federal or state law; acting as an investment or financial advisor; leasing real or personal property; making equity or debt investments in corporations or projects designed primarily to promote community welfare, such as the economic rehabilitation and the development of low income areas; providing bookkeeping services or financially oriented data processing services for the holding company and its subsidiaries; acting as an insurance agent or a broker; acting as an underwriter for credit life insurance which is directly related to extensions of credit by the financial holding company system; providing courier services for certain financial documents; providing management consulting advice to nonaffiliated banks; selling retail money orders having a face value of not more than $1,000, traveler's checks and U.S. savings bonds; performing appraisals of real estate; arranging commercial real estate equity financing under certain limited circumstances; providing securities brokerage services related to securities credit activities; underwriting and dealing in government obligations and money market instruments; providing foreign exchange advisory and transactional services; and acting under certain circumstances, as futures commission merchant for nonaffiliated persons in the execution and clearance on major commodity exchanges of futures contracts and options.

Credit and Monetary Policies and Related Matters

Summit Community is affected by the fiscal and monetary policies of the federal government and its agencies, including the FRB. An important function of these policies is to curb inflation and control recessions through control of the supply of money and credit. The operations of Summit Community are affected by the policies of government regulatory authorities, including the FRB which regulates money and credit conditions through open market operations in United States Government and Federal agency securities, adjustments in the discount rate on member bank borrowings, and requirements against deposits and regulation of interest rates payable by member banks on time and savings deposits. These policies have a significant influence on the growth and distribution of loans, investments and deposits, and interest rates charged on loans, or paid for time and savings deposits, as well as yields on investments. The FRB has had a significant effect on the operating results of commercial banks in the past and is expected to continue to do so in the future. Future policies of the FRB and other authorities and their effect on future earnings cannot be predicted.

The FRB has a policy that a financial holding company is expected to act as a source of financial and managerial strength to each of its subsidiary banks and to commit resources to support each such subsidiary bank. Under the source of strength doctrine, the FRB may require a financial holding company to contribute capital to a troubled subsidiary bank, and may charge the financial holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. This capital injection may be required at times when Summit may not have the resources to provide it. Any capital loans by a holding company to any subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In addition, the Crime Control Act of 1990 provides that in the event of a financial holding company's bankruptcy, any commitment by such holding company to a Federal bank or thrift regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

In 1989, the United States Congress enacted the Financial Institutions Reform, Recovery and Enforcement Act ("FIRREA"). Under FIRREA depository institutions insured by the FDIC may now be liable for any losses incurred by, or reasonably expected to be incurred by, the FDIC after August 9, 1989, in connection with (i) the default of a commonly controlled FDIC-insured depository institution, or (ii) any assistance provided by the FDIC to commonly controlled FDIC-insured depository institution in danger of default. "Default" is defined generally as the appointment of a conservator or receiver and "in danger of default" is defined generally as the existence of certain conditions indicating that a "default" is likely to occur in the absence of regulatory assistance. Accordingly, in the event that any insured bank or subsidiary of Summit causes a loss to the FDIC, other bank subsidiaries of Summit could be liable to the FDIC for the amount of such loss.

Under federal law, the OCC may order the pro rata assessment of shareholders of a national bank whose capital stock has become impaired, by losses or otherwise, to relieve a deficiency in such national bank's capital stock. This statute also provides for the enforcement of any such pro rata assessment of shareholders of such national bank to cover such impairment of capital stock by sale, to the extent necessary, of the capital stock of any assessed shareholder failing to pay the assessment. Similarly, the laws of certain states provide for such assessment and sale with respect to the subsidiary banks chartered by such states. Summit, as the sole stockholder of Summit Community, is subject to such provisions.

Capital Requirements

As a financial holding company, we are subject to FRB risk-based capital guidelines. The guidelines establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures into explicit account in assessing capital adequacy, and minimizes disincentives to holding liquid, low-risk assets. Under the guidelines and related policies, financial holding companies must maintain capital sufficient to meet both a risk-based asset ratio test and leverage ratio test on a consolidated basis. The riskbased ratio is determined by allocating assets and specified off-balance sheet commitments into four weighted categories, with higher levels of capital being required for categories perceived as representing greater risk. Summit Community is subject to substantially similar capital requirements adopted by its applicable regulatory agencies.

Generally, under the applicable guidelines, a financial institution's capital is divided into two tiers. "Tier 1", or core capital, includes common equity, noncumulative perpetual preferred stock (excluding auction rate issues) and minority interests in equity accounts of consolidated subsidiaries, less goodwill and other intangibles. "Tier 2", or supplementary capital, includes, among other things, cumulative and limited-life preferred stock, hybrid capital instruments, mandatory convertible securities, qualifying subordinated debt, and the allowance for loan losses, subject to certain limitations, less required deductions. "Total capital" is the sum of Tier 1 and Tier 2 capital. Financial holding companies are subject to substantially identical requirements, except that cumulative perpetual preferred stock can constitute up to 25% of a financial holding company's Tier 1 capital.

Financial holding companies are required to maintain a risk-based capital ratio of 8%, of which at least 4% must be Tier 1 capital. The appropriate regulatory authority may set higher capital requirements when an institution's particular circumstances warrant. For purposes of the leverage ratio, the numerator is defined as Tier 1 capital and the denominator is defined as adjusted total assets (as specified in the guidelines). The guidelines provide for a minimum leverage ratio of 3% for financial holding companies that meet certain specified criteria, including excellent asset quality, high liquidity, low interest rate exposure and the highest regulatory rating. Financial holding companies not meeting these criteria are required to maintain a leverage ratio which exceeds 3% by a cushion of at least 1 to 2 percent.

The guidelines also provide that financial holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets. Furthermore, the FRB's guidelines indicate that the FRB will continue to consider a "tangible Tier 1 leverage ratio" in evaluating proposals for expansion or new activities. The tangible Tier 1 leverage ratio is the ratio of an institution's Tier 1 capital, less all intangibles, to total assets, less all intangibles.

On August 2, 1995, the FRB and other banking agencies issued their final rule to implement the portion of Section 305 of FDICIA that requires the banking agencies to revise their risk-based capital standards to ensure that those standards take adequate account of interest rate risk. This final rule amends the capital standards to specify that the banking agencies will include, in their evaluations of a bank's capital adequacy, an assessment of the exposure to declines in the economic value of the bank's capital due to changes in interest rates.

Failure to meet applicable capital guidelines could subject the financial holding company to a variety of enforcement remedies available to the federal regulatory authorities, including limitations on the ability to pay dividends, the issuance by the regulatory authority of a capital directive to increase capital and termination of deposit insurance by the FDIC, as well as to the measures described under the "Federal Deposit Insurance Corporation Improvement Act of 1991" as applicable to undercapitalized institutions.

Our regulatory capital ratios and Summit Community's capital ratios as of year end 2008 are set forth in the table in Note 17 of the notes to the consolidated financial statements on page 73.

Federal Deposit Insurance Corporation Improvement Act of 1991

In December, 1991, Congress enacted the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), which substantially revised the bank regulatory and funding provisions of the Federal Deposit Insurance Corporation Act and made revisions to several other banking statues.

FDICIA establishes a new regulatory scheme, which ties the level of supervisory intervention by bank regulatory authorities primarily to a depository institution's capital category. Among other things, FDICIA authorizes regulatory authorities to take "prompt corrective action" with respect to depository institutions that do not meet minimum capital requirements. FDICIA establishes five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

By regulation, an institution is "well-capitalized" if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater and a Tier 1 leverage ratio of 5% or greater and is not subject to a regulatory order, agreement or directive to meet and maintain a specific capital level for any capital measure. Summit Community was a "well capitalized" institution as of December 31, 2008. As well-capitalized institutions, they are permitted to engage in a wider range of banking activities, including among other things, the accepting of "brokered deposits," and the offering of interest rates on deposits higher than the prevailing rate in their respective markets.

Another requirement of FDICIA is that Federal banking agencies must prescribe regulations relating to various operational areas of banks and financial holding companies. These include standards for internal audit systems, loan documentation, information systems, internal controls, credit underwriting, interest rate exposure, asset growth, compensation, a maximum ratio of classified assets to capital, minimum earnings sufficient to absorb losses, a minimum ratio of market value to book value for publicly traded shares and such other standards as the agencies deem appropriate.

Reigle-Neal Interstate Banking Bill

In 1994, Congress passed the Reigle-Neal Interstate Banking Bill (the "Interstate Bill"). The Interstate Bill permits certain interstate banking activities through a holding company structure, effective September 30, 1995. It permits interstate branching by merger effective June 1, 1997 unless states "opt-in" sooner, or "opt-out" before that date. States may elect to permit de novo branching by specific legislative election. In March, 1996, West Virginia adopted changes to its banking laws so as to permit interstate banking and branching to the fullest extent permitted by the Interstate Bill. The Interstate Bill permits consolidation of banking institutions across state lines and, under certain conditions, de novo entry.

Community Reinvestment Act

Financial holding companies and their subsidiary banks are also subject to the provisions of the Community Reinvestment Act of 1977 (“CRA”). Under the CRA, the Federal Reserve Board (or other appropriate bank regulatory agency) is required, in connection with its examination of a bank, to assess such bank’s record in meeting the credit needs of the communities served by that bank, including low and moderate income neighborhoods. Further such assessment is also required of any financial holding company which has applied to (i) charter a national bank, (ii) obtain deposit insurance coverage for a newly chartered institution, (iii) establish a new branch office that will accept deposits, (iv) relocate an office, or (v) merge or consolidate with, or acquire the assets or assume the liabilities of a federally-regulated financial institution. In the case of a financial holding company applying for approval to acquire a bank or other financial holding company, the FRB will assess the record of each subsidiary of the applicant financial holding company, and such records may be the basis for denying the application or imposing conditions in connection with approval of the application. On December 8, 1993, the Federal regulators jointly announced proposed regulations to simplify enforcement of the CRA by substituting the present twelve categories with three assessment categories for use in calculating CRA ratings (the “December 1993 Proposal”). In response to comments received by the regulators regarding the December 1993 Proposal, the federal bank regulators issued revised CRA proposed regulations on September 26, 1994 (the “Revised CRA Proposal”). The Revised CRA Proposal, compared to the December 1993 Proposal, essentially broadens the scope of CRA performance examinations and more explicitly considers community development activities. Moreover, in 1994, the Department of Justice became more actively involved in enforcing fair lending laws.

In the most recent CRA examination by the bank regulatory authorities, Summit Community Bank was given a “satisfactory” CRA rating.

Graham-Leach-Bliley Act of 1999

The enactment of the Graham-Leach-Bliley Act of 1999 (the “GLB Act”) represents a pivotal point in the history of the financial services industry. The GLB Act swept away large parts of a regulatory framework that had its origins in the Depression Era of the 1930s. Effective March 11, 2000, new opportunities were available for banks, other depository institutions, insurance companies and securities firms to enter into combinations that permit a single financial services organization to offer customers a more complete array of financial products and services. The GLB Act provides a new regulatory framework through the financial holding company, which have as its “umbrella regulator” the FRB. Functional regulation of the financial holding company’s separately regulated subsidiaries are conducted by their primary functional regulators. The GLB Act makes a CRA rating of satisfactory or above necessary for insured depository institutions and their financial holding companies to engage in new financial activities. The GLB Act also provides a Federal right to privacy of non-public personal information of individual customers.

Deposit Acquisition Limitation

Under West Virginia banking law, an acquisition or merger is not permitted if the resulting depository institution or its holding company, including its affiliated depository institutions, would assume additional deposits to cause it to control deposits in the State of West Virginia in excess of twenty five percent (25%) of such total amount of all deposits held by insured depository institutions in West Virginia. This limitation may be waived by the Commissioner of Banking by showing good cause.
Consumer Laws and Regulations

In addition to the banking laws and regulations discussed above, bank subsidiaries are also subject to certain consumer laws and regulations that are designed to protect consumers in transactions with banks. Among the more prominent of such laws and regulations are the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, and the Fair Housing Act. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits or making loans to such customers. Bank subsidiaries must comply with the applicable provisions of these consumer protection laws and regulations as part of their ongoing customer relations.

Sarbanes-Oxley Act of 2002

On July 30, 2002, the Sarbanes-Oxley Act of 2002 ("SOA") was enacted, which addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. Effective August 29, 2002, as directed by Section 302(a) of SOA, our Chief Executive Officer and Chief Financial Officer are each required to certify that Summit's Quarterly and Annual Reports do not contain any untrue statement of a material fact. The rules have several requirements, including requiring these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal controls; they have made certain disclosures to our auditors and the audit committee of the Board of Directors about our internal controls; and they have included information in Summit's Quarterly and Annual Reports about their evaluation and whether there have been significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation.

Competition

We engage in highly competitive activities. Each activity and market served involves competition with other banks and savings institutions, as well as with non-banking and non-financial enterprises that offer financial products and services that compete directly with our products and services. We actively compete with other banks, mortgage companies and other financial service companies in our efforts to obtain deposits and make loans, in the scope and types of services offered, in interest rates paid on time deposits and charged on loans, and in other aspects of banking.

In addition to competing with other banks and mortgage companies, we compete with other financial institutions engaged in the business of making loans or accepting deposits, such as savings and loan associations, credit unions, industrial loan associations, insurance companies, small loan companies, finance companies, real estate investment trusts, certain governmental agencies, credit card organizations and other enterprises. In recent years, competition for money market accounts from securities brokers has also intensified. Additional competition for deposits comes from government and private issues of debt obligations and other investment alternatives for depositors such as money market funds. We take an aggressive competitive posture, and intend to continue vigorously competing for market share within our service areas by offering competitive rates and terms on both loans and deposits.

Employees

At March 1, 2009, we employed 238 full-time equivalent employees.

Available Information

Our internet website address is www.summitfgi.com, and our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and amendments to such filed reports with the Securities and Exchange Commission ("SEC") are accessible through this website free of charge as soon as reasonably practicable after we electronically file such reports with the SEC. The information on our website is not, and shall not be deemed to be, a part of this report or incorporated into any other filing with the Securities and Exchange Commission.

These reports are also available at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Youmay read and copy any materials that we file with the SEC at the Public Reference Room. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Statistical Information

The information noted below is provided pursuant to Guide 3 – Statistical Disclosure by Bank Holding Companies.

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Item 1A. Risk Factors

Investments in Summit Financial Group, Inc. common stock involve risk as discussed below.

Risks Relating to the Economic Environment

Our business has been and may continue to be adversely affected by current conditions in the financial markets and economic conditions generally.

Negative developments in the financial services industry have resulted in uncertainty in the financial markets in general and a related general economic downturn. In addition, as a consequence of the recession in the United States, beginning in the latter half of 2007, business activity across a wide range of industries faces serious difficulties due to the lack of consumer spending and the extreme lack of liquidity in the global credit markets. Unemployment has also increased significantly.

As a result of these financial economic crises, many lending institutions, including us, have experienced declines in the performance of their loans, including construction and land development loans, residential real estate loans, commercial real estate loans and consumer loans. Moreover, competition among depository institutions for deposits and quality loans has increased significantly. In addition, the values of real estate collateral supporting many commercial loans and home mortgages have declined and may continue to decline. Bank and bank holding company stock prices have been negatively affected. In addition, the ability of banks and bank holding companies to raise capital or borrow in the debt markets has become more difficult compared to recent years. As a result, there is a potential for new federal or state laws and regulations regarding lending and funding practices and liquidity standards, and bank regulatory agencies are expected to be very aggressive in responding to concerns and trends identified in examinations, including the expected issuance of many formal or informal enforcement actions or orders. The impact of new legislation in response to those developments may negatively impact our operations by restricting our business operations, including our ability to originate loans, and adversely impact our financial performance or our stock price.

In addition, further negative market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provision for credit losses. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial services industry.

Overall, during the past year, the general business environment has had an adverse effect on our business, and there can be no assurance that the environment will improve in the near term. Until conditions improve, we expect our business, financial condition and results of operations to be adversely affected.

Further downturn in our real estate markets could hurt our business.

Substantially all of our real estate loans are located in West Virginia and Virginia. While we do not have any sub-prime loans, our construction and development and residential real estate loan portfolios, along with our commercial real estate loan portfolio and certain of our other loans, have been affected by the recent downturn in the residential and commercial real estate market. Real estate values and real estate markets are generally affected by changes in national, regional or local economic conditions, fluctuations in interest rates and the availability of loans to potential purchasers, changes in tax laws and other governmental statutes, regulations and policies and acts of nature. We anticipate that further declines in the real estate markets in our primary market areas would affect our business. If real estate values continue to decline, the collateral for our loans will provide less security. As a result, our ability to recover on defaulted loans by selling the underlying real estate will be diminished, and we would be more likely to suffer losses on defaulted loans. The events and conditions described in this risk factor could therefore have a material adverse effect on our business, results of operations and financial condition.

The soundness of other financial institutions could adversely affect us.

Since mid-2007, the financial services industry as a whole, as well as the securities markets generally, have been materially and adversely affected by very significant declines in the values of nearly all asset classes and by a very serious lack of liquidity. Financial institutions in particular have been subject to increased volatility and an overall loss in investor confidence.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to different industries and counterparties, and we execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. There is no assurance that any such losses or defaults would not materially and adversely affect our business, financial condition or results of operations.

There can be no assurance that the recently enacted emergency economic stabilization act of 2008 (the "EESA") and other recently enacted government programs will help stabilize the U.S. financial system.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the "EESA") was enacted. The U.S. Treasury and banking regulators are implementing a number of programs under this legislation and otherwise to address capital and liquidity issues in the banking system, including the Troubled Assets Relief Program Capital Purchase Program, and the Capital Assistance Program. In addition, other regulators have taken steps to attempt to stabilize and add liquidity to the financial markets, such as the FDIC Temporary Liquidity Guarantee Program ("TLG Program"), in which we are a participant. However, there can be no assurance that we will issue any guaranteed debt under the TLG Program, or that we will participate in any other stabilization programs in the future.

There can also be no assurance as to the actual impact that the EESA and other programs will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of the EESA and other programs to stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, access to credit or the trading price of our common stock.

The EESA is relatively new legislation and, as such, is subject to change and evolving interpretation. This is particularly true given the change in administration that occurred on January 20, 2009. There can be no assurances as to the effects that such changes will have on the effectiveness of the EESA or on our business, financial condition or results of operations.

Risks Relating to Our Business

Although we believe our allowance for loan and lease losses is sufficient to absorb all credit losses inherent in our portfolio, if our allowance for loan and lease losses is inadequate, it could materially and adversely affect our business, financial condition, results of operations, cash flows and/or future prospects.

Our loan and lease portfolio and investments in marketable securities subject us to credit risk. Inherent risks in lending also include fluctuations in collateral values and economic downturns. Making loans and leases is an essential element of our business, and there is a risk that our loans and leases will not be repaid.

We attempt to maintain an appropriate allowance for loan and lease losses to provide for losses inherent in our loan and lease portfolio. As of December 31, 2008, our allowance for loan and lease losses totaled $16.9 million, which represents approximately 1.40% of our total loans and leases. There is no precise method of predicting loan and lease losses, and therefore, we always face the risk that charge-offs in future periods will exceed our allowance for loan and lease losses and that we would need to make additional provisions to our allowance for loan and lease losses.

Our methodology for the determination of the adequacy of the allowance for loan and lease losses for impaired loans is based on classifications of loans and leases into various categories and the application of SFAS No. 114, as amended. For non-classified loans, the estimated allowance is based on historical loss experiences as adjusted for changes in trends and conditions on at least an annual basis. In addition, on a quarterly basis, the estimated allowance for non-classified loans is adjusted for the probable effect that current environmental factors could have on the historical loss factors currently in use. While our allowance for loan and lease losses is established in different portfolio components, we maintain an allowance that we believe is sufficient to absorb all credit losses inherent in our portfolio.

In addition, the FDIC as well as the West Virginia Division of Banking review our allowance for loan and lease losses and may require us to establish additional reserves. Additions to the allowance for loan and lease losses will result in a decrease in our net earnings and capital and could hinder our ability to grow our assets.

We may elect or be compelled to seek additional capital in the future, but capital may not be available when it is needed.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. In addition, we may elect to raise additional capital to support our business or to finance acquisitions, if any, or we may otherwise elect to raise additional capital. In that regard, a number of financial institutions have recently raised considerable amounts of capital as a result of deterioration in their results of operations and financial condition arising from the turmoil in the mortgage loan market, deteriorating economic conditions, declines in real estate values and other factors, which may diminish our ability to raise additional capital.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. Accordingly, we cannot be assured of our ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital when needed, it may have a material adverse effect on our financial condition, results of operations and prospects.

We rely on funding sources to meet our liquidity needs, such as brokered deposits and FHLB short-term borrowings, which are generally more sensitive to changes in interest rates and can be adversely affected by local and general economic conditions.

We have frequently utilized as a source of funds certificates of deposit obtained through deposit brokers that solicit funds from their customers for deposit with us, or brokered deposits. Brokered deposits, when compared to retail deposits attracted through a branch network, are generally more sensitive to changes in interest rates and volatility in the capital markets and could reduce our net interest spread and net interest margin. In addition, brokered deposit funding sources may be more sensitive to significant changes in our financial condition. As of December 31, 2008, brokered deposits totaled $296.6 million, or approximately 33.1% of our total deposits, compared to brokered deposits in the amount of $176.4 million or approximately 23.1% of our total deposits at December 31, 2007. As of December 31, 2008, approximately $140.2 million in brokered deposits, or approximately 34.8% of our total brokered deposits, are short-term and mature within one year. Our ability to continue to acquire brokered deposits is subject to our ability to price these deposits at competitive levels, which may increase our funding costs, and the confidence of the market. In addition, if our capital ratios fall below the levels necessary to be considered “well-capitalized” under current regulatory guidelines, we could be restricted from using brokered deposits as a funding source.

We also have short-term borrowings with the Federal Home Loan Bank, or the FHLB. As of December 31, 2008, our FHLB short-term borrowings totaled $142.3 million and mature within one year. If we were unable to borrow from the FHLB in the future, we may be required to seek higher cost funding sources, which could materially and adversely affect our net interest income.

Summit operates in a very competitive industry and market.

We face aggressive competition not only from banks, but also from other financial services companies, including finance companies and credit unions, and, to a limited degree, from other providers of financial services, such as money market mutual funds, brokerage firms, and consumer finance companies. A number of competitors in our market areas are larger than we are and have substantially greater access to capital and other resources, as well as larger lending limits and branch systems, and offer a wider array of banking services. Many of our non-bank competitors are not subject to the same extensive regulations that govern us. As a result, these non-bank competitors have advantages over us in providing certain services. Our profitability depends upon our ability to attract loans and deposits. There is a risk that aggressive competition could result in our controlling a smaller share of our markets. A decline in market share could adversely affect our results of operations and financial condition.

Changes in interest rates could negatively impact our future earnings.

Changes in interest rates could reduce income and cash flow. Our income and cash flow depend primarily on the difference between the interest earned on loans and investment securities, and the interest paid on deposits and other borrowings. Interest rates are beyond our control, and they fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, will influence loan originations, purchases of investments, volumes of deposits, and rates received on loans and investment securities and paid on deposits. Our results of operations may be adversely affected by increases or decreases in interest rates or by the shape of the yield curve.

Concern of customers over deposit insurance may cause a decrease in deposit.

With recent increased concerns about bank failures, customers increasingly are concerned about the extent to which their deposits are insured by the FDIC. Customers may withdraw deposits in an effort to ensure that the amount they have on deposit with their bank is fully insured. Decreases in deposits may adversely affect our funding costs and net income.

Our deposit insurance premium could be substantially higher in the future, which could have a material adverse effect on our future earnings.

The FDIC insures deposits at FDIC insured financial institutions, including Summit Community Bank. The FDIC charges the insured financial institutions premiums to maintain the Deposit Insurance Fund at a certain level. Current economic conditions have increased bank failures and expectations for further failures, in which case the FDIC ensures payments of deposits up to insured limits from the Deposit Insurance Fund.

On October 16, 2008, the FDIC published a restoration plan designed to replenish the Deposit Insurance Fund over a period of five years and to increase the deposit insurance reserve ratio, which decreased to 1.01% of insured deposits on June 30, 2008, to the statutory minimum of 1.15% of insured deposits by December 31, 2013. In order to implement the restoration plan, the FDIC proposes to change both its risk-based assessment system and its base assessment rates. For the first quarter of 2009 only, the FDIC increased all FDIC deposit assessment rates by 7 basis points. These new rates range from 12-14 basis points for Risk Category I institutions to 50 basis points for Risk Category IV institutions. Under the FDIC's restoration plan, the FDIC proposes to establish new initial base assessment rates that will be subject to adjustment as described below. Beginning April 1, 2009, the base assessment rates would range from 10-14 basis points for Risk Category I institutions to 45 basis points for Risk Category IV institutions. Changes to the risk-based assessment system would include increasing premiums for institutions that rely on excessive amounts of brokered deposits, including CDARS, increasing premiums for excessive use of secured liabilities, including Federal Home Loan Bank advances, lowering premiums for smaller institutions with very high capital levels, and adding financial ratios and debt issuer ratings to the premium calculations for banks with over $10 billion in assets, while providing a reduction for their unsecured debt.

On February 27, 2009, the FDIC approved an interim rule to institute a one-time special assessment of 20 cents per $100 in domestic deposits to restore the DIF reserves depleted by recent bank failures. The interim rule additionally reserves the right of the FDIC to charge an additional up-to-10 basis point special premium at a later point if the Deposit Insurance Fund reserves continue to fall. The FDIC also approved an increase in regular premium rates for the second quarter of 2009. For most banks, this will be between 12 to 16 basis points per $100 in domestic deposits. Premiums for the rest of 2009 have not yet been set. The FDIC noted it would consider reducing the special one-time assessment to 10 cents if the U.S. Congress were to approve an increase in its operating line of credit with the U.S. Treasury. Either an increase in the Risk Category of Summit Community Bank or adjustments to the base assessment rates could have a material adverse effect on our earnings.

The value of securities in our investment securities portfolio may be negatively affected by continued disruptions in securities markets.

The market for some of the investment securities held in our portfolio has become extremely volatile over the past twelve months. Volatile market conditions may detrimentally affect the value of these securities, such as through reduced valuations due to the perception of heightened credit and liquidity risks. There can be no assurance that the declines in market value associated with these disruptions will not result in other than temporary impairments of these assets, which would lead to accounting charges that could have a material adverse effect on our net income and capital levels.

We rely heavily on our management team and the unexpected loss of key officers could adversely affect our business, financial condition, results of operations, cash flows and/or future prospects.

Our success has been and will continue to be greatly influenced by our ability to retain the services of existing senior management and, as we expand, to attract and retain qualified additional senior and middle management. Our senior executive officers have been instrumental in the development and management of our business. The loss of the services of any of our senior executive officers could have an adverse effect on our business, financial condition, results of operations, cash flows and/or future prospects. We have not established a detailed management succession plan. Accordingly, should we lose the services of any of our senior executive officers, our Board of Directors may have to search outside of Summit Financial Group for a qualified permanent replacement. This search may be prolonged and we cannot assure you that we will be able to locate and hire a qualified replacement. If any of our senior executive officers leaves his or her respective position, our business, financial condition, results of operations, cash flows and/or future prospects may suffer.

An interruption in or breach in security of our information systems may result in a loss of customer business and have an adverse affect on our results of operations, financial condition and cash flows.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposits, servicing or loan origination systems. Although we have policies and procedures designed to prevent or minimize the effect of a failure, interruption or breach in security of our communications or information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur, or if they do occur, that they will be adequately addressed. The occurrence of any such failures, interruptions or security breaches could result in a loss of customer business and have a negative effect on our results of operations, financial condition and cash flows.

Our business is dependent on technology and our inability to invest in technological improvements may adversely affect our results of operations, financial condition and cash flows.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success depends in part upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as create additional efficiencies in its operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers, which may negatively affect our results of operations, financial condition and cash flows.

Risks Relating to an Investment in Our Common Stock

The market price for shares of our common stock may fluctuate.

The market price of our common stock could be subject to significant fluctuations due to a change in sentiment in the market regarding our operations or business prospects. Such risks may include:

- Operating results that vary from the expectations of management, securities analysts and investors;
- Developments in our business or in the financial sector generally;
- Regulatory changes affecting our industry generally or our businesses and operations;
- The operating and securities price performance of companies that investors consider to be comparable to us;
- Announcements of strategic developments, acquisitions and other material events by us or our competitors;
- Changes in the credit, mortgage and real estate markets, including the markets for mortgage-related securities;
- Changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stocks, commodity, credit or asset valuations or volatility;
- Changes in securities analysts' estimates of financial performance
- Volatility of stock market prices and volumes
- Rumors or erroneous information
- Changes in market valuations of similar companies
- Changes in interest rates
- New developments in the banking industry
- Variations in our quarterly or annual operating results
- New litigation or changes in existing litigation
- Regulatory actions

Stock markets in general and our common stock in particular have, over the past year, and continue to be, experiencing significant price and volume volatility. As a result, the market price of our common stock may continue to be subject to similar market fluctuations that may be unrelated to our operating performance or prospects. Increased volatility could result in a decline in the market price of our common stock.

Our executive officers and directors own shares of our common stock, allowing management to have an impact on our corporate affairs.

As of December 31, 2008, our executive officers and directors beneficially own 24.45% of the outstanding shares of our common stock. Accordingly, these executive officers and directors will be able to impact, the outcome of all matters required to be submitted to our stockholders for approval, including decisions relating to the election of directors, the determination of our day-to-day corporate and management policies and other significant corporate transactions.

Your share ownership may be diluted by the issuance of additional shares of our common stock in the future.

Your share ownership may be diluted by the issuance of additional shares of our common stock in the future. In 1998, we adopted a stock option plan (the "1998 Plan") that provided for the granting of stock options to our directors, executive officers and other employees. Although the 1998 Plan expired in May, 2008, as of December 31, 2008, 335,730 shares of our common stock are still issuable under options granted in connection with our 1998 Plan. Our Board of Directors has approved the adoption of a new stock officer plan and we are submitting this plan to our shareholders at our 2009 Annual Meeting of shareholders for approval. If approved, 350,000 shares of common stock will be available for issuance under the plan. It is probable that the stock options will be exercised during their respective terms if the fair market value of our common stock exceeds the exercise price of the particular option. If the stock options are exercised, your share ownership will be diluted.

In addition, our amended and restated articles of incorporation authorize the issuance of up to 20,000,000 shares of common stock, but do not provide for preemptive rights to the holders of our common stock. Any authorized but unissued shares are available for issuance by our Board of Directors. As a result, if we issue additional shares of common stock to raise additional capital or for other corporate purposes, you may be unable to maintain your pro rata ownership in Summit Financial Group.

We rely on dividends from our subsidiary bank for most of our revenue.

We are a separate and distinct legal entity from our subsidiaries. We receive substantially all of our revenue from dividends from our subsidiary bank, Summit Community Bank. These dividends are the principal source of funds to pay dividends on our common stock and interest and principal on our debt. Various federal and/or state laws and regulations limit the amount of dividends that Summit Community Bank may pay to Summit. Also, Summit's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event Summit Community Bank is unable to pay dividends to us, we may not be able to service debt, pay obligations or pay dividends on our common stock. The inability to receive dividends from Summit Community Bank could have a material adverse effect on our business, financial condition and results of operations.

Holders of our junior subordinated debentures and our subordinated debt have rights that are senior to those of our stockholders.

We have three statutory business trusts that were formed for the purpose of issuing mandatorily redeemable securities (the "capital securities") for which we are obligated to third party investors and investing the proceeds from the sale of the capital securities in our junior subordinated debentures (the "debentures"). The debentures held by the trusts are their sole assets. Our subordinated debentures of these unconsolidated statutory trusts totaled $19,589,000 at December 31, 2008 and 2007.

Distributions on the capital securities issued by the trusts are payable quarterly at the variable interest rates specified in those certain securities. The capital securities are subject to mandatory redemption in whole or in part, upon repayment of the debentures.

Payments of the principal and interest on the trust preferred securities of the statutory trusts are conditionally guaranteed by us. The junior subordinated debentures are senior to our shares of common stock. As a result, we must make payments on the junior subordinated debentures before any dividends can be paid on our common stock and, in the event of our bankruptcy, dissolution or liquidation, the holders of the junior subordinated debentures must be satisfied before any distributions can be made on our common stock. We have the right to defer distributions on the junior subordinated debentures (and the related trust preferred securities) for up to five years, during which time no dividends may be paid on our common stock. In 2008, our total interest payments on these junior subordinated debentures approximated $1,200,000. Based on current rates, our quarterly interest payment obligation on our junior subordinated debentures is approximately $200,000.

The capital securities held by our three trust subsidiaries qualify as Tier 1 capital under Federal Reserve Board guidelines. In accordance with these guidelines, trust preferred securities generally are limited to 25% of Tier 1 capital elements, net of goodwill. The amount of trust preferred securities and certain other elements in excess of the limit can be included in Tier 2 capital.

We have also issued $10 million of subordinated debt to an unrelated institution, which bears a variable interest rate of 1 month LIBOR plus 275 basis points, a term of 7.5 years, and is not prepayable by us within the first two and one half years. Like the junior subordinated debentures, the subordinated debt is senior to our common stock and we must make payments on the subordinated debt before any dividends can be paid on our common stock and, in the event of our bankruptcy, dissolution or liquidation, the holders of the subordinated debt must be satisfied before any distributions can be made on our common stock. The subordinated debt qualifies as Tier 2 capital under Federal Reserve Board guidelines. Our total interest payments on this subordinated debt in 2008 was approximately $390,000. Based upon the current rate, our quarterly interest payment obligation on this debt is approximately $80,000.

Provisions of our amended and restated articles of incorporation could delay or prevent a takeover of us by a third party.

Our amended and restated articles of incorporation could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our stockholders, or could otherwise adversely affect the price of our common stock. For example, our amended and restated articles of incorporation contain advance notice requirements for nominations for election to our Board of Directors. We also have a staggered board of directors, which means that only one-third of our Board of Directors can be replaced by stockholders at any annual meeting.

Your shares are not an insured deposit.

Your investment in our common stock is not be a bank deposit and is not insured or guaranteed by the FDIC or any other government agency. Your investment is subject to investment risk, and you must be capable of affording the loss of your entire investment.

Other

Additional factors could have a negative effect on our financial performance and the value of our common stock. Some of these factors are general economic and financial market conditions, continuing consolidation in the financial services industry, new litigation or changes in existing litigation, regulatory actions, and losses.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Our principal executive office is located at 300 North Main Street, Moorefield, West Virginia in a building that we own. Summit Community's headquarters and branch locations occupy offices which are either owned or operated under long-term lease arrangements. At December 31, 2008, Summit Community operated 15 banking offices. Summit Insurance Services, LLC operates out of the Moorefield, West Virginia office of Summit Community, and also leases 2 locations in Leesburg, Virginia.

	Number of Offices		
Office Location	**Owned**	**Leased**	**Total**
Summit Community Bank			
Moorefield, West Virginia	1	-	1
Mathias, West Virginia	1	-	1
Franklin, West Virginia	1	-	1
Petersburg, West Virginia	1	-	1
Charleston, West Virginia	2	-	2
Rainelle, West Virginia	1	-	1
Rupert, West Virginia	1	-	1
Winchester, Virginia	1	1	2
Leesburg, Virginia	-	1	1
Harrisonburg, Virginia	-	2	2
Warrenton, Virginia	-	1	1
Martinsburg, West Virginia	1	-	1
Summit Insurance Services, LLC			
Leesburg, Virginia	-	2	2

We believe that the premises occupied by us and our subsidiaries generally are well-located and suitably equipped to serve as financial services facilities. See Notes 9 and 10 of our consolidated financial statements on page 64.

Item 3. Legal Proceedings

Information required by this item is set forth under the caption "Litigation" in Note 16 of our consolidated financial statements on page 72.

Item 4. Submission of Matters to a Vote of Shareholders

No matters were submitted during the fourth quarter of 2008 to a vote of Company shareholders.

PART II.

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Common Stock Dividend and Market Price Information: Our stock trades on The NASDAQ SmallCap Market under the symbol "SMMF". The following table presents cash dividends paid per share and information regarding bid prices per share of Summit's common stock for the periods indicated. The bid prices presented are based on information reported by NASDAQ, and may reflect inter-dealer prices, without retail mark-up, mark-down or commission and not represent actual transactions.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2008				
Dividends paid	$ -	$ 0.18	$ -	$ 0.18
High Bid	16.25	14.47	13.55	12.00
Low Bid	13.51	12.50	10.05	7.74
2007				
Dividends paid	$ -	$ 0.17	$ -	$ 0.17
High Bid	21.56	21.20	19.85	18.96
Low Bid	19.45	19.65	18.28	13.56

Dividends on Summit's common stock are paid on the 15th day of June and December. The record date is the 1st day of each respective month. For a discussion of restrictions on dividends, see Note 17 of the notes to the accompanying consolidated financial statements.

As of March 1, 2009, there were approximately 1,290 shareholders of record of Summit's common stock.

Purchases of Summit Equity Securities:

We have an Employee Stock Ownership Plan ("ESOP"), which enables eligible employees to acquire shares of our common stock. The cost of the ESOP is borne by us through annual contributions to an Employee Stock Ownership Trust in amounts determined by the Board of Directors.

In August 2006, the Board of Directors authorized the open market repurchase of up to 225,000 shares (approximately 3%) of the issued and outstanding shares of Summit's common stock ("August 2006 Repurchase Plan"). The timing and quantity of purchases under this stock repurchase plan are at the discretion of management, and the plan may be discontinued, or suspended and reinitiated, at any time.

The following table sets forth certain information regarding Summit's purchase of its common stock under the Repurchase Plan and under Summit's ESOP for the quarter ended December 31, 2008.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (b)
October 1, 2008 - October 31, 2008	-	$ -	-	165,375
November 1, 2008 - November 30, 2008	14,194	8.86	-	165,375
December 1, 2008 - December 31, 2008	3,985	8.71	-	165,375

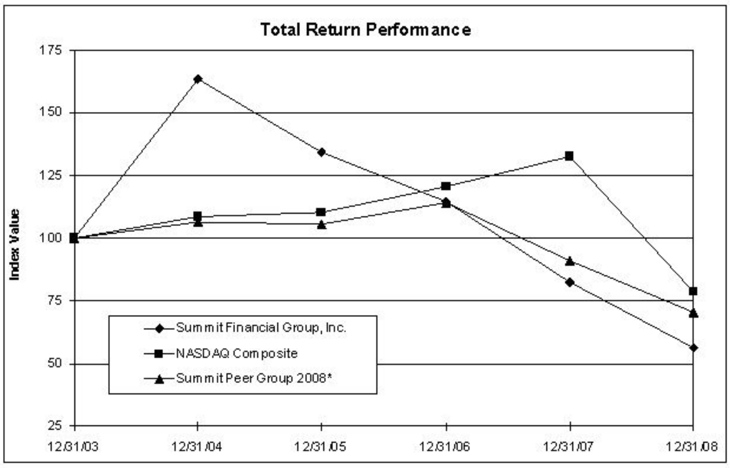
(a) Includes shares repurchased under the August 2006 Repurchase Plan and shares repurchased under the Employee Stock Ownership Plan.

(b) Shares available to be repurchased under the August 2006 Repurchase Plan.

Performance Graph:

Set forth below is a line graph comparing the cumulative total return of Summit's Common Stock assuming reinvestment of dividends, with that of the NASDAQ Composite Index ("NASDAQ Composite") and a peer group for the five-year period ending December 31, 2008. The "Summit Peer Group" consists of publicly-traded bank holding companies headquartered in West Virginia and Virginia having total assets between $500 million and $2 billion.

The cumulative total shareholder return assumes a $100 investment on December 31, 2003 in the common stock of Summit and each index and the cumulative return is measured as of each subsequent fiscal year-end. There is no assurance that Summit's common stock performance will continue in the future with the same or similar trends as depicted in the graph.



The Stock Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that Summit specifically incorporates it by reference into such filing.

Item 6. Selected Financial Data

The following consolidated selected financial data is derived from our audited financial statements as of and for the five years ended December 31, 2008. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes contained elsewhere in this report.

Dollars in thousands, except per share amounts	2008	2007	2006	2005	2004
	For the Year Ended (unless otherwise noted)				
Summary of Operations					
Interest income	**$ 93,484**	$ 91,384	$ 80,278	$ 56,653	$ 45,041
Interest expense	**49,409**	52,317	44,379	26,502	18,663
Net interest income	**44,075**	39,067	35,899	30,151	26,378
Provision for loan losses	**15,500**	2,055	1,845	1,295	1,050
Net interest income after provision for loan losses	**28,575**	37,012	34,054	28,856	25,328
Noninterest income	**2,868**	7,357	3,634	1,605	3,263
Noninterest expense	**29,434**	25,098	21,610	19,264	16,919
Income before income taxes	**2,009**	19,271	16,078	11,197	11,672
Income tax expense (benefit)	**(291)**	5,734	5,018	3,033	3,348
Income from continuing operations	**2,300**	13,537	11,060	8,164	8,324
Discontinued operations					
Exit costs and impairment of long-lived assets	**-**	(312)	(2,480)	-	-
Operating income (loss)	**-**	(10,347)	(1,750)	3,862	2,913
Income (loss) from discontinued operations before tax	**-**	(10,659)	(4,230)	3,862	2,913
Income tax expense (benefit)	**-**	(3,578)	(1,427)	1,339	1,004
Income (loss) from discontinued operations	**-**	(7,081)	(2,803)	2,523	1,909
Net income	**$ 2,300**	$ 6,456	$ 8,257	$ 10,687	$ 10,233
Balance Sheet Data (at year end)					
Assets	**$ 1,627,166**	$ 1,435,536	$ 1,235,519	$ 1,110,214	$ 889,830
Securities available for sale	**327,606**	283,015	235,780	208,011	197,519
Loans	**1,192,157**	1,052,489	916,045	793,452	602,728
Deposits	**965,850**	828,687	888,687	673,887	524,596
Short-term borrowings	**153,100**	172,055	60,428	182,028	120,629
Long-term borrowings	**392,748**	315,738	176,110	152,706	161,760
Subordinated debentures owed to unconsolidated subsidiary trusts	**19,589**	19,589	19,589	19,589	11,341
Shareholders' equity	**87,244**	89,420	78,752	72,691	65,150
Per Share Data					
Earnings per share from continuing operations					
Basic earnings	**$ 0.31**	$ 1.87	$ 1.55	$ 1.15	$ 1.18
Diluted earnings	**0.31**	1.85	1.54	1.13	1.17
Earnings per share from discontinued operations					
Basic earnings	**-**	(0.98)	(0.39)	0.35	0.27
Diluted earnings	**-**	(0.97)	(0.39)	0.35	0.27
Earnings per share					
Basic earnings	**0.31**	0.89	1.16	1.51	1.46
Diluted earnings	**0.31**	0.88	1.15	1.48	1.44
Shareholders' equity (at year end)	**11.77**	12.07	11.12	10.20	9.25
Cash dividends	**0.36**	0.34	0.32	0.30	0.26
Performance Ratios					
Return on average equity	**2.59%**	7.34%	10.44%	15.09%	16.60%
Return on average assets	**0.15%**	0.50%	0.70%	1.10%	1.22%
Dividend payout	**116.0%**	38.1%	27.6%	20.0%	17.9%
Equity to assets	**5.4%**	6.2%	6.4%	6.5%	7.3%

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

FORWARD LOOKING STATEMENTS

This annual report contains comments or information that constitute forward looking statements (within the meaning of the Private Securities Litigation Act of 1995) that are based on current expectations that involve a number of risks and uncertainties. Words such as “expects”, “anticipates”, “believes”, “estimates” and other similar expressions or future or conditional verbs such as “will”, “should”, “would” and “could” are intended to identify such forward-looking statements. 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. 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.

Although we believe the expectations reflected in such forward looking statements are reasonable, actual results may differ materially. Factors that might cause such a difference include changes in interest rates and interest rate relationships; demand for products and services; the degree of competition by traditional and non-traditional competitors; changes in banking laws and regulations; changes in tax laws; the impact of technological advances; the outcomes of contingencies; trends in customer behavior as well as their ability to repay loans; and changes in the national and local economy.

DESCRIPTION OF BUSINESS

We are a $1.6 billion community-based financial services company providing a full range of banking and other financial services to individuals and businesses through our two operating segments: community banking and insurance. Our community bank, Summit Community Bank, has a total of 15 banking offices located in West Virginia and Virginia. In addition, we also operate an insurance agency, Summit Insurance Services, LLC with an office in Moorefield, West Virginia which offers both commercial and personal lines of insurance and two offices in Leesburg, Virginia, primarily specializing in group health, life and disability benefit plans. Although our business operates as two separate segments, the insurance segment is not a reportable segment as it is immaterial, and thus our financial information is presented on an aggregated basis. Summit Financial Group, Inc. employs approximately 250 full time equivalent employees.

OVERVIEW

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

Key Items in 2008

- Net income for 2008 totaled $2.3 million compared to $13.5 million income from continuing operations in 2007. The decline is primarily a result of higher loan loss provisions and other-than-temporary impairment on securities.

- We strengthened our allowance for loan losses to reflect the weaker economy and its current and future impact on asset quality. The $15.5 million loan loss provision recorded this year raised the allowance for loan losses to 1.40 percent of total loans at year-end, after net loan charge-offs of $7.8 million during the course of the year.

- We felt the impact of the housing crisis as reflected by the impairment of our investments in Freddie Mac and Fannie Mae preferred stock resulting in $6.4 million in charges recorded relative to these securities in 2008.

- Asset growth of 13.3 percent was primarily driven by loan growth of $147.9 million, or 13.9 percent year-over-year, which was derived principally from commercial and commercial real estate loans.

- We are experiencing the challenges related to the current economic environment, as evidenced by the dramatic increase in nonperforming assets at December 31, 2008, climbing to $56 million from $12 million one year ago. Our loan quality was impacted by the contracting economy and commercial real estate market, which caused declines in real estate values and deterioration in financial condition of various borrowers. These conditions led to our downgrading the loan quality ratings on various real estate loans through our normal loan review process. In addition, several impaired loans became under-collateralized due to the reduction in the estimated net realizable fair value of the underlying collateral.

- Stability of the net interest margin; this continues to be a highlight of our performance despite the rapid decline of interest rates beginning in third quarter 2007. However, the impact of foregone interest income from nonaccruing loans has negatively impacted the margin during the last two quarters of 2008.

- We remained well-capitalized by regulatory capital guidelines at December 31, 2008, however access to new capital resources is presently constrained.

- We mutually terminated the Greater Atlantic merger agreement.

OUTLOOK

Summit remains well-capitalized, adequately reserved and profitable. The Company has adequate liquidity and is positioned to weather the current economic conditions and return to increased profitability when conditions improve. In the short-term, however, Management anticipates the Company's net income and earnings per common share will continue to be negatively impacted, probably significantly, by continuing high levels of loan losses and nonperforming assets, a weak economy, low asset and revenue growth, low interest rates, and higher FDIC premiums.

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 accompanying consolidated financial statements. 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, the valuation of goodwill and fair value measurements 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.

Allowance for loan losses: 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 accompanying consolidated financial statements 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 this financial review.

Goodwill: Goodwill is 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 of 2008, we completed the required annual impairment test and determined that no impairment write-offs were necessary. We can not assure you that future goodwill impairment tests will not result in a charge to earnings.

See Notes 1 and 11 of the accompanying consolidated financial statements for further discussion of our intangible assets, which include goodwill.

Fair Value Measurements: We adopted Statement of Financial Accounting Standards No. 157 ("SFAS 157"), *Fair Value Measurements*, on January 1, 2008. This standard provides a definition of fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Based on the observability of the inputs used in the valuation techniques, we classify our financial assets and liabilities measured and disclosed at fair value in accordance with the three-level hierarchy (e.g., Level 1, Level 2 and Level 3) established under SFAS 157. Fair value determination in accordance with SFAS 157 requires that we make a number of significant judgments. In determining the fair value of financial instruments, we use market prices of the same or similar instruments whenever such prices are available. We do not use prices involving distressed sellers in determining fair value. If observable market prices are unavailable or impracticable to obtain, then fair value is estimated using modeling techniques such as discounted cash flow analyses. These modeling techniques incorporate our assessments regarding assumptions that market participants would use in pricing the asset or the liability, including assumptions about the risks inherent in a particular valuation technique and the risk of nonperformance.

Fair value is used on a recurring basis for certain assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to evaluate assets or liabilities for impairment or for disclosure purposes in accordance with SFAS No. 107, *Disclosures About Fair Value of Financial Instruments.*

RESULTS OF OPERATIONS

Earnings Summary

Income from continuing operations for the three years ended December 31, 2008, 2007 and 2006, was $2,300,000, $13,537,000, and $11,060,000, respectively. On a per share basis, diluted income from continuing operations was $0.31 in 2008 compared to $1.85 in 2007, and $1.54 in 2006. Consolidated net income, which includes the results of discontinued operations, for the three years ended December 31, 2008, 2007, and 2006 was $2,300,000, $6,456,000, and $8,257,000, respectively. On a per share basis, diluted net income was $0.31 in 2008, compared to $0.88 in 2007 and $1.15 in 2006. Consolidated return on average equity was 2.59% in 2008 compared to 7.34% in 2007 and 10.44% in 2006. Consolidated return on average assets for the year ended December 31, 2008 was 0.15% in 2008 compared to 0.50% in 2007 and 0.70% in 2006. Included in 2008's net income is a $15.5 million loan loss provision and an other-than-temporary non-cash impairment charge of $6.4 million pre-tax, equivalent to $4.0 million after-tax, related to $8.0 million of certain preferred stock issuances of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. A summary of the significant factors influencing our results of operations and related ratios is included in the following discussion.

Net Interest Income

The major component of our net earnings is net interest income, which is the excess of interest earned on earning assets over the interest expense incurred on interest bearing sources of funds. Net interest income is affected by changes in volume, resulting from growth and alterations of the balance sheet's composition, fluctuations in interest rates and maturities of sources and uses of funds. We seek to maximize net interest income through management of our balance sheet components. This is accomplished by determining the optimal product mix with respect to yields on assets and costs of funds in light of projected economic conditions, while maintaining portfolio risk at an acceptable level.

Consolidated net interest income on a fully tax equivalent basis, consolidated average balance sheet amounts, and corresponding average yields on interest earning assets and costs of interest bearing liabilities for the years 2008, 2007 and 2006 are presented in Table I. Table II presents, for the periods indicated, the changes in consolidated interest income and expense attributable to (a) changes in volume (changes in volume multiplied by prior period rate) and (b) changes in rate (change in rate multiplied by prior period volume). Changes in interest income and expense attributable to both rate and volume have been allocated between the factors in proportion to the relationship of the absolute dollar amounts of the change in each. Tables I and II are presented on a consolidated basis. The results would not vary significantly if presented on a continuing operations basis.

Consolidated net interest income on a fully tax equivalent basis, totaled $45,438,000, $40,495,000, and $37,870,000, for the years ended December 31, 2008, 2007 and 2006, respectively, representing a 12.2% increase in 2008 and 6.9% in 2007. These increases in net interest income are the result of substantial loan growth in the commercial real estate and residential mortgage portfolios in all three years. Total average earning assets increased 17.0% to $1,451,326,000 at December 31, 2008 from $1,240,647,000 at December 31, 2007. Total average interest bearing liabilities increased 18.6% to $1,345,948,000 at December 31, 2008, compared to $1,135,031,000 at December 31, 2007. As identified in Table II, consolidated tax equivalent net interest income grew $4,943,000 and $2,625,000 during 2008 and 2007, respectively.

Our consolidated net interest margin was 3.13% for 2008 compared to 3.26% and 3.38% for 2007 and 2006, respectively. Our consolidated net interest margin decreased 13 basis points in 2008, driven primarily by the reversal of loan interest income related to nonaccrual loans placed on nonaccrual status during late 2008 and the continued reduction in interest income as a result of these loans remaining on nonaccrual status, and by a slight change in our balance sheet mix as the 94 basis point decrease in the yield on interest earning assets was mirrored by a 94 basis point decrease in our cost of interest bearing funds. Our consolidated net interest margin decreased 12 basis points in 2007, driven by a 28 basis point increase in the cost of interest bearing funds while the increase on the yields on interest earning assets was only 14 basis points. See Tables I and II for further details regarding changes in volumes and rates of average assets and liabilities and how those changes affect our consolidated net interest income.

We anticipate a stable net interest margin in the near term as we do not expect interest rates to rise in the near future, we do not expect significant growth in our interest earning assets, nor do we expect our nonperforming asset balances to decline significantly in the near future. We continue to monitor 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 us.

TABLE I - AVERAGE DISTRIBUTION OF CONSOLIDATED ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY, INTEREST EARNINGS & EXPENSES, AND AVERAGE YIELDS/RATES

	2008			2007			2006		
Dollars in thousands	**Average Balances**	**Earnings/ Expense**	**Yield/ Rate**	Average Balances	Earnings/ Expense	Yield/ Rate	Average Balances	Earnings/ Expense	Yield/ Rate
ASSETS									
Interest earning assets									
Loans, net of unearned interest (1)									
Taxable	**$1,127,808**	**$77,055**	**6.83%**	$963,116	$77,511	8.05%	$872,017	$68,915	7.90%
Tax-exempt (2)	**8,528**	**697**	**8.17%**	9,270	738	7.96%	8,428	642	7.62%
Securities									
Taxable	**264,667**	**13,707**	**5.18%**	219,605	11,223	5.11%	193,046	9,403	4.87%
Tax-exempt (2)	**49,953**	**3,380**	**6.77%**	47,645	3,289	6.90%	46,382	3,227	6.96%
Federal Funds sold and interest bearing deposits with other banks	**370**	**8**	**2.16%**	1,011	51	5.04%	1,216	62	5.10%
	$1,451,326	**$94,847**	**6.54%**	$1,240,647	$92,812	7.48%	$1,121,089	$82,249	7.34%
Noninterest earning assets									
Cash and due from banks	**18,792**			14,104			13,417		
Banks premises and equipment	**22,154**			22,179			23,496		
Other assets	**38,760**			30,795			26,422		
Allowance for loan losses	**(12,980)**			(8,683)			(6,849)		
Total assets	**$1,518,052**			$1,299,042			$1,177,575		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Liabilities									
Interest bearing liabilities									
Interest bearing demand deposits	**$190,066**	**$2,416**	**1.27%**	$227,014	$7,695	3.39%	$215,642	$7,476	3.47%
Savings deposits	**55,554**	**908**	**1.63%**	42,254	706	1.67%	42,332	554	1.31%
Time deposits	**568,491**	**24,019**	**4.23%**	524,389	25,895	4.94%	458,864	20,282	4.42%
Short-term borrowings	**112,383**	**2,392**	**2.13%**	95,437	4,822	5.05%	130,771	6,612	5.06%
Long-term borrowings and subordinated debentures	**419,454**	**19,674**	**4.69%**	245,937	13,199	5.37%	176,422	9,455	5.36%
	$1,345,948	**$49,409**	**3.67%**	$1,135,031	$52,317	4.61%	$1,024,031	$44,379	4.33%
Noninterest bearing liabilities									
Demand deposits	**75,165**			65,060			64,380		
Other liabilities	**7,976**			11,000			10,106		
Total liabilities	**1,429,089**			1,211,091			1,098,517		
Shareholders' equity	**88,963**			87,951			79,058		
Total liabilities and shareholders' equity	**$1,518,052**			$1,299,042			$1,177,575		
NET INTEREST EARNINGS		**$45,438**			$40,495			$37,870	
NET INTEREST MARGIN			**3.13%**			3.26%			3.38%

(1) For purposes of this table, nonaccrual loans are included in average loan balances. Included in interest and fees on loans are loan fees of $775,000, $633,000, and $636,000 for the years ended December 31, 2008, 2007 and 2006 respectively.

(2) For purposes of this table, interest income on tax-exempt securities and loans has been adjusted assuming an effective combined Federal and state tax rate of 34% for all years presented. The tax equivalent adjustment results in an increase in interest income of $1,363,000, $1,428,000, and $1,286,000,

Table II - Changes in Interest Margin Attributable to Rate and Volume - Consolidated Basis

	2008 Versus 2007 Increase (Decrease) Due to Change in:			2007 Versus 2006 Increase (Decrease) Due to Change in:		
Dollars in thousands	**Volume**	**Rate**	**Net**	Volume	Rate	Net
Interest earned on:						
Loans						
Taxable	**$ 12,191**	**$ (12,647)**	**$ (456)**	$ 7,312	$ 1,284	$ 8,596
Tax-exempt	**(60)**	**19**	**(41)**	66	30	96
Securities						
Taxable	**2,332**	**152**	**2,484**	1,341	479	1,820
Tax-exempt	**157**	**(66)**	**91**	87	(25)	62
Federal funds sold and interest bearing deposits with other banks	**(22)**	**(21)**	**(43)**	(10)	(1)	(11)
Total interest earned on interest earning assets	**14,598**	**(12,563)**	**2,035**	8,796	1,767	10,563
Interest paid on:						
Interest bearing demand deposits	**(1,090)**	**(4,189)**	**(5,279)**	388	(169)	219
Savings deposits	**217**	**(15)**	**202**	(1)	153	152
Time deposits	**2,062**	**(3,938)**	**(1,876)**	3,082	2,531	5,613
Short-term borrowings	**740**	**(3,170)**	**(2,430)**	(1,786)	(4)	(1,790)
Long-term borrowings and subordinated debentures	**8,316**	**(1,841)**	**6,475**	3,731	13	3,744
Total interest paid on interest bearing liabilities	**10,245**	**(13,153)**	**(2,908)**	5,414	2,524	7,938
Net interest income	**$ 4,353**	**$ 590**	**$ 4,943**	$ 3,382	$ (757)	$ 2,625

Noninterest Income

Noninterest income from continuing operations totaled 0.19%, 0.57%, and 0.31%, of average assets in 2008, 2007 and 2006 respectively. Noninterest income from continuing operations totaled $2,868,000 in 2008, compared to $7,357,000 in 2007 and $3,633,000 in 2006, with service fees from deposit accounts and insurance commissions being the primary positive components. During 2008, we recorded an other-than-temporary impairment charge on securities of $7,060,000. Further detail regarding noninterest income from continuing operations is reflected in the following table.

Noninterest Income - Continuing Operations

Dollars in thousands	**2008**	2007	2006
Insurance commissions	**$ 5,139**	$ 2,876	$ 924
Service fees	**3,246**	3,004	2,758
Securities (losses)	**(6)**	-	-
Other-than-temporary impairment of securities	**(7,060)**	-	-
Net cash settlement on interest rate swaps	**(170)**	(727)	(534)
Change in fair value of interest rate swaps	**705**	1,478	(90)
Gain (loss) on sale of assets	**126**	(33)	(46)
Other	**888**	759	622
Total	**$ 2,868**	$ 7,357	$ 3,634

Insurance commissions: The increase in both 2008 and 2007 are due to our acquisition of the Kelly Agencies, two insurance agencies specializing in group health, life and disability benefit plans in July, 2007.

Service fees: Total service fees increased 8.1% in 2008 and 8.9% in 2007 primarily as a result of increases in overdraft and nonsufficient funds (NSF) fees due to an increased overdraft usage by customers and a change in our fee structure during 2007.

Other-than-temporary impairment of securities: During 2008, we took an other-than-temporary non-cash impairment charge of $6.4 million pre-tax, equivalent to $4.0 million after-tax, related to $8.0 million of certain preferred stock issuances of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation and a $0.7 million impairment charge on our investment in Greater Atlantic Financial Corp.'s common stock .

Change in fair value of derivative instruments: During 2008, we realized a $705,000 gain on derivative instruments upon termination of interest rate swaps that did not qualify for hedge accounting. During 2007, $1,478,000 change in fair value was attributable to the expectation of falling short-term market interest rates which positively impacts the fair value of related derivative instruments.

Gains/Losses on sales of assets: These items are primarily a result of sales of foreclosed properties.

Noninterest Expense

Noninterest expense for continuing operations was well controlled in both 2008 and 2007. These expenses totaled $29,434,000, $25,098,000 and $21,609,000, or 1.9%, 1.9%, and 1.8% of average assets for each of the years ended December 31, 2008, 2007 and 2006, respectively. Total noninterest expense for continuing operations increased $4,336,000 in 2008 compared to 2007, and $3,489,000 in 2007 compared to 2006. Table III below shows the breakdown of these increases.

Salaries and employee benefits: Salaries and employee benefits increased 14.7% during 2008 compared to 2007. The additional salaries and benefit costs associated with the Kelly Agencies was generally offset by reductions in performance-based incentive payments throughout the Company. These expenses increased 23.6% in 2007 primarily due to increased staffing as a result of the acquisition of the Kelly Agencies.

Net occupancy and Equipment expense: The increases in net occupancy and equipment expense for 2008 and 2007 are attributed to increased facility costs as a result of acquiring the Kelly Agencies in 2007.

Other: Other expenses increased $1,701,000 or 36.7% during 2008. The two largest contributors to this increase were 1) FDIC assessment, which totaled $744,000 in 2008 compared to $290,000 in 2007 due to an increase in assessment rates by the FDIC and 2) $681,000 of expenses related to the termination during 2008 of the merger agreement with Greater Atlantic Financial Corp.

Table III - Noninterest Expense - Continuing Operations

Dollars in thousands	2008	Change $	Change %	2007	Change $	Change %	2006
Salaries and employee benefits	**$ 16,762**	**$ 2,154**	**14.7%**	$ 14,608	$ 2,787	23.6%	$ 11,821
Net occupancy expense	**1,870**	**112**	**6.4%**	1,758	201	12.9%	1,557
Equipment expense	**2,173**	**169**	**8.4%**	2,004	103	5.4%	1,901
Supplies	**925**	**54**	**6.2%**	871	74	9.3%	797
Professional fees	**723**	**28**	**4.0%**	695	(198)	-22.2%	893
Advertising	**289**	**18**	**6.6%**	271	(13)	-4.6%	284
Amortization of intangibles	**351**	**100**	**39.8%**	251	100	66.2%	151
Other	**6,341**	**1,701**	**36.7%**	4,640	434	10.3%	4,206
Total	**$ 29,434**	**$ 4,336**	**17.3%**	$ 25,098	$ 3,488	16.1%	$ 21,610

Income Tax Expense/Benefit

Income tax expense/benefit for continuing operations for the three years ended December 31, 2008, 2007 and 2006 totaled ($291,000), $5,734,000, and $5,018,000, respectively. Refer to Note 14 of the accompanying consolidated financial statements for further information and additional discussion of the significant components influencing our effective income tax rates.

CHANGES IN FINANCIAL POSITION

Total average assets in 2008 were $1,518,052,000, an increase of 16.9% over 2007's average of $1,299,042,000. Average assets grew 10.3% in 2007, from $1,177,575,000 in 2006. This growth principally occurred in our loan portfolio in both years. Significant changes in the components of our balance sheet in 2008 and 2007 are discussed below.

Loan Portfolio

Table IV depicts loan balances by type and the respective percentage of each to total loans at December 31, as follows

Table IV - Loans by Type

Dollars in thousands	**2008 Amount**	**2008 Percent of Total**	2007 Amount	2007 Percent of Total	2006 Amount	2006 Percent of Total	2005 Amount	2005 Percent of Total	2004 Amount	2004 Percent of Total
Commercial	**$ 130,106**	**10.7%**	$ 92,599	8.7%	$ 69,470	7.5%	$ 63,206	7.9%	$ 53,226	8.7%
Commercial real estate, land development, and construction	**667,729**	**55.2%**	609,748	57.4%	530,018	57.3%	407,435	50.8%	283,547	46.6%
Residential mortgage	**376,026**	**31.0%**	322,640	30.3%	282,512	30.5%	285,241	35.6%	223,690	36.7%
Consumer	**31,519**	**2.6%**	31,956	3.0%	36,455	3.9%	36,863	4.6%	38,948	6.4%
Other	**6,061**	**0.5%**	6,641	0.6%	6,969	0.8%	8,598	1.1%	9,605	1.6%
Total loans	**$ 1,211,441**	**100.0%**	$ 1,063,584	100.0%	$ 925,424	100.0%	$ 801,343	100.0%	$ 609,016	100.0%

Total net loans averaged $1,136,336,000 in 2008 compared to $972,386,000 in 2007, which represented 74.9% of total average assets for both years. The increase in the dollar volume of loans was primarily attributable to our growth mode. This trend will not continue due to the current weakened economic conditions in our market areas and limited availability of new capital resources.

Refer to Note 7 of the accompanying consolidated financial statements for our loan maturities and a discussion of our adjustable rate loans as of December 31, 2008.

In the normal course of business, we make various commitments and incur certain contingent liabilities, which are disclosed in Note 16 of the accompanying consolidated financial statements but not reflected in the accompanying consolidated financial statements. There have been no significant changes in these types of commitments and contingent liabilities and we do not anticipate any material losses as a result of these commitments.

Securities

Securities comprised approximately 21.6% of total assets at December 31, 2008 compared to 20.9% at December 31, 2007. Average securities approximated $314,620,000 for 2008 or 17.7% more than 2007's average of $267,250,000. Refer to Note 6 of the accompanying consolidated financial statements for details of amortized cost, the estimated fair values, unrealized gains and losses as well as the security classifications by type.

All of our securities are classified as available for sale to provide us with flexibility to better manage our balance sheet structure and react to asset/liability management issues as they arise. Pursuant to SFAS No. 115, anytime that we carry a security with an unrealized loss that has been determined to be "other than temporary", we must recognize that loss in income. During 2008, we took an other-than-temporary non-cash impairment charge of $6.4 million pre-tax, equivalent to $4.0 million after-tax, related to $8.0 million of certain preferred stock issuances of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation that we continue to own with a book value of $103,000. The action taken by the Federal Housing Finance Agency on September 7, 2008 placing these Government-Sponsored Agencies into conservatorship and eliminating the dividends on their preferred shares led to our determination that these securities are other-than-temporarily impaired. We also recognized an other-than-temporary impairment charge of $0.7 million (the entire amount) on our investment in Greater Atlantic Financial Corp. stock, which we continue to own.

At December 31, 2008 we had $10.0 million in unrealized losses related to residential mortgage backed securities issued by nongovernment sponsored entities. We monitor the performance of the mortgages underlying these bonds. Although there has been some deterioration in collateral performance, we only hold the most senior tranches of each issue which provides protection against defaults. We attribute the unrealized loss on these mortgage backed securities held largely to the current absence of liquidity in the credit markets and not to deterioration in credit quality. We expect to receive all contractual principal and interest payments due on our debt securities and have the ability and intent to hold these investments until their fair value recovers or until maturity. The mortgages in these asset pools have been made to borrowers with strong credit history and significant equity invested in their homes. They are well diversified geographically. Nonetheless, significant further weakening of economic fundamentals coupled with significant increases in unemployment and substantial deterioration in the value of high end residential properties could extend distress to this borrower population. This could increase default rates and put additional pressure on property values. Should these conditions occur, the value of these securities could decline and trigger the recognition of an other-than-temporary impairment charge.

At December 31, 2008, we did not own securities of any one issuer that were not issued by the U.S. Treasury or a U.S. Government agency that exceeded ten percent of shareholders' equity. The maturity distribution of the securities portfolio at December 31, 2008, together with the weighted average yields for each range of maturity, is summarized in Table V. The stated average yields are actual yields and are not stated on a tax equivalent basis.

Table V - Securities Maturity Analysis

At amortized cost, dollars in thousands	Within one year		After one but within five years		After five but within ten years		After ten years	
U. S. Government agencies and corporations	$ 3,741	4.5%	$ 8,769	4.9%	$ 17,453	5.1%	$ 6,971	5.4%
Residential mortgage backed securities:								
Government sponsored agencies	52,645	5.3%	56,858	5.3%	25,799	5.6%	11,773	5.7%
Nongovernment sponsored entities	15,793	6.3%	47,657	6.5%	22,884	6.2%	9,234	5.6%
State and political subdivisions	776	4.2%	6,176	6.6%	12,978	6.7%	30,447	6.5%
Corporate debt securities	-	-	349	6.8%	-	-	-	-
Other	-	-	-	-	-	-	395	-
Total	$ 72,955	5.5%	$ 119,809	5.8%	$ 79,114	5.9%	$ 58,820	6.0%

Deposits

Total deposits at December 31, 2008 increased $137,163,000 or 16.6% compared to December 31, 2007. Average interest bearing deposits increased $20,454,000, or 2.6% during 2008. We have strengthened our focus on growing retail deposits, which is reflected by their steady growth over the past two years, increasing 2.6% in 2008 and 7.1% in 2007. Wholesale deposits, which represent brokered certificates of deposit acquired through a third party, increased 68.1% to $296,589,000 at December 31, 2008. These deposits totaled $176,391,000 at December 31, 2007, a decrease of 36.9% from 2006. During 2008, the pricing of brokered certificates of deposits was more favorable when compared to other wholesale funding sources, and were used to pay off short term Federal Home Loan Bank advances. Our decreased utilization of brokered deposits during 2007 was due to favorable pricing of other alternative wholesale funding sources, including wholesale reverse repurchase agreements.

Deposits

Dollars in thousands	**2008**	2007	2006	2005	2004
Noninterest bearing demand	**$ 69,808**	$ 65,727	$ 62,591	$ 62,617	$ 55,402
Interest bearing demand	**156,990**	222,825	220,167	200,638	122,355
Savings	**61,689**	40,845	47,984	44,681	50,428
Certificates of deposit	**347,444**	291,294	249,952	211,032	217,863
Individual Retirement Accounts	**33,330**	31,605	28,370	26,231	25,298
Retail deposits	**669,261**	652,296	609,064	545,199	471,346
Wholesale deposits	**296,589**	176,391	279,623	128,688	53,268
Total deposits	**$ 965,850**	$ 828,687	$ 888,687	$ 673,887	$ 524,614

See Table I for average deposit balance and rate information by deposit type for 2008, 2007 and 2006 and Note 12 of the accompanying consolidated financial statements for a maturity distribution of time deposits as of December 31, 2008.

Borrowings

Lines of Credit: We have available lines of credit from various correspondent banks totaling $18,501,000 at December 31, 2008. These lines are utilized when temporary day to day funding needs arise. They are reflected on the consolidated balance sheet as short-term borrowings. We also have remaining available lines of credit from the Federal Home Loan Bank totaling $188,279,000 at December 31, 2008. We use these lines primarily to fund loans to customers. Funds acquired through this program are reflected on the consolidated balance sheet in short-term borrowings or long-term borrowings, depending on the repayment terms of the debt agreement. We also had $23 million available on a short term line of credit with the Federal Reserve Bank at December 31, 2008, which is primarily secured by consumer loans.

Short-term Borrowings: Total short-term borrowings decreased $18,955,000 from $172,055,000 at December 31, 2007 to $153,100,000 at December 31, 2008. These borrowings were principally replaced with brokered certificates of deposits. See Note 13 of the accompanying consolidated financial statements for additional disclosures regarding our short-term borrowings.

Long-term Borrowings: Total long-term borrowings of $392,748,000 at December 31, 2008, consisted primarily of funds borrowed on available lines of credit from the Federal Home Loan Bank and structured reverse repurchase agreements with two unaffiliated institutions. Borrowings from the Federal Home Loan Bank increased $65,123,000 to $260,111,000 compared to the $194,988,000 outstanding at December 31, 2007. We have a term loan with an unrelated financial institution that is secured by the common stock of our subsidiary bank, with an interest rate of prime minus 50 basis points, and matures in 2017. The outstanding balance of this term loan was $12,637,000 and $10,750,000 at December 31, 2008 and 2007, respectively. During 2008, $10 million of subordinated debt was issued to an unrelated institution, which bears a variable interest rate of 1 month LIBOR plus 275 basis points, a term of 7.5 years, and it is not prepayable by us within the first two and one half years. During 2007, we entered into $110 million of structured reverse repurchase agreements, with terms ranging from 5 to 10 years and call features ranging from 2 to 3.5 years in which they are callable by the purchaser. Long term borrowings were principally used to fund our loan growth. Refer to Note 13 of the accompanying consolidated financial statements for additional information regarding our long-term borrowings.

ASSET QUALITY

During 2007, certain of our customers began experiencing difficulty making timely payments on their loans. Due to current declining economic conditions, borrowers have in many cases been unable to refinance their loans due to a range of factors including declining property values. As a result, we have experienced higher delinquencies and nonperforming assets, particularly in our residential real estate loan portfolios and in commercial construction loans to residential real estate developers. It is not known when the housing market will stabilize. While management anticipates loan delinquencies will remain higher than historical levels for the foreseeable future, we anticipate that nonperforming assets will remain elevated in the near term.

Table VI presents a summary of non-performing assets of continuing operations at December 31, as follows:

Table VI - Nonperforming Assets

Dollars in thousands	**2008**	2007	2006	2005	2004
Nonaccrual loans	**$ 46,930**	$ 2,917	$ 638	$ 583	$ 532
Accruing loans past due					
90 days or more	**1,039**	7,416	4,638	799	140
Total nonperforming loans	**47,969**	10,333	5,276	1,382	672
Foreclosed properties and					
repossessed assets	**8,113**	2,058	77	285	646
Nonaccrual securities	**-**	-	-	-	349
Total nonperforming assets	**$ 56,082**	$ 12,391	$ 5,353	$ 1,667	$ 1,667
Total nonperforming loans					
as a percentage of total loans	**3.97%**	0.97%	0.57%	0.17%	0.11%
Total nonperforming assets					
as a percentage of total assets	**3.45%**	0.86%	0.43%	0.15%	0.19%

The following table presents a summary of our 30 to 89 days past due performing loans.

Loans Past Due 30-89 Days

Dollars in thousands	**12/31/2008**	**12/31/2007**
Commercial	$ 114	$ 264
Commercial real estate	195	1,604
Construction and development	2,722	997
Residential real estate	5,009	4,485
Consumer	824	1,335
Total	$ 8,864	$ 8,685

Total nonaccrual loans and accruing loans past due 90 days or more increased from $10,333,000 at December 31, 2007 to $47,969,000 at December 31, 2008. The following table shows our nonperforming loans by category as of December 31, 2008 and 2007.

Nonperforming Loans by Type

Dollars in thousands	2008	2007
Commercial	$ 199	$ 716
Commercial real estate	24,323	4,346
Land development and construction	18,382	2,016
Residential real estate	4,986	3,012
Consumer	79	243
Total	$ 47,969	$ 10,333

Commercial real estate nonperforming: One borrower -- a hotel, conference and golf course facility near Front Royal, Virginia -- comprises 98% of the balance of nonperforming commercial real estate loans at December 31, 2008. The debtor has filed for bankruptcy reorganization, and we expect this problem credit to be resolved within the next 12 months.

Land development and construction nonperforming: Approximately 82% of our nonperforming land development and construction loans are comprised of three credits related to residential development projects, as follows:

Description	**Location**	**Balance (in millions)**
Residential lots	Front Royal, VA	$ 2.2
Residential subdivision and acreage	Berkeley County, WV	3.4
Residential subdivision	Berkeley County, WV	9.5

Residential real estate nonperforming: Nonperforming residential real estate loans increased during 2008 as many borrowers have been unable to make their payments due to a range of factors stemming from current recessionary economic conditions.

All nonperforming loans are individually reviewed and adequate reserves are in place. The majority of nonperforming loans are secured by real property with values supported by appraisals. Refer to Note 8 of the accompanying consolidated financial statements for a discussion of impaired loans which are included in the above balances.

As a result of our internal loan review process, the ratio of internally classified loans to total loans increased from 6.20% at December 31, 2007 to 9.18% at December 31, 2008. Our internal loan review process includes a watch list of loans that have been specifically identified through the use of various sources, including past due loan reports, previous internal and external loan evaluations, classified loans identified as part of regulatory agency loan reviews and reviews of new loans representative of current lending practices. Once this watch list is reviewed to ensure it is complete, we review the specific loans for collectibility, performance and collateral protection. In addition, a grade is assigned to the individual loans utilizing internal grading criteria, which is somewhat similar to the criteria utilized by our subsidiary bank's primary regulatory agency. The increase in internally classified loans at December 31, 2008 occurred throughout our portfolios of real estate related loans, as shown in the table below, as several of these loans have been downgraded by management as they fell outside of our internal lending policy guidelines, became past due or were placed on nonaccrual status.

Internally Classified Loans

	Balance at December 31,	
Dollars in thousands	2008	2007
Commerical	$ 984	$ 1,754
Commercial real estate	30,435	10,987
Land development & construction	60,589	41,906
Residential real estate	18,405	10,783
Consumer	633	539
Total	$ 111,046	$ 65,969

Included in the net balance of loans are nonaccrual loans amounting to $46,930,000 and $2,917,000 at December 31, 2008 and 2007, respectively. If these loans had been on accrual status throughout 2008, the amount of interest income that we would have recognized would have been $3,110,000. The actual amount of interest income recognized in 2008 on these loans was $1,181,000.

In addition to nonperforming loans discussed above, we have also identified approximately $40 million of potential problem loans at December 31, 2008 related to 9 relationships. These potential problem loans are loans that were performing at December 31, 2008, but known information about possible credit problems of the related borrowers causes management to have concerns as to the ability of such borrowers to comply with the current loan repayment terms and which may result in disclosure of such loans as nonperforming at some time in the future. Management cannot predict the extent to which economic conditions may worsen or other factors which may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on nonaccrual, or require increased allowance coverage and provision for loan losses.

We maintain the allowance for loan losses at a level considered adequate to provide for losses that can be reasonably anticipated. We conduct quarterly evaluations of our loan portfolio to determine its adequacy. In assessing the adequacy of our allowance for loan losses, we conduct a two part evaluation. First, we specifically identify loans that have weaknesses that have been identified, using the fair value of collateral method. Second, we stratify the loan portfolio into 6 homogeneous loan pools, including commercial real estate, other commercial, residential real estate, autos, and others. Historical loss rates, as adjusted, are applied against the then outstanding balance of loans in each classification to estimate probable losses inherent in each segment of the portfolio. Historical loss rates are adjusted using potential risk factors that could result in actual losses deviating from prior loss experience. Such risk factors considered are (1) levels of and trends in delinquencies and impaired loans, (2) levels of and trends in charge-offs and recoveries, (3) trends in volume and term of loans, (4) effects of any changes in risk selection and underwriting standards, and other changes in lending policies, procedures, and practice, (5) experience, ability, and depth of lending management and other relevant staff, (6) national and local economic trends and conditions, (7) industry conditions, and (8) effects of changes in credit concentrations. In addition, we conduct comprehensive, ongoing reviews of our loan portfolio, which encompasses the identification of all potential problem credits to be included on an internally generated watch list.

The identification of loans for inclusion on the watch list of loans that have been specifically identified is facilitated through the use of various sources, including past due loan reports, previous internal and external loan evaluations, classified loans identified as part of regulatory agency loan reviews and reviews of new loans representative of current lending practices. Once this list is reviewed to ensure it is complete, we review the specific loans for collectibility, performance and collateral protection. In addition, a grade is assigned to the individual loans utilizing internal grading criteria, which is somewhat similar to the criteria utilized by our subsidiary bank's primary regulatory agency. Based on the results of these reviews, specific reserves for potential losses are identified and the allowance for loan losses is adjusted appropriately through a provision for loan losses.

The allocated portion of the allowance for loan losses is established on a loan-by-loan and pool-by-pool basis. The unallocated portion is for inherent losses that probably exist as of the evaluation date, but which have not been specifically identified by the processes used to establish the allocated portion due to inherent imprecision in the objective processes we utilize to identify probable and estimable losses. This unallocated portion is subjective and requires judgment based on various qualitative factors in the loan portfolio and the market in which we operate. The entire allowance for loan losses was allocated at December 31, 2008 and 2007. At December 31, 2006, the unallocated portion of the allowance approximated $120,000 or 1.6% of the total allowance. This unallocated portion of the allowance is considered necessary based on consideration of the known risk elements in certain pools of loans in the loan portfolio and our assessment of the economic environment in which we operate. More specifically, while loan quality remains good, the subsidiary bank has typically experienced greater losses within certain homogeneous loan pools when our market area has experienced economic downturns or other significant negative factors or trends, such as increases in bankruptcies, unemployment rates or past due loans.

At December 31, 2008 and 2007, our allowance for loan losses totaled $16,933,000, or 1.40% of total loans and $9,192,000, or 0.86% of total loans, respectively, and is considered adequate to cover inherent losses in our loan portfolio. Table VII presents an allocation of the allowance for loan losses by loan type at each respective year end date, as follows:

Table VII - Allocation of the Allowance for Loan Losses

	2008		2007		2006		2005		2004	
Dollars in thousands	**Amount**	**% of loans in each category to total loans**	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans
Commercial	**$ 546**	**10.7%**	$ 543	8.7%	$ 367	7.5%	$ 270	7.9%	$ 187	8.7%
Commercial real estate, land development, and construction	**12,241**	**55.2%**	5,922	57.3%	5,209	57.3%	4,232	50.8%	2,462	46.6%
Residential real estate	**3,458**	**31.0%**	1,991	30.4%	1,057	30.5%	979	35.6%	1,376	36.7%
Consumer	**427**	**2.6%**	451	3.0%	561	3.9%	580	4.6%	1,016	6.4%
Other	**261**	**0.5%**	285	0.6%	197	0.8%	47	1.1%	-	1.6%
Unallocated	**-**	-	-	-	120	-	4	-	32	-
	$ 16,933	**100.0%**	$ 9,192	100.0%	$ 7,511	100.0%	$ 6,112	100.0%	$ 5,073	100.0%

At December 31, 2008, we had approximately $8,113,000 in other real estate owned which was obtained as the result of foreclosure proceedings. Although foreclosures have increased during 2008, we do not anticipate any significant losses on the property currently held in other real estate owned.

A reconciliation of the activity in the allowance for loan losses follows:

TABLE VIII - ALLOWANCE FOR LOAN LOSSES

Dollars in thousands	**2008**	2007	2006	2005	2004
Balance, beginning of year	**$ 9,192**	$ 7,511	$ 6,112	$ 5,073	$ 4,681
Losses:					
Commercial	**198**	50	32	36	142
Commercial real estate	**1,131**	154	185	-	336
Construction and development	**4,529**	80			
Real estate - mortgage	**1,608**	618	35	60	5
Consumer	**375**	216	200	173	208
Other	**203**	160	289	364	286
Total	**8,044**	1,278	741	633	977
Recoveries:					
Commercial	**4**	2	1	6	19
Commercial real estate	**17**	13	46	41	27
Construction and development	**-**	20	-	-	-
Real estate - mortgage	**64**	15	7	-	9
Consumer	**72**	58	62	56	109
Other	**128**	104	179	274	155
Total	**285**	212	295	377	319
Net losses	**7,759**	1,066	446	256	658
Provision for loan losses	**15,500**	2,055	1,845	1,295	1,050
Reclassification of reserves related to loans previously reflected in discontinued operations	**-**	692	-	-	-
Balance, end of year	**$ 16,933**	$ 9,192	$ 7,511	$ 6,112	$ 5,073

LIQUIDITY AND CAPITAL RESOURCES

Bank 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 (net of float and reserves), Federal funds sold, non-pledged securities, and available lines of credit with the Federal Home Loan Bank, which totaled approximately $174,167,000 or 10.7% of total consolidated assets at December 31, 2008.

Our liquidity strategy is to fund loan growth with deposits and other borrowed funds while maintaining an adequate level of short- and medium-term investments to meet normal daily loan and deposit activity. Core deposits increased $17 million in 2008, while loans increased approximately $147 million. This caused us to rely on other wholesale funding vehicles, primarily brokered deposits to fund loan growth. As a member of the Federal Home Loan Bank of Pittsburgh, we have access to approximately $591 million. As of December 31, 2008 and 2007, these advances totaled approximately $402 million and $354 million, respectively. At December 31, 2008, we had additional borrowing capacity of $188 million through FHLB programs. We also have the ability to borrow money on a daily basis through correspondent banks using established federal funds purchased lines. These available lines totaled $18.5 million at December 31, 2008. We also have established a line with the Federal Reserve Bank to be used as a contingency liquidity vehicle. The amount available on this line at December 31, 2008 was approximately $23 million, which is secured by a pledge of our consumer loan portfolio. In early March 2009, we expanded this line by pledging our commercial and industrial loans, increasing our total availability to $116 million. Also, we classify all of our securities as available for sale to enable us to liquidate them if the need arises.

We continuously monitor our liquidity position 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.

Growth and Expansion: During 2008, we spent approximately $1.9 million on capital expenditures for premises and equipment. We expect our capital expenditures to approximate $2 million in 2009, primarily for building construction, furniture and equipment related to a new banking office presently under construction in Leesburg, Virginia.

Management anticipates that the Company's near term growth in assets to be very nominal in comparison with that of recent prior years due to the present recessionary economic environment and our limited excess capital resources.

Capital Compliance: Our capital position has tightened as a result of our continued growth and the significant reductions in our earnings over the past two years. Stated as a percentage of total assets, our equity ratio was 5.4% and 6.2% at December 31, 2008 and 2007, respectively. At December 31, 2008, Summit's parent holding company had Tier 1 risk-based, Total risk-based and Tier 1 leverage capital in excess of the minimum levels required to be considered "well capitalized" of $24.7 million, $0.5 million, and $20.0 million, respectively. Our subsidiary bank, Summit Community Bank, had Tier 1 risk-based, Total risk-based and Tier 1 leverage capital in excess of the minimum "well capitalized" levels of $39.4 million, $5.3 million, $35.3 million, respectively. We intend to maintain both Summit's and its subsidiary bank's capital ratios at levels that would be considered to be "well capitalized" in accordance with regulatory capital guidelines. See Note 17 of the accompanying consolidated financial statements for further discussion of our regulatory capital.

During first quarter 2008, we issued $10 million of subordinated debentures which qualifies as Tier 2 capital. This debt has an interest rate of 1 month LIBOR plus 275 basis points, a term of 7.5 years, and is not prepayable by us within the first two and a half years. In addition, we are presently considering and evaluating the possibility of raising additional capital, including the issuance of convertible preferred stock and additional subordinated debentures.

Stock Repurchases: In August 2006, our Board of Directors authorized the open market repurchase of up to 225,000 shares (approximately 3%) of the issued and outstanding shares of our stock. During 2008, we did not repurchase any shares under this plan, and no further share repurchases are presently contemplated.

Issuance of Trust Preferred Securities: Under Federal Reserve Board guidelines, we had the ability to issue an additional $6.3 million of trust preferred securities as of December 31, 2008 that would qualify as Tier 1 regulatory capital to support our future growth. Trust preferred securities issuances in excess of this limit generally may be included in Tier 2 capital.

Dividends: Cash dividends per share were $0.36 and $0.34 in 2008 and 2007, respectively, representing dividend payout ratios of 116.0% and 38.1% for 2008 and 2007, respectively. Future cash dividends will depend on the earnings,and financial condition of our subsidiary bank and our capital adequacy as well as general economic conditions.

The primary source of funds for the dividends paid to our shareholders is dividends received from our subsidiary bank. Dividends paid by our subsidiary bank are subject to restrictions by banking regulations. The most restrictive provision requires approval by the bank's regulatory agency if dividends declared in any year exceed the bank's current year's net income, as defined, plus its retained net profits of the two preceding years. During 2009, the net retained profits available for distribution to Summit as dividends without regulatory approval are approximately $15,039,000, plus net income for the interim periods through the date of declaration.

Legal Contingencies: We are involved in various legal actions arising in the ordinary course of business. In the opinion of counsel, the outcome of these matters will not have a significant adverse effect on the consolidated financial statements. Refer to Note 16 of the accompanying consolidated financial statements for a discussion of our current litigation.

Contractual Cash Obligations: During our normal course of business, we incur contractual cash obligations. The following table summarizes our contractual cash obligations at December 31, 2008. The operating lease obligations include leases for both continuing and discontinued operations, as we remain obligated to pay the lease until mid-2009 of one property that was used by Summit Mortgage.

Dollars in thousands	Long Term Debt and Subordinated Debentures	Operating Leases
2009	$ 83,911	$ 632
2010	76,481	228
2011	32,459	148
2012	64,915	149
2013	40,080	119
Thereafter	114,491	22
Total	$ 412,337	$ 1,298

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 December 31, 2008 are presented in the following table. Refer to Note 16 of the accompanying consolidated financial statements for further discussion of our off-balance sheet arrangements.

Commitments to extend credit: *Dollars in thousands*	
Revolving home equity and credit card lines	$ 45,097
Construction loans	65,271
Other loans	42,191
Standby letters of credit	10,584
Total	$ 163,143

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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 embedded 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"). The ALCO 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. At December 31, 2008, our interest rate risk position was liability sensitive.   That is, liabilities are likely to reprice faster than assets, resulting in a decrease in net interest income in a rising rate environment, while a falling interest rate environment would produce an increase in net interest income. Net interest income is also subject to changes in the shape of the yield curve. In general, a flat yield curve results in a decline in our earnings due to the compression of earning asset yields and funding rates, while a steepening would result in increased earnings as margins widen.

Several techniques are available to monitor and control the level of interest rate risk. We primarily use earnings simulations modeling to monitor interest rate risk. The earnings simulation model forecasts the effects on net interest income under a variety of interest rate scenarios that incorporate changes in the absolute level of interest rates and changes in the shape of the yield curve. Each increase or decrease in rates is assumed to gradually take place over a 12 month period, and then remain stable. Assumptions used to project yields and rates for new loans and deposits are derived from historical analysis. Securities portfolio maturities and prepayments are reinvested in like instruments. Mortgage loan prepayment assumptions are developed from industry estimates of prepayment speeds. Noncontractual deposit repricings are modeled on historical patterns.

The following table presents the estimated sensitivity of our net interest income to changes in interest rates, as measured by our earnings simulation model as of December 31, 2008. The sensitivity is measured as a percentage change in net interest income given the stated changes in interest rates (gradual change over 12 months, stable thereafter) compared to net interest income with rates unchanged in the same period. The estimated changes set forth below are dependent on the assumptions discussed above and are well within our ALCO policy limit, which is a 10% reduction in net interest income over the ensuing twelve month period.

Change in Interest Rates	**Estimated % Change in Net Interest Income Over:**	
Basis points	**0 - 12 Months**	**13 - 24 Months**
Down 100 (1)	0.74%	2.77%
Up 100 (1)	-2.15%	-3.21%
Up 200 (1)	-4.16%	-6.57%
Up 200, flattening yield curve (2)	-4.32%	-3.27%

(1) assumes a parallel shift in the yield curve
(2) assumes flattening curve whereby short term rates increase by 200 basis points while long term rates increase soas to bear the same average relationship to short term rates that existed during 2005 thru 2007, the last extended period of a flat yield curve environment.

REPORT OF MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Summit Financial Group, Inc. is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with United States generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgments.

We, as management of Summit Financial Group, Inc., are responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with United States generally accepted accounting principles and in conformity with the Federal Financial Institutions Examination Council instructions for consolidated Reports of Condition and Income (call report instructions). The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

The Audit Committee, consisting entirely of independent directors, meets regularly with management, internal auditors and the independent registered public accounting firm, and reviews audit plans and results, as well as management's actions taken in discharging responsibilities for accounting, financial reporting, and internal control. Arnett & Foster, P.L.L.C., independent registered public accounting firm, and the internal auditors have direct and confidential access to the Audit Committee at all times to discuss the results of their examinations.

Management assessed the Corporation's system of internal control over financial reporting as of December 31, 2008. In making this assessment, we used the criteria for effective internal control over financial reporting set forth in *Internal Control-Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission(COSO). Based on this assessment, management concludes that, as of December 31, 2008, its system of internal control over financial reporting is effective and meets the criteria of the *Internal Control-Integrated Framework*. Arnett & Foster, P.L.L.C., independent registered public accounting firm, has issued an attestation report on management's assessment of the Corporation's internal control over financial reporting.

Management is also responsible for compliance with the federal and state laws and regulations concerning dividend restrictions and federal laws and regulations concerning loans to insiders designated by the FDIC as safety and soundness laws and regulations.

Mangagement assessed compliance with the designated laws and regulations relating to safety and soundness. Based on this assessment, management believes that Summit complied, in all significant respects, with the designated laws and regulations related to safety and soundness for the year ended December 31, 2008.

/s/ H. Charles Maddy, III	/s/ Robert S. Tissue	/s/ Julie R. Cook
President and	Senior Vice President	Vice President
Chief Executive Officer	and Chief Financial Officer	and Chief Accounting Officer

Moorefield, West Virginia
March 13, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ONEFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
Summit Financial Group, Inc.
Moorefield, West Virginia

We have examined management's assertion, included in the accompanying Report of Management's Assessment of Internal Control over Financial Reporting that Summit Financial Group, Inc. maintained effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).* Summit Financial Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Summit Financial Group, Inc. maintained effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).*

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Summit Financial Group, Inc. and our report dated March 13, 2009 expressed an unqualified opinion.

We were not engaged to and we have not performed any procedures with respect to management's assertion regarding compliance with laws and regulations included in the accompanying Report of Management. Accordingly, we do not express any opinion, or any other form of assurance on management's assertion regarding compliance with laws and regulations.

This report is intended solely for the information and use of the board of directors and management of Summit Financial Group, Inc. and its regulatory agency and is not intended to be and should not be used by anyone other than those specified parties.

ARNETT & FOSTER, P.L.L.C.

Charleston, West Virginia
March 13, 2009

Item 8. **Financial Statements and Supplementary Data**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Summit Financial Group, Inc.
Moorefield, West Virginia

We have audited the consolidated balance sheets of Summit Financial Group, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Summit Financial Group, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Summit Financial Group, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*and our report dated March 13, 2009 expressed an unqualified opinion on the effectiveness of Summit's internal control over financial reporting.

ARNETT & FOSTER, P.L.L.C.

Charleston, West Virginia
March 13, 2009

Consolidated Balance Sheets

Dollars in thousands

	December 31, 2008	2007
ASSETS		
Cash and due from banks	**$ 11,356**	$ 21,285
Interest bearing deposits with other banks	**108**	77
Federal funds sold	**2**	181
Securities available for sale	**327,606**	283,015
Other investments	**23,016**	17,051
Loan held for sale, net	**978**	1,377
Loans, net	**1,192,157**	1,052,489
Property held for sale, net	**8,110**	2,058
Premises and equipment, net	**22,434**	22,130
Accrued interest receivable	**7,217**	7,191
Intangible assets	**9,704**	10,055
Other assets	**24,428**	18,413
Assets related to discontinued operations	**-**	214
Total assets	**$ 1,627,116**	$ 1,435,536
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest bearing	**$ 69,808**	$ 65,727
Interest bearing	**896,042**	762,960
Total deposits	**965,850**	828,687
Short-term borrowings	**153,100**	172,055
Long-term borrowings	**392,748**	315,738
Subordinated debentures owed to unconsolidated subsidiary trusts	**19,589**	19,589
Other liabilities	**8,585**	9,241
Liabilities related to discontinued operations	**-**	806
Total liabilities	**1,539,872**	1,346,116
Commitments and Contingencies		
Shareholders' Equity		
Common stock and related surplus, $2.50 par value; authorized 20,000,000; issued 2008 - 7,415,310 shares; 2007 - 7,408,941 shares	**24,453**	24,391
Retained earnings	**64,709**	65,077
Accumulated other comprehensive income	**(1,918)**	(48)
Total shareholders' equity	**87,244**	89,420
Total liabilities and shareholders' equity	**$ 1,627,116**	$ 1,435,536

See notes to consolidated financial statements

Consolidated Statements of Income

Dollars in thousands (except per share amounts)

	For the Year Ended December 31,		
	2008	2007	2006
Interest income			
Interest and fees on loans			
Taxable	**$ 77,055**	$ 77,424	$ 68,231
Tax-exempt	**460**	487	425
Interest and dividends on securities			
Taxable	**13,707**	11,223	9,404
Tax-exempt	**2,254**	2,199	2,158
Interest on interest bearing deposits with other banks	**4**	14	26
Interest on Federal Funds sold	**4**	37	34
Total interest income	**93,484**	91,384	80,278
Interest expense			
Interest on deposits	**27,343**	34,296	28,312
Interest on short-term borrowings	**2,392**	4,822	6,612
Interest on long-term borrowings and subordinated debentures	**19,674**	13,199	9,455
Total interest expense	**49,409**	52,317	44,379
Net interest income	**44,075**	39,067	35,899
Provision for loan losses	**15,500**	2,055	1,845
Net interest income after provision for loan losses	**28,575**	37,012	34,054
Noninterest income			
Insurance commissions	**5,139**	2,876	924
Service fees	**3,246**	3,004	2,758
Mortgage origination revenue	**94**	134	-
Realized securities (losses)	**(6)**	-	-
Other-than-temporary impairment of securities	**(7,060)**	-	-
Net cash settlement on interest rate swaps	**(170)**	(727)	(534)
Change in fair value of interest rate swaps	**705**	1,478	(90)
Gain (loss) on sale of assets	**126**	(33)	(47)
Writedown of OREO	**(196)**	(250)	-
Other	**990**	875	622
Total noninterest income	**2,868**	7,357	3,633
Noninterest expenses			
Salaries and employee benefits	**16,762**	14,608	11,821
Net occupancy expense	**1,870**	1,758	1,557
Equipment expense	**2,173**	2,004	1,901
Supplies	**925**	871	797
Professional fees	**723**	695	892
Merger abandonment expense	**682**	-	-
Amortization of intangibles	**351**	251	151
Other	**5,948**	4,911	4,490
Total noninterest expenses	**29,434**	25,098	21,609
Income before income tax expense	**2,009**	19,271	16,078
Income tax expense (benefit)	**(291)**	5,734	5,018
Income from continuing operations	**2,300**	13,537	11,060
Discontinued operations			
Exit costs and impairment of long-lived assets	**-**	(312)	(2,480)
Operating income(loss)	**-**	(10,347)	(1,750)
Income from discontinued operations before income tax expense (benefit)	**-**	(10,659)	(4,230)
Income tax expense(benefit)	**-**	(3,578)	(1,427)
Income from discontinued operations	**-**	(7,081)	(2,803)
Net Income	**$ 2,300**	$ 6,456	$ 8,257
Basic earnings per common share from continuing operations	**$ 0.31**	$ 1.87	$ 1.55
Basic earnings per common share	**$ 0.31**	$ 0.89	$ 1.16
Diluted earnings per common share from continuing operations	**$ 0.31**	$ 1.85	$ 1.54
Diluted earnings per common share	**$ 0.31**	$ 0.88	$ 1.15

See notes to consolidatedfinancial statements

Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 2008, 2007 and 2006

Dollars in thousands (except per share amounts)	Common Stock and Related Surplus	Retained Earnings (Restated)	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity (Restated)
Balance, December 31, 2005	**$ 18,857**	**$ 55,102**	**$ -**	**$ (1,268)**	**$ 72,691**
Comprehensive income:					
Net income	-	8,257	-	-	8,257
Other comprehensive income,					
net of deferred tax expense of $214:					
Net unrealized gain on					
securities of $917, net					
of reclassification adjustment					
for gains included in net					
income of ($0)	-	-	-	917	917
Total comprehensive income					9,174
Exercise of stock options	188	-	-	-	188
Repurchase of common stock	(1,024)	-	-		(1,024)
Cash dividends declared ($0.32 per share)	-	(2,276)	-	-	(2,276)
Balance, December 31, 2006	18,021	61,083	-	(351)	78,753
Comprehensive income:					
Net income	-	6,456	-	-	6,456
Other comprehensive income,					
net of deferred tax expense of $186:					
Net unrealized gain on					
securities of $304, net					
of reclassification adjustment					
for gains included in net					
income of ($0)	-	-	-	303	303
Total comprehensive income					6,759
Issuance of 317,686 shares at $19.93 per share	6,331	-	-	-	6,331
Exercise of stock options	141	-	-	-	141
Repurchase of common stock	(102)	-	-	-	(102)
Cash dividends declared ($0.34 per share)	-	(2,462)	-	-	(2,462)
Balance, December 31, 2007	24,391	65,077	-	(48)	89,420
Comprehensive income:					
Net income	-	2,300	-	-	2,300
Other comprehensive income,					
net of deferred tax (benefit) of ($1,146):					
Net unrealized (loss) on					
securities of ($1,864), net					
of reclassification adjustment					
for losses included in net					
income of ($6)	-	-	-	(1,870)	(1,870)
Total comprehensive income					430
Exercise of stock options	15	-	-	-	15
Stock compensation expense	12	-	-	-	12
Repurchase of common stock	35	-	-	-	35
Cash dividends declared ($0.36 per share)	-	(2,668)	-	-	(2,668)
Balance, December 31, 2008	**$ 24,453**	**$ 64,709**	**$ -**	**$ (1,918)**	**$ 87,244**

See notes to consolidatedfinancial statements

Consolidated Statements of Cash Flows

Dollars in thousands	For the Year Ended December 31, 2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 2,300**	$ 6,456	$ 8,257
Adjustments to reconcile net earnings to			
net cash provided by operating activities:			
Depreciation	**1,602**	1,524	1,769
Provision for loan losses	**15,500**	2,305	2,515
Stock compensation expense	**12**	32	44
Deferred income tax (benefit)	**(5,745)**	225	(1,535)
Loans originated for sale	**(5,961)**	(17,902)	(234,047)
Proceeds from loans sold	**6,420**	25,315	249,967
(Gains) on loans sold	**(60)**	(362)	(7,764)
Security losses	**6**	-	-
Change in fair value of derivative instruments	**(705)**	(1,478)	90
Writedown of preferred stock and GAFC stock	**7,060**	-	-
Writedown of fixed assets to fair value & exit costs accrual of discontinued operations	**-**	312	2,480
(Gain) loss on disposal of premises, equipment and other assets	**(126)**	33	47
Amortization of securities premiums (accretion			
of discounts), net	**(519)**	(176)	65
Amortization of goodwill and purchase			
accounting adjustments, net	**363**	263	163
Tax benefit of exercise of stock options	**6**	46	71
(Increase) in accrued interest receivable	**(26)**	(843)	(1,512)
(Increase) decrease in other assets	**(2,337)**	(1,964)	553
Increase (decrease) in other liabilities	**2,575**	(477)	795
Net cash provided by operating activities	**20,365**	13,309	21,958
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities and calls of			
securities available for sale	**22,944**	28,610	14,370
Proceeds from sales of securities available for sale	**1,141**	-	-
Principal payments received on securities available for sale	**30,858**	28,137	25,363
Purchases of securities available for sale	**(112,086)**	(103,987)	(66,022)
Purchases of other investments	**(15,232)**	(16,387)	(14,695)
Redemption of Federal Home Bank Loan Stock	**12,257**	12,099	18,264
Net decrease in federal funds sold	**179**	336	3,133
Net loans made to customers	**(163,971)**	(140,958)	(125,059)
Purchases of premises and equipment	**(1,940)**	(1,187)	(1,780)
Proceeds from sales of premises, equipment and other assets	**2,889**	170	305
Proceeds from (purchase of) interest bearing deposits with other banks	**(31)**	194	1,266
Purchases of life insurance contracts	**-**	-	(880)
Net cash acquired in acquisitions	**-**	233	-
Proceds from early termination of interest rate swap	**212**	-	-
Net cash (used in) investing activities	**(222,780)**	(192,740)	(145,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in demand deposit,			
NOW and savings accounts	**(40,910)**	(1,347)	22,795
Net increase (decrease) in time deposits	**178,071**	(58,721)	191,954
Net increase (decrease) in short-term borrowings	**(18,955)**	111,627	(121,600)
Proceeds from long-term borrowings	**131,281**	162,948	63,342
Repayments of long-term borrowings	**(54,377)**	(23,320)	(39,991)
Exercise of stock options	**9**	63	72
Dividends paid	**(2,668)**	(2,462)	(2,276)
Repurchase of common stock	**-**	(103)	(1,024)
Reinvested dividends	**35**	-	-
Net cash provided by financing activities	**192,486**	188,685	113,272
Increase (decrease) in cash and due from banks	**(9,929)**	9,254	(10,505)
Cash and due from banks:			
Beginning	**21,285**	12,031	22,536
Ending	**$ 11,356**	$ 21,285	$ 12,031

See notes to consolidatedfinancial statements

Consolidated Statements of Cash Flows-continued

Dollars in thousands	For the Year Ended December 31, 2008	2007	2006
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash payments for:			
Interest	**$ 49,347**	$ 51,259	$ 44,137
Income taxes	**$ 4,190**	$ 3,472	$ 4,991
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Other assets acquired in settlement of loans	**$ 8,802**	$ 2,389	$ 86

See notes to consolidatedfinancial statements

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Nature of business: We are a financial holding company headquartered in Moorefield, West Virginia. Our primary business is retail banking. Our community bank subsidiary, Summit Community Bank ("Summit Community") provides commercial and retail banking services primarily in the Eastern Panhandle and South Central regions of West Virginia and the Northern region of Virginia. We also operate Summit Insurance Services, LLC.

Basis of financial statement presentation: Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

Use of estimates: We must make estimates and assumptions that affect the reported amounts and disclosures in preparing our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of Summit and its subsidiaries. All significant accounts and transactions among these entities have been eliminated.

Presentation of cash flows: For purposes of reporting cash flows, cash and due from banks includes cash on hand and amounts due from banks (including cash items in process of clearing). Cash flows from federal funds sold, demand deposits, NOW accounts, savings accounts and short-term borrowings are reported on a net basis, since their original maturities are less than three months. Cash flows from loans and certificates of deposit and other time deposits are reported net. The statements of cash flows are presented on a consolidated basis, including both continuing and discontinued operations.

Securities: We classify debt and equity securities as "held to maturity", "available for sale" or "trading" according to management's intent. The appropriate classification is determined at the time of purchase of each security and re-evaluated at each reporting date.

Securities held to maturity – Certain debt securities for which we have the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts. There are no securities classified as held to maturity in the accompanying financial statements.

Securities available for sale - - Securities not classified as "held to maturity" or as "trading" are classified as "available for sale." Securities classified as "available for sale" are those securities that we intend to hold for an indefinite period of time, but not necessarily to maturity. "Available for sale" securities are reported at estimated fair value net of unrealized gains or losses, which are adjusted for applicable income taxes, and reported as a separate component of shareholders' equity.

Trading securities - There are no securities classified as "trading" in the accompanying financial statements.

Impairment assessment: Impairment exists when the fair value of a security is less than its cost. Cost includes adjustments made to the cost basis of a security for accretion, amortization and previous other-than-temporary impairments. We perform a quarterly assessment of the debt and equity securities in our investment portfolio that have an unrealized loss to determine whether the decline in the fair value of these securities below their cost is other-than-temporary. This determination requires significant judgment. Impairment is considered other-than-temporary when it becomes probable that we will be unable to recover the cost of an investment. This assessment takes into consideration factors such as the length of time and the extent to which the market value have been less than cost, the financial condition and near term prospects of the issuer including events specific to the issuer or industry, defaults or deferrals of scheduled interest, principal or dividend payments, external credit ratings and recent downgrades, and our intent and ability to hold the security for a period of time sufficient to allow for a recovery in fair value. If a decline in fair value is judged to be other than temporary, the cost basis of the individual security is written down to fair value which then becomes the new cost basis. The amount of the write down is included in other-than-temporary impairment of securities in the consolidated statements of income. The new cost basis is not adjusted for subsequent recoveries in fair value, if any.

Realized gains and losses on sales of securities are recognized on the specific identification method. Amortization of premiums and accretion of discounts are computed using the interest method.

Loans and allowance for loan losses: Loans are generally stated at the amount of unpaid principal, reduced by unearned discount and allowance for loan losses.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs. We make continuous credit reviews of the loan portfolio and consider current economic conditions, historical loan loss experience, review of specific problem loans and other potential risk factors in determining the adequacy of the allowance for loan losses. Loans are charged against the allowance for loan losses when we believe that collectibility is unlikely. While we use the best information available to make our evaluation, future adjustments may be necessary if there are significant changes in conditions.

A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the specific loan agreement. Impaired loans, other than certain large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, are required to be reported at the present value of expected future cash flows discounted using the loan's original effective interest rate or, alternatively, at the loan's observable market price, or at the fair value of the loan's collateral if the loan is collateral dependent. The method selected to measure impairment is made on a loan-by-loan basis, unless foreclosure is deemed to be probable, in which case the fair value of the collateral method is used.

Generally, after our evaluation, loans are placed on nonaccrual status when principal or interest is greater than 90 days past due based upon the loan's contractual terms. Interest is accrued daily on impaired loans unless the loan is placed on nonaccrual status. Impaired loans are placed on nonaccrual status when the payments of principal and interest are in default for a period of 90 days, unless the loan is both well-secured and in the process of collection. Inter on nonaccrual loans is recognized primarily using the cost-recovery method.

Interest on loans is accrued daily on the outstanding balances.

Loan origination fees and certain direct loan origination costs are deferred and amortized as adjustments of the related loan yield over its contractual life.

Property held for sale: Property held for sale consists of premises qualifying as held for sale under Statement of Financial Accounting Standards No. 144*Accounting for the Impairment or Disposal of Long-lived Assets,* and of real estate acquired through foreclosure on loans secured by such real estate. Qualifying premises are transferred to property held for sale at the lower of carrying value or estimated fair value less anticipated selling costs. Foreclosed property is recorded at the estimated fair value less anticipated selling costs based upon the property's appraised value at the date of foreclosure, with any difference between the fair value of foreclosed property and the carrying value of the related loan charged to the allowance for loan losses. We perform periodic valuations of property held for sale subsequent to transfer. Gains or losses not previously recognized resulting from the sale of property held for sale is recognized on the date of sale. Changes in value subsequent to transfer are recorded in noninterest income. Depreciation is not recorded on property held for sale. Expenses incurred in connection with operating foreclosed properties are charged to noninterest expense.

Premises and equipment: Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily by the straight-line method for premises and equipment over the estimated useful lives of the assets. The estimated useful lives employed are on average 30 years for premises and 3 to 10 years for furniture and equipment. Repairs and maintenance expenditures are charged to operating expenses as incurred. Major improvements and additions to premises and equipment, including construction period interest costs, are capitalized. No interest was capitalized during 2008, 2007, or 2006.

Intangible assets: Goodwill and certain other intangible assets with indefinite useful lives are not amortized into net income over an estimated life, but rather are tested at least annually for impairment. Intangible assets determined to have definite useful lives are amortized over their estimated useful lives and also are subject to impairment testing.

Securities sold under agreements to repurchase: We generally account for securities sold under agreements to repurchase as collateralized financing transactions and record them at the amounts at which the securities were sold, plus accrued interest. Securities, generally U.S. government and Federal agency securities, pledged as collateral under these financing arrangements cannot be sold or repledged by the secured party. The fair value of collateral provided is continually monitored and additional collateral is provided as needed.

Advertising: Advertising costs are expensed as incurred.

Guarantees: In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45),*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* This interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 clarifies the requirements of SFAS 5 *Accounting for Contingencies*, relating to guarantees. In general, FIN 45 applies to contracts or indemnification agreements that contingently require the

guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or equity security of the guaranteed party. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of this interpretation, including, among others, guarantees relating to employee compensation, residual value guarantees under capital lease arrangements, commercial letters of credit, loan commitments, subordinated interests in an SPE, and guarantees of a company's own
future performance. Other guarantees are subject to the disclosure requirements of FIN 45 but not to the recognition provisions and include, among others, a guarantee accounted for as a derivative instrument under SFAS 133, a parent's guarantee of debt owed to a third party by its subsidiary or vice versa, and a guarantee which is based on performance, not price.

Income taxes: The consolidated provision for income taxes includes Federal and state income taxes and is based on pretax net income reported in the consolidated financial statements, adjusted for transactions that may never enter into the computation of income taxes payable. Deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Valuation allowances are established when deemed necessary to reduce deferred tax assets to the amount expected to be realized.

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109* (FIN 48) clarifies the accounting and disclosure for uncertain tax positions, as defined. FIN 48 requires that a tax position meet a "probable recognition threshold" for the benefit of the uncertain tax position to be recognized in the financial statements. A tax position that fails to meet the probable recognition threshold will result in either reduction of a current or deferred tax asset or receivable, or recording a current or deferred tax liability. FIN 48 also provides guidance on measurement, derecognition of tax benefits, classification, interim period accounting disclosure, and transition requirements in accounting for uncertain tax positions.

Stock-based compensation: In accordance with Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, we recognize compensation expense based on the estimated number of stock awards expected to actually vest, exclusive of the awards expected to be forfeited.

Basic and diluted earnings per share: Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares outstanding increased by the number of shares of common stock which would be issued assuming the exercise of employee stock options and the conversion of preferred stock.

Trust services: Assets held in an agency or fiduciary capacity are not our assets and are not included in the accompanying consolidated balance sheets. Trust services income is recognized on the cash basis in accordance with customary banking practice. Reporting such income on a cash basis rather than the accrual basis does not have a material effect on net income.

Derivative instruments and hedging activities: In accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, all derivative instruments are recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge transaction.

Fair-value hedges – For transactions in which we are hedging changes in fair value of an asset, liability, or a firm commitment, changes in the fair value of the derivative instrument are generally offset in the income statement by changes in the hedged item's fair value.

Cash-flow hedges – For transactions in which we are hedging the variability of cash flows related to a variable-rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument are reported in other comprehensive income. The gains and losses on the derivative instrument, which are reported in comprehensive income, are reclassified to earnings in the periods in which earnings are impacted by the variability of cash flows of the hedged item.

The ineffective portion of all hedges is recognized in current period earnings.

Other derivative instruments used for risk management purposes do not meet the hedge accounting criteria and, therefore, do not qualify for hedge accounting. These derivative instruments are accounted for at fair value with changes in fair value recorded in the income statement.

During 2008 and 2007, we were party to instruments that qualified for fair-value hedge accounting and other instruments that were held for risk management purposes that did not qualify for hedge accounting.

Variable interest entities: In accordance with FIN 46-R, *Consolidation of Variable Interest Entities,* business enterprises that represent the primary beneficiary of another entity by retaining a controlling interest in that entity's assets, liabilities and results of operations must consolidate that entity in its financial statements. Prior to the issuance of FIN 46-R, consolidation generally occurred when an enterprise controlled another entity through voting interests. If applicable, transition rules allow the restatement of financial
statements or prospective application with a cumulative effect adjustment. We have determined that the provisions of FIN 46-R do not require consolidation of subsidiary trusts which issue guaranteed preferred beneficial interests in subordinated debentures (Trust Preferred Securities). The Trust Preferred Securities continue to qualify as Tier 1 capital for regulatory purposes. The banking regulatory agencies have not issued any guidance which would change the regulatory capital treatment for the Trust Preferred Securities based on the adoption of FIN 46-R. The adoption of the provisions of FIN 46-R has had no material impact on our results of operations, financial condition, or liquidity. See Note 13 of our Notes to Consolidated Financial Statements for a discussion of our subordinated debentures.

Loan commitments: Statement of Financial Accounting Standards No. 149 ("SFAS 149"), *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* requires that commitments to make mortgage loans should be accounted for as derivatives if the loans are to be held for sale, because the commitment represents a written option and accordingly is recorded at the fair value of the option liability.

Fair value measurements: We adopted Statement of Financial Accounting Standards No. 157 ("SFAS 157"), *Fair Value Measurements* effective January 1, 2008. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Accordingly, securities available-for-sale and derivatives are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record other assets at fair value on a nonrecurring basis, such as loans held for sale, and impaired loans held for investment. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Available-for-Sale Securities: Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Certain residential mortgage-backed securities issued by nongovernment entities are Level 3, due to the unobservable inputs used in pricing those securities.

Loans Held for Sale: Loans held for sale are carried at the lower of cost or market value. The fair value of loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, we classify loans subject to nonrecurring fair value adjustments as Level 2.

Loans: We do not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with SFAS 114, "Accounting by Creditors for Impairment of a Loan," (SFAS 114). The fair value of impaired loans is estimated using one of several methods, including collateral value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2008, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with SFAS 157, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, we record the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, we record the impaired loan as nonrecurring Level 3.

Derivative Assets and Liabilities: Substantially all derivative instruments held or issued by us for risk management or customer-initiated activities are traded in over-the-counter markets where quoted market prices are not readily available. For those derivatives, we measure fair value using models that use primarily market observable inputs, such as yield curves and option volatilities, and include the value associated with counterparty credit risk. We classify derivative instruments held or issued for risk management or customer-initiated activities as Level 2. Examples of Level 2 derivatives are interest rate swaps.

Reclassifications: Certain accounts in the consolidated financial statements for 2007 and 2006, as previously presented, have been reclassified to conform to current year classifications.

NOTE 2. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued Statement No. 141 (revised 2007) ("SFAS 141R"), *Business Combinations*. SFAS 141R will significantly change how the acquisition method will be applied to business combinations. SFAS 141R requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. This fair value approach replaces the cost-allocation process required under SFAS 141 whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value. SFAS 141R requires acquirers to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed, as was previously the case under SFAS 141. Under SFAS 141R, the requirements of SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*, would have to be met in order to accrue for a restructuring plan in purchase accounting. Pre-acquisition contingencies are to be recognized at fair value, unless it is a non-contractual contingency that is not likely to materialize, in which case, nothing should be recognized in purchase accounting and, instead, that contingency would be subject to the probable and estimable recognition criteria of SFAS 5, *Accounting for Contingencies*. Reversals of deferred income tax valuation allowances and income tax contingencies will be recognized in earnings subsequent to the measurement period. The allowance for loan losses of an acquiree will not be permitted to be recognized by the acquirer. Additionally, SFAS 141R will require new and modified disclosures surrounding subsequent changes to acquisition-related contingencies, contingent consideration, noncontrolling interests, acquisition-related transaction costs, fair values and cash flows not expected to be collected for acquired loans, and an enhanced goodwill rollforward. We will be required to prospectively apply SFAS 141R to all business combinations completed on or after January 1, 2009. Early adoption is not permitted. We are currently evaluating SFAS 141R and have not determined the impact it will have on our financial statements.

In December 2007, the FASB issued SFAS No. 160 ("SFAS 160"), *Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB Statement No. 51*. SFAS 160 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest will be recharacterized as a "noncontrolling interests" and should be reported as a component of equity. Among other requirements, SFAS 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. SFAS 160 is effective for us on January 1, 2009 and is not expected to have a significant impact on our financial statements.

In March 2008, the FASB issued SFAS No. 161, ("SFAS 161"), *Disclosures About Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133*. SFAS 161 applies to all derivative instruments and related hedged items accounted for under SFAS No. 133. SFAS 161 amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, to amend and expand the disclosure requirements of SFAS No. 133 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under SFAS No. 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective January 1, 2009 and is not expected to have a significant impact on our financial statements.

In May 2008, the FASB issued SFAS No. 162 ("SFAS 162"), *The Hierarchy of Generally Accepted Accounting Principles*. SFAS 162 identifies the sources of account principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States. SFAS 162 is effective 60 days following the SEC approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. Adoption of SFAS 162 will not be a change in our current accounting practices; therefore, it will not have a material impact on the our consolidated financial condition or results of operations.

In June 2008, the FASB issued FSP EITF 03-6-1 ("FSP EITF 03-6-1"), *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*. FSP EITF 03-6-1 clarifies whether instruments, such as restricted stock, granted in share-based payments are participating securities prior to vesting. Such participating securities must be included in the computation of earnings per share under the two-class method as described in SFAS No. 128, *Earnings per Share*. FSP EITF 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008, and requires a company to retrospectively adjust its earnings per share data. Early adoption is not permitted. We do not expect that the adoption of FSP EITF 03-6-1 will have a material effect on consolidated results of operations or earnings per share.

NOTE 3. ACQUISITIONS

Effective July 2, 2007, we acquired Kelly Insurance Agency, Inc. and Kelly Property and Casualty, Inc., two Virginia corporations located in Leesburg, Virginia, which were merged into Summit Insurance Services, LLC, our wholly owned subsidiary. We have deemed this transaction to be an immaterial acquisition.

On April 9, 2008, we exercised our right to terminate the Agreement and Plan of Reorganization (the "Agreement") by and between Summit and Greater Atlantic Financial Corp. ("Greater Atlantic") (Pink Sheets: GAFC.PK) dated April 12, 2007 under the terms of which Summit was to acquire Greater Atlantic. The Agreement permitted either party to terminate the Agreement if the transaction was not completed by March 31, 2008.

Greater Atlantic and Summit then initiated negotiations towards a new agreement which was entered into and announced on June 10, 2008 ("New Agreement"). Under the terms of the New Agreement, each holder of a share of Greater Atlantic common stock was entitled to receive, subject to the limitations and adjustments set forth in the New Agreement, the number of shares of Summit common stock equal to $4.00 divided by the average closing price of Summit's common stock as reported on the NASDAQ Capital Market for the twenty (20) trading days before the closing of the merger. In no event was each share of Greater Atlantic common stock to be exchanged for more than 0.328625 of a share of Summit common stock. If, at closing, Greater Atlantic's shareholders' equity, adjusted to exclude accumulated other comprehensive income or loss and the effect of removing the benefit of net operating loss carryforwards from the net deferred tax assets, was less than $4,214,000 (which equaled Greater Atlantic's shareholders' equity at March 31, 2008), then the aggregate value of the merger consideration was to be reduced one dollar for each dollar that Greater Atlantic's adjusted shareholders' equity was less than $4,214,000. For purposes of determining Greater Atlantic's adjusted shareholders' equity at closing, Greater Atlantic's shareholders' equity at closing was to be increased by the actual monthly operating losses, up to $250,000 per month, incurred by Greater Atlantic after March 31, 2008 and before September 1, 2008, the fees accrued or paid to Greater Atlantic's financial advisor, and the fees accrued or paid to Greater Atlantic's legal counsel up to $150,000.

The acquisition was also conditioned upon the following at close of the transaction: (a) Greater Atlantic and GAB having minimum regulatory capital ratios of: Tier 1 (core) capital equal to 4.0%, Tier 1 risk-based capital equal to 4.0% and total risk-based capital equal to 8.0%; (b) GAB's ratio of the sum of non-performing loans, other real estate owned and net loans charged off after March 31, 2008, to total consolidated assets not exceeding 2.78%; and (c) Greater Atlantic's allowance for loan losses being adequate in accordance with generally accepted accounting principles and applicable regulatory guidance, as determined by Summit with the concurrence of Greater Atlantic's independent auditors.

As announced on December 16, 2008, we mutually agreed to terminate the New Agreement and Plan of Reorganization because one or more conditions to closing could not be met prior to December 31, 2008, the date on which either party could exercise the right to terminate. Pursuant to the Termination Agreement, neither party shall have any liability or further obligation to any other party under the Merger Agreement.

NOTE 4. FAIR VALUE MEASUREMENTS

A distribution of asset and liability fair values according to the fair value hierarchy at December 31, 2008 is provided in the tables below. See Note 1 for a discussion of our policies regarding this fair value hierarchy and valuation techniques.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis.

Dollars in thousands	**Total at December 31, 2008**	**Fair Value Measurements Using:** Level 1	Level 2	Level 3
Assets:				
Available for sale securities	$ 327,606	$ -	$ 315,895	$ 11,711
Derivatives	16	-	16	-
Liabilities:				
Derivatives	$ 18	$ -	$ 18	$ -

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended December 31, 2008. There were no gains or losses recorded in earnings attributable to unrealized gains or losses relating to those securities still held at December 31, 2008.

Dollars in thousands	Securities
Balance Jan. 1, 2008	$ -
Unrealized gains/(losses) recorded in other comprehensive income	(25)
Purchases, issuances, and settlements	7,369
Transfers in and/or out of Level 3	4,367
Balance Dec. 31, 2008	$ 11,711

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below.

Dollars in thousands	**Total at December 31, 2008**	**Fair Value Measurements Using:** Level 1	Level 2	Level 3
Loans held for sale	$ 978	$ -	$ 978	$ -
Impaired loans	54,029	-	-	54,029

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral-dependent loans, had a carrying amount of $62,021,000, with a valuation allowance of $7,992,000, resulting in an additional provision for loan losses of $7,715,000 for the year ended December 31, 2008.

NOTE 5. DISCONTINUED OPERATIONS

During fourth quarter 2006, we decided to either sell or terminate substantially all business activities of Summit Mortgage (a division of Shenandoah Valley National Bank), our residential mortgage loan origination unit. The decision to exit the mortgage banking business was based on this business unit's poor operating results and the continuing uncertainty for performance improvement. Further, we desired to concentrate our resources and capital on our community banking operations, which have a consistent record of exceptional growth and profitability.

Summit Mortgage, which was previously presented as a separate segment, is presented as discontinued operations for all periods presented in these financial statements.

The following table lists the assets and liabilities of Summit Mortgage included in the balance sheets as assets and liabilities related to discontinued operations.

	December 31,	
Dollars in thousands	**2008**	2007
Assets:		
Loans held for sale, net	**$ -**	$ -
Loans, net	**-**	-
Property held for sale	**-**	-
Other assets	**-**	214
Total assets	**$ -**	$ 214
Liabilities:		
Accrued expenses and other liabilities	**$ -**	$ 806
Total liabilities	**$ -**	$ 806

The results of Summit Mortgage are presented as discontinued operations in a separate category on the income statements following the results from continuing operations. The income (loss) from discontinued operations for the years ended December 31, 2008, 2007, and 2006 is presented below.

Statements of Income from Discontinued Operations

Dollars in thousands	2008	2007	2006
	For the Year Ended December 31,		
Interest income	$ -	$ 131	$ 1,541
Interest expense	-	45	856
Net interest income	-	86	685
Provision for loan losses	-	250	670
Net interest income after provision for loan losses	-	(164)	15
Noninterest income			
Mortgage origination revenue	-	812	19,741
(Loss) on sale of assets	-	(51)	-
Total noninterest income	-	761	19,741
Noninterest expense			
Salaries and employee benefits	-	542	6,751
Net occupancy expense	-	(5)	689
Equipment expense	-	38	301
Professional fees	-	663	742
Postage	-	-	6,155
Advertising	-	98	4,678
Impairment of long-lived assets	-	-	621
Exit costs	-	312	1,859
Litigation settlement	-	9,250	-
Other	-	358	2,190
Total noninterest expense	-	11,256	23,986
Income (loss) before income tax expense	-	(10,659)	(4,230)
Income tax expense (benefit)	-	(3,578)	(1,427)
Income (loss) from discontinued operations	$ -	$ (7,081)	$ (2,803)

During fourth quarter 2006, we recognized a charge of $621,000 to write down the fixed assets of Summit Mortgage to fair value. We disposed of those assets during 2007. Also, we accrued $1,859,000 for exit costs, which are included in Liabilities Related to Discontinued Operations in the accompanying consolidated financial statements. The balance related to this charge at December 31, 2008 is comprised of the following:

Dollars in thousands	Operating Lease Terminations	Vendor Contracts Terminations	Severance Payments	Total
Balance, December 31, 2007	**$ 586**	**$ -**	**$ -**	**$ 586**
Less:				
Payments from the accrual	(586)	-	-	**(586)**
Addition to the accrual	-	-	-	**-**
Reversal of over accrual	-	-	-	**-**
Balance, December 31, 2008	$ -	$ -	$ -	**$ -**

NOTE 6. SECURITIES

The amortized cost, unrealized gains and losses, and estimated fair values of securities at December 31, 2008 and 2007, are summarized as follows:

	2008			
	Amortized	Unrealized		Estimated
Dollars in thousands	Cost	Gains	Losses	Fair Value
Available for sale				
Taxable:				
U. S. Government agencies				
and corporations	$ 36,934	$ 1,172	$ 3	$ 38,103
Residential mortgage-backed securities:				
Government-sponsored agencies	147,074	4,291	71	151,294
Nongovernment-sponsored entities	95,568	2,335	10,020	87,883
State and political subdivisions	3,760	19	-	3,779
Corporate debt securities	349	5	-	354
Other equity securities	293	-	-	293
Total taxable	283,978	7,822	10,094	281,706
Tax-exempt:				
State and political subdivisions	46,617	639	1,459	45,797
Fannie Mae and Freddie Mac preferred stock	103	-	-	103
Total tax-exempt	46,720	639	1,459	45,900
Total	$ 330,698	$ 8,461	$ 11,553	$ 327,606

	2007			
	Amortized	Unrealized		Estimated
Dollars in thousands	Cost	Gains	Losses	Fair Value
Available for sale				
Taxable:				
U. S. Government agencies				
and corporations	$ 45,871	$ 420	$ 77	$ 46,214
Residential mortgage-backed securities:				
Government-sponsored agencies	117,039	1,073	668	117,444
Nongovernment-sponsored entities	63,799	221	683	63,337
State and political subdivisions	3,759	26	-	3,785
Corporate debt securities	1,348	18	30	1,336
Other equity securities	844	-	-	844
Total taxable	232,660	1,758	1,458	232,960
Tax-exempt:				
State and political subdivisions	43,960	880	335	44,505
Fannie Mae and Freddie Mac preferred stock	6,470	-	920	5,550
Total tax-exempt	50,430	880	1,255	50,055
Total	$ 283,090	$ 2,638	$ 2,713	$ 283,015

During 2008, we recognized an other-than-temporary non-cash impairment charge of $6.4 million related to our investments in preferred stock issuances of Fannie Mae and Freddie Mac which we continue to own. The action taken by the Federal Housing Finance Agency on September 7, 2008 placing these Government-Sponsored Agencies into conservatorship and eliminating the dividends on their preferred shares led to our determination that these securities are other-than-temporarily impaired. We also recognized an other-than-temporary impairment of $693,000 on our investment in Greater Atlantic Financial Corp. stock that we continue to own.

We held 99 available for sale securities having an unrealized loss at December 31, 2008. Provided below is a summary of securities available for sale which were in an unrealized loss position at December 31, 2008 and 2007. We have the ability and intent to hold these securities until such time as the value recovers or the securities mature. Further, we believe that the decline in value is attributable to changes in market interest rates and not credit quality of the issuer and no additional impairment is warranted at this time.

	2008					
	Less than 12 months		12 months or more		Total	
Dollars in thousands	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Taxable:						
U. S. Government agencies						
and corporations	$ 1,240	$ (3)	$ -	$ -	$ 1,240	$ (3)
Residential mortgage-backed securities:						
Government-sponsored agencies	7,542	(33)	5,327	(38)	12,869	(71)
Nongovernment-sponsored entities	45,940	(6,612)	16,932	(3,408)	62,872	(10,020)
Tax-exempt:						
State and political subdivisions	19,797	(1,004)	2,481	(455)	22,278	(1,459)
Total temporarily impaired securities	$ 74,519	$ (7,652)	$ 24,740	$ (3,901)	$ 99,259	$ (11,553)

	2007					
	Less than 12 months		12 months or more		Total	
Dollars in thousands	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Taxable:						
U. S. Government agencies						
and corporations	$ 6,010	$ (35)	$ 8,031	$ (42)	$ 14,041	$ (77)
Residential mortgage-backed securities :						
Government-sponsored agencies	18,443	(35)	37,273	(633)	55,716	(668)
Nongovernment-sponsored entities	20,045	(198)	23,612	(485)	43,657	(683)
Corporate debt securities	970	(30)	-	-	970	(30)
Tax-exempt:						
State and political subdivisions	12,049	(320)	2,419	(15)	14,468	(335)
Other equity securties	5,378	(862)	173	(58)	5,551	(920)
Total temporarily impaired securities	$ 62,895	$ (1,480)	$ 71,508	$ (1,233)	$ 134,403	$ (2,713)

The largest component of the unrealized loss at December 31, 2008 was $10.0 million related to residential mortgage backed securities issued by nongovernment sponsored entities. We monitor the performance of the mortgages underlying these bonds. Although there has been some deterioration in collateral performance, we only hold the most senior traunches of each issue which provides protection against defaults. We attribute the unrealized loss on these mortgage backed securities held largely to the current absence of liquidity in the credit markets and not to deterioration in credit quality. We expect to receive all contractual principal and interest payments due on our debt securities and have the ability and intent to hold these investments until their fair value recovers or until maturity. The mortgages in these asset pools have been made to borrowers with strong credit history and significant equity invested in their homes. They are well diversified geographically. Nonetheless, significant further weakening of economic fundamentals coupled with significant increases in unemployment and substantial deterioration in the value of high end residential properties could extend distress to this borrower population. This could increase default rates and put additional pressure on property values. Should these conditions occur, the value of these securities could decline and trigger the recognition of an other-than-temporary impairment charge.

The proceeds from sales, calls and maturities of securities, including principal payments received on mortgage-backed obligations and the related gross gains and losses realized are as follows:

Dollars in thousands	Proceeds from			Gross realized	
Years ended December 31,	Sales	Calls and Maturities	Principal Payments	Gains	Losses
2008					
Securities available for sale	$ 1,141	$ 22,944	$ 30,858	$ 6	$ 12
	$ 1,141	$ 22,944	$ 30,858	$ 6	$ 12
2007					
Securities available for sale	$ 12,099	$ 28,611	$ 28,137	$ -	$ -
	$ 12,099	$ 28,611	$ 28,137	$ -	$ -
2006					
Securities available for sale	$ 18,264	$ 14,370	$ 25,363	$ -	$ -
	$ 18,264	$ 14,370	$ 25,363	$ -	$ -

Residential mortgage-backed obligations having contractual maturities ranging from 1 to 30 years are reflected in the following maturity distribution schedules based on their anticipated average life to maturity, which ranges from 1 to 7 years. Accordingly, discounts are accreted and premiums are amortized over the anticipated average life to maturity of the specific obligation.

The maturities, amortized cost and estimated fair values of securities at December 31, 2008, are summarized as follows:

Dollars in thousands	**Amortized Cost**	**Estimated Fair Value**
Due in one year or less	$ 72,955	$ 73,027
Due from one to five years	119,808	119,712
Due from five to ten years	79,115	78,329
Due after ten years	58,425	56,143
Equity securities	395	395
Total	$ 330,698	$ 327,606

At December 31, 2008 and 2007, securities with estimated fair values of $170,635,130 and $170,938,718, respectively, were pledged to secure public deposits, and for other purposes required or permitted by law.

NOTE 7. LOANS

Loans are summarized as follows:

Dollars in thousands	**2008**	2007
Commercial	**$ 130,106**	$ 92,599
Commercial real estate	**452,264**	384,478
Construction and development	**215,465**	225,270
Residential real estate	**376,026**	322,640
Consumer	**31,519**	31,956
Other	**6,061**	6,641
Total loans	**1,211,441**	1,063,584
Less unearned income	**2,351**	1,903
Total loans net of unearned income	**1,209,090**	1,061,681
Less allowance for loan losses	**16,933**	9,192
Loans, net	**$ 1,192,157**	$ 1,052,489

The following presents loan maturities at December 31, 2008:

Dollars in thousands	**Within 1Year**	**After 1 but within 5 Years**	**After 5 Years**
Commercial	$ 33,332	$ 63,267	$ 33,507
Commercial real estate	41,110	75,751	335,403
Construction and development	171,292	11,363	32,810
Residential real estate	33,507	32,859	309,660
Consumer	4,264	22,844	4,411
Other	405	1,061	4,595
	$ 283,910	$ 207,145	$ 720,386

Loans due after one year with:	
Variable rates	$ 274,074
Fixed rates	653,457
	$ 927,531

Concentrations of credit risk: We grant commercial, residential and consumer loans to customers primarily located in the Eastern Panhandle and South Central regions of West Virginia, and the Northern region of Virginia. Although we strive to maintain a diverse loan portfolio, exposure to credit losses can be adversely impacted by downturns in local economic and employment conditions. Major employment within our market area is diverse, but primarily includes government, health care, education, poultry and various professional, financial and related service industries. As of December 31, 2008, we had no concentrations of loans to any single industry in excess of 10% of loans. We evaluate the credit worthiness of each of our customers on a case-by-case basis and the amount of collateral we obtain is based upon this credit evaluation.

Loans to related parties: We have had, and may be expected to have in the future, banking transactions in the ordinary course of business with our directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties). These transactions have been, in our opinion, on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

The following presents the activity with respect to related party loans aggregating $60,000 or more to any one related party (other changes represent additions to and changes in director and executive officer status):

(dollars in thousands)	**2008**	2007
Balance, beginning	**$ 14,130**	$ 14,874
Additions	**3,170**	4,409
Amounts collected	**(4,037)**	(5,441)
Other changes, net	**138**	288
Balance, ending	**$ 13,401**	$ 14,130

NOTE 8. ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses for the years ended December 31, 2008, 2007 and 2006 is as follows:

Dollars in thousands	**2008**	2007	2006
Balance, beginning of year	**$ 9,192**	$ 7,511	$ 6,112
Losses:			
Commercial	**198**	50	32
Commercial real estate	**1,131**	154	185
Construction and development	**4,529**	80	-
Real estate - mortgage	**1,608**	618	35
Consumer	**375**	216	200
Other	**203**	160	289
Total	**8,044**	1,278	741
Recoveries:			
Commercial	**4**	2	1
Commercial real estate	**17**	14	46
Construction and development	**-**	20	-
Real estate - mortgage	**64**	15	6
Consumer	**72**	57	63
Other	**128**	104	179
Total	**285**	212	295
Net losses	**7,759**	1,066	446
Provision for loan losses	**15,500**	2,055	1,845
Reclassification of reserves related to loans previously reflected in discontinued operations	**-**	692	-
Balance, end of year	**$ 16,933**	$ 9,192	$ 7,511

Our total recorded investment in impaired loans at December 31, 2008 and 2007 approximated $54,029,000 and $6,502,000, respectively. The related allowance associated with impaired loans for 2008 and 2007 was approximately $7,992,000 and $1,586,000, respectively. At December 31, 2008, $34,650,000 of the impaired loans had a related allowance while at December 31, 2007, all impaired loans had a related allowance. Our average investment in such loans approximated $31,762,000, $5,856,000, and $2,197,000, for the years ended December 31, 2008, 2007, and 2006 respectively. Impaired loans at December 31, 2008 and 2007 included loans that were collateral dependent, for which the fair values of the loans' collateral were used to measure impairment.

For purposes of evaluating impairment, we specifically review credits which consist of loans to customers who owe more than $50,000 and who are delinquent more than 30 days, all loans more than 90 days past due, loans adversely classified by regulatory authorities or the loan review staff or other management staff, and loans to customers in which it has been determined that ultimate collectibility is questionable.

For the years ended December 31, 2008, 2007, and 2006, we recognized approximately $62,000, $191,000, and $82,000 in interest income on impaired loans after the date that the loans were deemed to be impaired. Using a cash-basis method of accounting, we would have recognized approximately the same amount of interest income on such loans.

NOTE 9. PROPERTY HELD FOR SALE

Property held for sale, consisting of foreclosed properties, was $8,110,000 and $2,058,000 at December 31, 2008 and December 31, 2007, respectively.

NOTE 10. PREMISES AND EQUIPMENT

The major categories of premises and equipment and accumulated depreciation at December 31, 2008 and 2007 are summarized as follows:

Dollars in thousands	**2008**	2007
Land	**$ 6,067**	$ 6,067
Buildings and improvements	**17,342**	16,539
Furniture and equipment	**12,682**	11,722
	36,091	34,328
Less accumulated depreciation	**13,657**	12,198
Total premises and equipment	**$ 22,434**	$ 22,130

Depreciation expense for the years ended December 31, 2008, 2007 and 2006 approximated $1,599,000, $1,520,000, and $1,554,000, respectively.

NOTE 11. INTANGIBLE ASSETS

In accordance with SFAS 142, goodwill is 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 completed the required annual impairment test for 2008 and determined that no impairment write-offs were necessary.

In addition, at December 31, 2008 and December 31, 2007, we had $806,186 and $957,338, respectively, in unamortized acquired intangible assets consisting entirely of unidentifiable intangible assets recorded in accordance with SFAS 72 and $2,700,000 and $2,900,000 in unamortized identifiable customer intangible assets at December 31, 2008 and 2007, respectively.

Dollars in thousands	**Goodwill Activity**
Balance, January 1, 2008	**$ 6,198**
Acquired goodwill, net	**-**
Balance, December 31, 2008	**$ 6,198**

Dollars in thousands	Other Intangible Assets December 31, 2008	2007
Unidentifiable intangible assets		
Gross carrying amount	**$ 2,267**	$ 2,267
Less: accumulated amortization	**1,461**	1,310
Net carrying amount	**$ 806**	$ 957
Identifiable customer intangible assets		
Gross carrying amount	**$ 3,000**	$ 3,000
Less: accumulated amortization	**300**	100
Net carrying amount	**$ 2,700**	$ 2,900

We recorded amortization expense of $351,000 for the year ended December 31, 2008 relative to our other intangible assets. Annual amortization is expected to be approximately $351,000 for each of the years ending 2009 through 2013. The remaining amortization period is 13.5 years.

NOTE 12. DEPOSITS

The following is a summary of interest bearing deposits by type as of December 31, 2008 and 2007:

Dollars in thousands	**2008**	2007
Demand deposits, interest bearing	**$ 156,990**	$ 222,825
Savings deposits	**61,689**	40,845
Retail time deposits	**380,774**	322,899
Wholesale deposits	**296,589**	176,391
Total	**$ 896,042**	$ 762,960

Time certificates of deposit and Individual Retirement Account's (IRA's) in denominations of $100,000 or more totaled $400,270,800 and $289,444,212 at December 31, 2008 and 2007, respectively.

Included in certificates of deposits are brokered certificates of deposit, which totaled $296,589,341 and $176,391,429 at December 31, 2008 and 2007, respectively. Brokered deposits represent certificates of deposit acquired through a third party. The following is a summary of the maturity distribution of certificates of deposit and IRA's in denominations of $100,000 or more as of December 31, 2008:

Dollars in thousands	**Amount**	**Percent**
Three months or less	$ 74,408	18.6%
Three through six months	53,724	13.4%
Six through twelve months	86,179	21.5%
Over twelve months	185,960	46.5%
Total	$ 400,271	100.0%

A summary of the scheduled maturities for all time deposits as of December 31, 2008, follows:

Dollars in thousands		
2009		422,133
2010		118,771
2011		78,464
2012		52,916
2013		4,568
Thereafter		511
Total	$	677,363

At December 31, 2008 and 2007, our deposits of related parties including directors, executive officers, and their related interests approximated $13,472,000 and $13,502,000, respectively.

NOTE 13. BORROWED FUNDS

Our subsidiary banks are members of the Federal Home Loan Bank ("FHLB"). Membership in the FHLB makes available short-term and long-term advances under collateralized borrowing arrangements with each subsidiary bank. All FHLB advances are collateralized primarily by similar amounts of residential mortgage loans, certain commercial loans, mortgage backed securities and securities of U. S. Government agencies and corporations. We had $23 million available on a short term line of credit with the Federal Reserve Bank at December 31, 2008, which is primarily secured by consumer loans.

At December 31, 2008, our subsidiary banks had combined additional borrowings availability of $188,279,315 from the FHLB. Short-term FHLB advances are granted for terms of 1 to 365 days and bear interest at a fixed or variable rate set at the time of the funding request.

Short-term borrowings: At December 31, 2008, we had $18,501,322 borrowing availability through credit lines and Federal funds purchased agreements. A summary of short-term borrowings is presented below.

	2008		
Dollars in thousands	**Short-term FHLB Advances**	**Short-term Repurchase Agreements**	**Federal Funds Purchased and Lines of Credit**
Balance at December 31	**$ 142,346**	**$ 1,613**	**$ 9,141**
Average balance outstanding for the year	**106,308**	**3,208**	**2,867**
Maximum balance outstanding at any month end	**146,821**	**11,458**	**9,141**
Weighted average interest rate for the year	**2.13%**	**1.74%**	**2.37%**
Weighted average interest rate for balances outstanding at December 31	**0.57%**	**0.48%**	**0.85%**

	2007		
Dollars in thousands	Short-term FHLB Advances	Short-term Repurchase Agreements	Federal Funds Purchased and Lines of Credit
Balance at December 31	$ 159,168	$ 10,370	$ 2,517
Average balance outstanding for the year	86,127	7,005	2,305
Maximum balance outstanding at any month end	159,168	11,080	3,047
Weighted average interest rate for the year	4.03%	3.86%	7.45%
Weighted average interest rate for balances outstanding at December 31	3.80%	3.13%	6.75%

Federal funds purchased and repurchase agreements mature the next business day. The securities underlying the repurchase agreements are under our control and secure the total outstanding daily balances.

Long-term borrowings: Our long-term borrowings of $392,747,685 and $315,737,535 as of December 31, 2008 and 2007, respectively, consisted primarily of advances from the FHLB and structured reverse repurchase agreements with two unaffiliated institutions.

	Balance at December 31,	
Dollars in thousands	**2008**	2007
Long-term FHLB advances	**$ 260,111**	$ 194,988
Long-term reverse repurchase agreements	**110,000**	110,000
Subordinated debentures	**10,000**	-
Term loan	**12,637**	10,750
Total	**$ 392,748**	$ 315,738

The term loan represents a long-term borrowing with an unaffiliated banking institution which is secured by the common stock of our subsidiary bank, bears a variable interest rate of prime minus 50 basis points, and matures in 2017. We have also issued $10 million of subordinated debt to an unrelated institution, which bears a variable interest rate of 1 month LIBOR plus 275 basis points, a term of 7.5 years, and is not prepayable by us within the first two and one half years.

Long-term borrowings bear both fixed and variable interest rates and mature in varying amounts through the year 2018. The average interest rate paid on long-term borrowings during 2008 and 2007 approximated 4.62% and 5.11%, respectively.

Subordinated Debentures Owed to Unconsolidated Subsidiary Trusts: We have three statutory business trusts that were formed for the purpose of issuing mandatorily redeemable securities (the "capital securities") for which we are obligated to third party investors and investing the proceeds from the sale of the capital securities in our junior subordinated debentures (the "debentures"). The debentures held by the trusts are their sole assets. Our subordinated debentures totaled $19,589,000 at December 31, 2008 and 2007.

In October 2002, we sponsored SFG Capital Trust I, in March 2004, we sponsored SFG Capital Trust II, and in December 2005, we sponsored SFG Capital Trust III, of which 100% of the common equity of each trust is owned by us. SFG Capital Trust I issued $3,500,000 in capital securities and $109,000 in common securities and invested the proceeds in $3,609,000 of debentures. SFG Capital Trust II issued $7,500,000 in capital securities and $232,000 in common securities and invested the proceeds in $7,732,000 of debentures. SFG Capital Trust III issued $8,000,000 in capital securities and $248,000 in common securities and invested the proceeds in $8,248,000 of debentures. Distributions on the capital securities issued by the trusts are payable quarterly at a variable interest rate equal to 3 month LIBOR plus 345 basis points for SFG Capital Trust I, 3 month LIBOR plus 280 basis points for SFG Capital Trust II, and 3 month LIBOR plus 145 basis points for SFG Capital Trust III, and equals the interest rate earned on the debentures held by the trusts, and is recorded as interest expense by us. The capital securities are subject to mandatory redemption in whole or in part, upon repayment of the debentures.

We have entered into agreements which, taken collectively, fully and unconditionally guarantee the capital securities subject to the terms of the guarantee. The debentures of SFG Capital Trust I are redeemable by us quarterly, and the debentures of SFG Capital Trust II and SFG Capital Trust III are first redeemable by us in March 2009 and March 2011, respectively.

The capital securities held by SFG Capital Trust I, SFG Capital Trust II, and SFG Capital Trust III qualify as Tier 1 capital under Federal Reserve Board guidelines. In accordance with these Guidelines, trust preferred securities generally are limited to 25% of Tier 1 capital elements, net of goodwill. The amount of trust preferred securities and certain other elements in excess of the limit can be included in Tier 2 capital.

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

Dollars in thousands

Year EndingDecember 31,	Amount
2009	83,911
2010	76,481
2011	32,459
2012	64,915
2013	40,080
Thereafter	114,491
Total	$ 412,337

NOTE 14. INCOME TAXES

The components of applicable income tax expense (benefit) for continuing operations for the years ended December 31, 2008, 2007 and 2006, are as follows:

Dollars in thousands	**2008**	2007	2006
Current			
Federal	**$ 5,110**	$ 5,652	$ 5,133
State	**344**	437	524
	5,454	6,089	5,657
Deferred			
Federal	**(5,268)**	(272)	(611)
State	**(477)**	(83)	(28)
	(5,745)	(355)	(639)
Total	**$ (291)**	$ 5,734	$ 5,018

Reconciliation between the amount of reported continuing operations income tax expense and the amount computed by multiplying the statutory income tax rates by book pretax income from continuing operations for the years ended December 31, 2008, 2007 and 2006 is as follows:

	2008			2007			2006		
Dollars in thousands		**Amount**	**Percent**		Amount	Percent		Amount	Percent
Computed tax at applicable statutory rate	**$**	**683**	**34**	$	6,552	34	$	5,466	34
Increase (decrease) in taxes resulting from:									
Tax-exempt interest and dividends, net		**(846)**	**(42)**		(819)	(4)		(878)	(6)
State income taxes, net of Federal income tax benefit		**(88)**	**(4)**		288	2		346	2
Other, net		**(40)**	**(2)**		(287)	(2)		84	1
Applicable income taxes of continuing operations	**$**	**(291)**	**(14)**	$	5,734	30	$	5,018	31

Deferred income taxes reflect the impact of "temporary differences" between amounts of assets and liabilities for financial reporting purposes and such amounts as measured for tax purposes. Deferred tax assets and liabilities represent the future tax return consequences of temporary differences, which will either be taxable or deductible when the related assets and liabilities are recovered or settled. Valuation allowances are established when deemed necessary to reduce deferred tax assets to the amount expected to be realized.

The tax effects of temporary differences, which give rise to our deferred tax assets and liabilities as of December 31, 2008 and 2007, are as follows:

Dollars in thousands		**2008**		2007
Deferred tax assets				
Allowance for loan losses	**$**	**6,265**	$	3,402
Deferred compensation		**1,067**		993
Other deferred costs and accrued expenses		**869**		704
Net unrealized loss on securities and other financial instruments		**4,781**		844
		12,982		5,943
Deferred tax liabilities				
Depreciation		**265**		268
Accretion on tax-exempt securities		**87**		73
Purchase accounting adjustments and goodwill		**1,185**		1,248
		1,537		1,589
Net deferred tax assets	**$**	**11,445**	$	4,354

In accordance with FIN 48, we concluded that there were no significant uncertain tax positions requiring recognition in the consolidated financial statements. The evaluation was performed for the tax years ended 2005, 2006, 2007, and 2008, the tax years which remain subject to examination by major tax jurisdictions.

We may from time to time be assessed interest or penalties associated with tax liabilities by major tax jurisdictions, although any such assessments are estimated to be minimal and immaterial. To the extent we have received an assessment for interest and/or penalties, it has been classified in the consolidated statements of income as a component of other noninterest expense.

We are currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2005 through 2007. The West Virginia State Tax Department concluded their examination of our 2003, 2004, and 2005 state tax returns during 2007 with no adjustments. Tax years 2006 and 2007 remain subject to West Virginia State examination.

NOTE 15. EMPLOYEE BENEFITS

Retirement Plans: We have defined contribution profit-sharing plans with 401(k) provisions covering substantially all employees. Contributions to the plans are at the discretion of the Board of Directors. Contributions made to the plans and charged to expense were $498,000, $450,000, and $505,000 for the years ended December 31, 2008, 2007 and 2006, respectively.

Employee Stock Ownership Plan: We have an Employee Stock Ownership Plan ("ESOP"), which enables eligible employees to acquire shares of our common stock. The cost of the ESOP is borne by us through annual contributions to an Employee Stock Ownership Trust in amounts determined by the Board of Directors.

The expense recognized by us is based on cash contributed or committed to be contributed by us to the ESOP during the year. Contributions to the ESOP for the years ended December 31, 2008, 2007 and 2006 were $384,000, $367,000, and $393,000, respectively. Dividends paid by us to the ESOP are reported as a reduction to retained earnings. The ESOP owned 279,702 and 254,023 shares of our common stock at December 31, 2008 and December 31, 2007, respectively, all of which were purchased at the prevailing market price and are considered outstanding for earnings per share computations. The trustees of the Retirement Plans and ESOP are also members of our Board of Directors.

Supplemental Executive Retirement Plan: In May 1999, Summit Community Bank entered into a non-qualified Supplemental Executive Retirement Plan ("SERP") with certain senior officers, which provides participating officers with an income benefit payable at retirement age or death. During 2000, Shenandoah Valley National Bank adopted a similar plan and during 2002, Summit Financial Group, Inc. adopted a similar plan. The liabilities accrued for the SERP's at December 31, 2008 and 2007 were $1,853,880 and $1,435,877 respectively, which are included in other liabilities. In addition, we purchased certain life insurance contracts to fund the liabilities arising under these plans. At December 31, 2008 and 2007, the cash surrender value of these insurance contracts was $10,023,178 and $9,646,194, respectively, and is included in other assets in the accompanying consolidated balance sheets.

Stock Option Plan: On January 1, 2006, we adopted SFAS No. 123R, *Share-Based Payment (Revised 2004),* which is a revision of SFAS No. 123, *Accounting for Stock Issued for Employees*. SFAS No. 123R establishes accounting requirements for share-based compensation to employees and carries forward prior guidance on accounting for awards to non-employees. Prior to the adoption of SFAS No. 123R, we reported employee compensation expense under stock option plans only if options were granted below market prices at grant date in accordance with the intrinsic value method of Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. In accordance with APB No. 25, we reported no compensation expense on options granted as the exercise price of the options granted always equaled the market price of the underlying stock on the date of grant. SFAS No. 123R eliminated the ability to account for stock-based compensation using APB No. 25 and requires that such transactions be recognized as compensation cost in the income statement based on their fair values on the measurement date, which is generally the date of the grant.

We transitioned to SFAS No. 123R using the modified prospective application method ("modified prospective application"). As permitted under modified prospective application, SFAS No. 123R applies to new awards and to awards modified, repurchased, or cancelled after January 1, 2006. Additionally, compensation cost for non-vested awards that were outstanding as of January 1, 2006 will be recognized as the remaining requisite service is rendered during the period of and/or the periods after the adoption of SFAS No. 123R, adjusted for estimated forfeitures. The recognition of compensation cost for those earlier awards is based on the same method and on the same grant-date fair values previously determined for the pro forma disclosures reported by us for periods prior to January 1, 2006. During 2008, we recognized approximately $12,000 of compensation expense for share-based payment arrangements in our income statement, with a deferred tax asset of $4,000. At December 31, 2008, we had no compensation cost related to nonvested awards not yet recognized.

The Officer Stock Option Plan, which provided for the granting of stock options for up to 960,000 shares of common stock to our key officers, was adopted in 1998 and expired 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.

The fair value of our employee stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. Additionally, there may be other factors that would otherwise have a significant effect on the value of employee stock options granted but are not considered by the model. Because our employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existingmodels do not necessarily provide a reliable single measure of the fair value of its employee stock options at the time of grant. There were no option grants in 2008.

A summary of activity in our Officer Stock Option Plan during 2006, 2007 and 2008 is as follows:

	Options	Weighted-Average Exercise Price
Outstanding, December 31, 2005	361,740	$ 17.41
Granted	-	-
Exercised	(12,660)	5.75
Forfeited	-	-
Outstanding, December 31, 2006	349,080	$ 17.83
Granted	500	18.26
Exercised	(12,000)	5.26
Forfeited	-	-
Outstanding, December 31, 2007	337,580	$ 18.28
Granted	-	-
Exercised	(1,850)	4.81
Forfeited	-	-
Outstanding, December 31, 2008	335,730	$ 18.36
Exercisable Options:		
December 31, 2008	335,330	$ 18.36
December 31, 2007	326,680	$ 18.30
December 31, 2006	321,080	$ 18.02

Other information regarding options outstanding and exercisable at December 31, 2008 is as follows:

	Options Outstanding				Options Exercisable		
Range of exercise price	# of shares	WAEP	Wted. Avg. Remaining Contractual Life (yrs)	Aggregate Intrinsic Value (in thousands)	# of shares	WAEP	Aggregate Intrinsic Value (in thousands)
$ 4.63 - $6.00	69,750	$ 5.37	4.06	$ 253	69,750	$ 5.37	$ 253
6.01 - 10.00	31,680	9.49	7.00	-	31,680	9.49	-
10.01 - 17.50	3,500	17.43	5.17	-	3,500	17.43	-
17.51 - 20.00	52,300	17.79	8.00	-	51,900	17.79	-
20.01 - 25.93	178,500	25.19	6.57	-	178,500	25.19	-
	335,730	$ 18.36		$ 253	335,330	$ 18.36	$ 253

NOTE 16. COMMITMENTS AND CONTINGENCIES

Financial instruments with off-balance sheet risk: We are a party to certain financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of our customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position. The contract amounts of these instruments reflect the extent of involvement that we have in this class of financial instruments.

Many of our lending relationships contain both funded and unfunded elements. The funded portion is reflected on our balance sheet. The unfunded portion of these commitments is not recorded on our balance sheet until a draw is made under the loan facility. Since many of the commitments to extend credit may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flow requirements.

A summary of the total unfunded, or off-balance sheet, credit extension commitments follows:

	December 31,	
Dollars in thousands	**2008**	2007
Commitments to extend credit:		
Revolving home equity and credit card lines	**$ 45,097**	$ 37,156
Construction loans	**65,271**	69,146
Other loans	**42,191**	45,324
Standby letters of credit	**10,584**	12,982
Total	**$ 163,143**	$ 164,608

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. We evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if we deem necessary upon extension of credit, is based on our credit evaluation. Collateral held varies but may include accounts receivable, inventory, equipment or real estate.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party.

Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments.

Operating leases: We occupy certain facilities under long-term operating leases for both continuing operations and discontinued operations. The aggregate minimum annual rental commitments under those leases total approximately $632,000 in 2009, $228,000 in 2010, $148,000 in 2011, $149,000 in 2012 and $119,000 in 2013. Total net rent expense included in the accompanying consolidated financial statements in continuing operations was $460,000 in 2008, $403,000 in 2007, and $292,000 in 2006.

Litigation: We are involved in various legal actions arising in the ordinary course of business. In the opinion of counsel, the outcome of these matters will not have a significant adverse effect on the consolidated financial statements.

Employment Agreements: We have various employment agreements with our chief executive officer and certain other executive officers. These agreements contain change in control provisions that would entitle the officers to receive compensation in the event there is a change in control in the Company (as defined) and a termination of their employment without cause (as defined).

NOTE 17. REGULATORY MATTERS

The primary source of funds for our dividends paid to our shareholders is dividends received from our subsidiary banks. Dividends paid by the subsidiary banks are subject to restrictions by banking regulations. The most restrictive provision requires approval by their regulatory agencies if dividends declared in any year exceed the year's net income, as defined, plus the net retained profits of the two preceding years. During 2009, our subsidiaries have $15,039,000 plus net income for the interim periods through the date of declaration, available for dividends for distribution to us.

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. Our 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. Failure to meet these minimum capital requirements can result in certain mandatory and possible additional discretionary actions by regulators that could have a material impact on our financial position and results of operations.

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 December 31, 2008, that we and each of our subsidiaries met all capital adequacy requirements to which we were subject.

The most recent notifications from the banking regulatory agencies categorized us and each of our subsidiary banks 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 subsidiary banks are required to maintain noninterest bearing reserve balances with the Federal Reserve Bank. The required reserve balance was $50,000 at December 31, 2008.

Summit's and its subsidiary bank, Summit Community Bank's ("SCB") actual capital amounts and ratios are also presented in the following table (dollar amounts in thousands).

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 December 31, 2008						
Total Capital (to risk weighted assets)						
Summit	$ 125,091	10.0%	$ 99,694	8.0%	$ 124,618	10.0%
Summit Community	129,369	10.4%	99,225	8.0%	124,031	10.0%
Tier 1 Capital (to risk weighted assets)						
Summit	99,497	8.0%	49,847	4.0%	74,771	6.0%
Summit Community	113,841	9.2%	49,612	4.0%	74,418	6.0%
Tier 1 Capital (to average assets)						
Summit	99,497	6.3%	47,707	3.0%	79,512	5.0%
Summit Community	113,841	7.2%	47,143	3.0%	78,571	5.0%
As of December 31, 2007						
Total Capital (to risk weighted assets)						
Summit	$ 108,167	10.0%	$ 86,162	8.0%	$ 107,703	10.0%
Summit Community	109,697	10.3%	85,488	8.0%	106,860	10.0%
Tier 1 Capital (to risk weighted assets)						
Summit	98,975	9.2%	43,081	4.0%	64,622	6.0%
Summit Community	100,505	9.4%	42,744	4.0%	64,116	6.0%
Tier 1 Capital (to average assets)						
Summit	98,975	7.3%	40,897	3.0%	68,161	5.0%
Summit Community	100,505	7.4%	40,520	3.0%	67,533	5.0%

NOTE 18. EARNINGS PER SHARE

The computations of basic and diluted earnings per share follow:

Dollars in thousands , except per share amounts	For the Year Ended December 31, 2008	2007	2006
Numerator for both basic and diluted earnings per share:			
Income from continuing operations	**$ 2,300**	$ 13,537	$ 11,060
Income (loss) from discontinued operations	**-**	(7,081)	(2,803)
Net Income	**$ 2,300**	$ 6,456	$ 8,257
Denominator			
Denominator for basic earnings per share-weighted average common shares outstanding	**7,411,715**	7,244,011	7,120,518
Effect of dilutive securities:			
Stock options	**35,276**	59,380	62,763
	35,276	59,380	62,763
Denominator for diluted earnings per share-weighted average common shares outstanding and assumed conversions	**7,446,991**	7,303,391	7,183,281
Basic earnings per share from continuing operations	**$ 0.31**	$ 1.87	$ 1.55
Basic earnings per share from discontinued operations	**-**	(0.98)	(0.39)
Basic earnings per share	**$ 0.31**	$ 0.89	$ 1.16
Diluted earnings per share from continuing operations	**$ 0.31**	$ 1.85	$ 1.54
Diluted earnings per share from discontinued operations	**-**	(0.97)	(0.39)
Diluted earnings per share	**$ 0.31**	$ 0.88	$ 1.15

Stock option grants are disregarded in this calculation if they are determined to be anti-dilutive. At December 31, 2008, our anti-dilutive stock options totaled 69,750 shares, and at December 31, 2007 and 2006, our anti-dilutive stock options totaled 178,500 shares.

NOTE 19. DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative instruments primarily to protect against the risk of adverse interest rate movements on the value of certain liabilities. Derivative instruments represent contracts between parties that usually require little or no initial net investment and result in one party delivering cash or another type of asset to the other party based upon a notional amount and an underlying as specified in the contract. A notional amount represents the number of units of a specific item, such as currency units. An underlying represents a variable, such as an interest rate or price index. The amount of cash or other asset delivered from one party to the other is determined based upon the interaction of the notional amount of the contract with the underlying. Derivatives can also be implicit in certain contracts and commitments.

Market risk is the risk of loss arising from an adverse change in interest rates or equity prices. Our primary market risk is interest rate risk. We use interest rate swaps to protect against the risk of interest rate movements on the value of certain funding instruments.

As with any financial instrument, derivative instruments have inherent risks, primarily market and credit risk. Market risk associated with changes in interest rates is managed by establishing and monitoring limits as to the degree of risk that may be undertaken as part of our overall market risk monitoring process. Credit risk occurs when a counterparty to a derivative contract with an unrealized gain fails to perform according to the terms of the agreement. Credit risk is managed by monitoring the size and maturity structure of the derivative portfolio, and applying uniform credit standards to all activities with credit risk.

Fair value hedges: We primarily used receive-fixed interest rate swaps to hedge the fair values of certain fixed rate long term FHLB advances and certificates of deposit against changes in interest rates. These hedges were 100% effective, therefore there is no ineffectiveness reflected in earnings. The net of the amounts earned on the fixed rate leg of the swaps and amounts due on the variable rate leg of the swaps are reflected in interest expense.

Other derivative activities: We also have other derivative financial instruments which do not qualify as SFAS 133 hedge relationships.

We have entered into receive-fixed interest rate swaps on certain Federal Home Loan Bank ("FHLB") convertible select advances. These swaps are held for risk management purposes and do not qualify for hedge accounting. They are accounted for at fair value with the changes in fair value with the changes in fair value recorded on the income statement in noninterest income. These swaps were unwound in January 2008 and we realized a $727,000 gain as a result of this transaction.

We have issued certain certificates of deposit which pay a return based upon changes in the S&P 500 equity index. Under SFAS 133, the equity index feature of these deposits is deemed to be an embedded derivative accounted for separately from the deposit. To hedge the returns paid to the depositors, we have entered into an equity swap indexed to the S&P 500. Both the embedded derivative and the equity swap are accounted for as other derivative instruments. Gains and losses on both the embedded derivative and the swap are included in other noninterest income on the consolidated statement of income.

We had also entered into receive-fixed interest rate swaps with certain customers ("Customer Swaps") who have a variable rate commercial real estate loan, but desire a long-term fixed interest rate. The notional amount of each Customer Swap equaled the principal balance of the customer's related commercial real estate loan. Further, under the terms of each Customer Swap, the variable rate payment we paid the customer equaled the interest payment the customer pays us under the terms of their commercial real estate loan. Accordingly, the customer's fixed rate payment under the Customer Swap represents the customer's effective borrowing cost. In addition, to hedge the long-term interest rate risk associated with these transactions, we had entered into receive-variable interest rate swaps with an unrelated counterparty ("Counterparty Swap") in notional amounts equaling the notional amounts of each related Customer Swap. The amounts we paid to the unrelated counterparty under the fixed rate leg of each Counterparty Swap equaled the amount we receive from each customer under the fixed rate leg of their Customer Swap. Gains and losses associated with both the Customer Swaps and Counterparty Swaps are included in other noninterest income on the consolidated statement of income.

A summary of our derivative financial instruments by type of activity follows:

Dollars in thousands	**December 31, 2008** Notional Amount		Derivative Fair Value Asset		Liability		Net Ineffective Hedge Gains (Losses)	
FAIR VALUE HEDGES								
Receive-fixed interest rate swaps								
Brokered deposits	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
	$	**-**	**$**	**-**	**$**	**-**	**$**	**-**

Dollars in thousands	December 31, 2007 Notional Amount		Derivative Fair Value Asset		Liability		Net Ineffective Hedge Gains (Losses)	
FAIR VALUE HEDGES								
Receive-fixed interest rate swaps								
Brokered deposits	$	3,000	$	-	$	9	$	-
	$	3,000	$	-	$	9	$	-

Dollars in thousands	**December 31, 2008** Notional Amount		Derivative Asset		Liability		Net Gains (Losses)	
OTHER DERIVATIVE INSTRUMENTS								
Equity index linked								
certificates of deposits	**$**	**143**	**$**	**16**	**$**	**-**	**$**	**66**
Equity index swap		**143**		**-**		**18**		**(67)**
Receive-fixed interest rate swaps		**-**		**-**		**-**		**659**
Receive-variable interest rate swaps		**-**		**-**		**-**		**7**
	$	**286**	**$**	**16**	**$**	**18**	**$**	**665**

Dollars in thousands	December 31, 2007 Notional Amount		Derivative Asset		Liability		Net Gains (Losses)	
OTHER DERIVATIVE INSTRUMENTS								
Equity index linked								
certificates of deposit	$	238	$	77	$	-	$	77
Equity index swap		238		-		84		(65)
Receive-fixed interest rate swaps		38,895		-		408		1,507
Receive-variable interest rate swaps		2,895		-		30		(125)
	$	42,266	$	77	$	522	$	1,394

NOTE 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following summarizes the methods and significant assumptions we used in estimating our fair value disclosures for financial instruments.

Cash and due from banks: The carrying values of cash and due from banks approximate their estimated fair value.

Interest bearing deposits with other banks: The fair values of interest bearing deposits with other banks are estimated by discounting scheduled future receipts of principal and interest at the current rates offered on similar instruments with similar remaining maturities.

Federal funds sold: The carrying values of Federal funds sold approximate their estimated fair values.

Securities: Estimated fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable securities.

Loans held for sale: The carrying values of loans held for sale approximate their estimated fair values.

Loans: The estimated fair values for loans are computed based on scheduled future cash flows of principal and interest, discounted at interest rates currently offered for loans with similar terms to borrowers of similar credit quality. No prepayments of principal are assumed.

Accrued interest receivable and payable: The carrying values of accrued interest receivable and payable approximate their estimated fair values.

Deposits: The estimated fair values of demand deposits (i.e. non-interest bearing checking, NOW, money market and savings accounts) and other variable rate deposits approximate their carrying values. Fair values of fixed maturity deposits are estimated using a discounted cash flow methodology at rates currently offered for deposits with similar remaining maturities. Any intangible value of long-term relationships with depositors is not considered in estimating the fair values disclosed.

Short-term borrowings: The carrying values of short-term borrowings approximate their estimated fair values.

Long-term borrowings: The fair values of long-term borrowings are estimated by discounting scheduled future payments of principal and interest at current rates available on borrowings with similar terms.

Derivative financial instruments: The fair values of the interest rate swaps are valued using cash flow projection models.

Off-balance sheet instruments: The fair values of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit standing of the counter parties. The amounts of fees currently charged on commitments and standby letters of credit are deemed insignificant, and therefore, the estimated fair values and carrying values are not shown below.

The carrying values and estimated fair values of our financial instruments are summarized below:

Dollars in thousands	2008 Carrying Value	2008 Estimated Fair Value	2007 Carrying Value	2007 Estimated Fair Value
Financial assets:				
Cash and due from banks	**$ 11,356**	**$ 11,356**	$ 21,285	$ 21,285
Interest bearing deposits, other banks	**108**	**108**	77	77
Federal funds sold	**2**	**2**	181	181
Securities available for sale	**327,606**	**327,606**	283,015	283,015
Other investments	**23,016**	**23,016**	17,051	17,051
Loans held for sale, net	**978**	**978**	1,377	1,377
Loans, net	**1,192,157**	**1,201,884**	1,052,489	1,035,599
Accrued interest receivable	**7,217**	**7,217**	7,191	7,191
Derivative financial assets	**16**	**16**	77	77
	$ 1,562,456	**$ 1,572,183**	$ 1,382,743	$ 1,365,853
Financial liabilities:				
Deposits	**$ 965,850**	**$ 1,077,942**	$ 828,687	$ 864,792
Short-term borrowings	**153,100**	**153,100**	172,055	172,055
Long-term borrowings and subordinated debentures	**412,337**	**434,172**	335,327	337,882
Accrued interest payable	**4,796**	**4,796**	4,808	4,808
Derivative financial liabilities	**18**	**18**	522	522
	$ 1,536,101	**$ 1,670,028**	$ 1,341,399	$ 1,380,059

NOTE 21. CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

Our investment in our wholly-owned subsidiaries is presented on the equity method of accounting. Information relative to our balance sheets at December 31, 2008 and 2007, and the related statements of income and cash flows for the years ended December 31, 2008, 2007 and 2006, are presented as follows:

Balance Sheets	**December 31,**	
Dollars in thousands	**2008**	2007
Assets		
Cash and due from banks	**$ 3,496**	$ 2,336
Investment in subsidiaries, eliminated in consolidation	**121,874**	110,795
Securities available for sale	**292**	844
Premises and equipment	**6,243**	6,433
Accrued interest receivable	**4**	5
Other assets	**720**	2,709
Total assets	**$ 132,629**	$ 123,122
Liabilities and Shareholders' Equity		
Short-term borrowings	**$ 2,199**	$ 2,517
Long-term borrowings	**22,637**	10,750
Subordinated debentures owed to unconsolidated subsidiary trusts	**19,589**	19,589
Other liabilities	**960**	846
Total liabilities	**45,385**	33,702
Common stock and related surplus, $2.50 par value, authorized 20,000,000 shares; issued 2008 - 7,415,310 shares; 2007 - 7,408,941 shares	**24,453**	24,391
Retained earnings	**64,709**	65,077
Accumulated other comprehensive income	**(1,918)**	(48)
Total shareholders' equity	**87,244**	89,420
Total liabilities and shareholders' equity	**$ 132,629**	$ 123,122

Statements of Income	For the Year Ended December 31,		
Dollars in thousands	**2008**	2007	2006
Income			
Dividends from bank subsidiaries	**$ 2,000**	$ 3,600	$ 3,200
Other dividends and interest income	**40**	51	48
Gain on sale of assets	**-**	11	-
Other-than-temporary impairment of securities	**(693)**	-	-
Management and service fees from bank subsidiaries	**6,976**	6,441	5,848
Total income	**8,323**	10,103	9,096
Expense			
Interest expense	**2,146**	2,091	1,752
Operating expenses	**7,710**	6,964	6,356
Total expenses	**9,856**	9,055	8,108
Income (loss) before income taxes and equity in undistributed income of bank subsidiaries	(1,533)	1,048	988
Income tax (benefit)	**(1,384)**	(1,118)	(865)
Income (loss) before equity in undistributed income of bank subsidiaries	(149)	2,166	1,853
Equity in (distributed) undistributed income of bank subsidiaries	**2,449**	4,290	6,404
Net income	**$ 2,300**	$ 6,456	$ 8,257

Statements of Cash Flows	For the Year Ended December 31,		
Dollars in thousands	**2008**	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 2,300**	$ 6,456	$ 8,257
Adjustments to reconcile net earnings to			
net cash provided by operating activities:			
Equity in (undistributed) distributed net income of			
bank subsidiaries	**(2,449)**	(4,290)	(6,404)
Deferred tax expense (benefit)	**(242)**	(120)	(41)
Depreciation	**654**	588	602
Writedown of GAFC stock	**693**	-	-
(Gain) on disposal of premises and equipment	**-**	(11)	-
Tax benefit of exercise of stock options	**6**	46	71
Stock compensation expense	**12**	32	44
(Increase) decrease in other assets	**2,337**	(129)	(26)
Increase(decrease) in other liabilities	**114**	(342)	126
Net cash provided by operating activities	**3,425**	2,230	2,629
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in subsidiaries	**(10,500)**	(4,000)	(3,000)
Purchase of available for sale securities	**(142)**	(693)	-
Proceeds from sales of premises and equipment	**-**	15	-
Purchases of premises and equipment	**(463)**	(551)	(496)
Purchase of life insurance contracts	**-**	-	(710)
Net cash (used in) investing activities	**(11,105)**	(5,229)	(4,206)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders	**(2,668)**	(2,462)	(2,276)
Exercise of stock options	**9**	63	73
Repurchase of common stock	**-**	(103)	(1,024)
Reinvested dividends	**35**	-	-
Net increase (decrease) in short-term borrowings	**(318)**	1,585	932
Proceeds from long-term borrowings	**13,782**	6,000	3,750
Repayment of long-term borrowings	**(2,000)**	-	-
Net cash provided by financing activities	**8,840**	5,083	1,455
Increase (decrease) in cash	**1,160**	2,084	(122)
Cash:			
Beginning	**2,336**	252	374
Ending	**$ 3,496**	$ 2,336	$ 252
SUPPLEMENTAL DISCLOSURES OF CASH			
FLOW INFORMATION			
Cash payments for:			
Interest	**$ 2,088**	$ 2,088	$ 1,693

NOTE 22. QUARTERLY FINANCIAL DATA (Unaudited)

A summary of our unaudited selected quarterly financial data is as follows:

	2008			
Dollars in thousands, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	$ 23,859	$ 23,340	$ 22,637	$ 23,649
Net interest income	10,939	11,375	10,384	11,378
Income (loss) from continuing operations	3,824	2,594	(7,674)	3,557
Net income (loss)	3,824	2,594	(7,674)	3,557
Basic earnings per share continuing operations	$ 0.52	$ 0.35	$ (1.04)	$ 0.48
Diluted earnings per share continuing operations	$ 0.51	$ 0.35	$ (1.03)	$ 0.48
Basic earnings per share	$ 0.52	$ 0.35	$ (1.04)	$ 0.48
Diluted earnings per share	$ 0.51	$ 0.35	$ (1.03)	$ 0.48

	2007			
Dollars in thousands, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	$ 21,842	$ 22,369	$ 23,376	$ 23,797
Net interest income	9,203	9,527	9,996	10,341
Income from continuing operations	2,935	2,980	3,755	3,868
Net income	2,739	2,862	3,624	(2,769)
Basic earnings per share continuing operations	$ 0.41	$ 0.42	$ 0.51	$ 0.52
Diluted earnings per share continuing operations	$ 0.41	$ 0.42	$ 0.50	$ 0.52
Basic earnings per share	$ 0.39	$ 0.40	$ 0.49	$ (0.37)
Diluted earnings per share	$ 0.38	$ 0.40	$ 0.49	$ (0.37)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures: Our management, including the Chief Executive Officer and Chief Financial Officer, have conducted as of December 31, 2008, an evaluation of the effectiveness of disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of December 31, 2008 were effective.

Management's Report on Internal Control Over Financial Reporting: Information required by this item is set forth on page 41.

Attestation Report of the Registered Public Accounting Firm: Information required by this item is set forth on pages 42 and 43.

Changes in Internal Control Over Financial Reporting: There were no changes in our internal control over financial reporting during the fourth quarter for the year ended December 31, 2008, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None

PART III.

Item 10. Directors, Executive Officers, and Corporate Governance

Information required by this item is set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance”, under the headings “NOMINEES FOR DIRECTOR WHOSE TERMS EXPIRE IN 2012”, “DIRECTORS WHOSE TERMS EXPIRE IN 2011”, and “DIRECTORS WHOSE TERMS EXPIRE IN 2010”, “EXECUTIVE OFFICERS” and under the captions “Family Relationships” and “Audit and Compliance Committee” in our *2009 Proxy Statement*, and is incorporated herein by reference.

We have adopted a Code of Ethics that applies to our chief executive officer, chief financial officer, chief accounting officer, and all directors, officers and employees. We have posted this Code of Ethics on our internet website at www.summitfgi.com under “Governance Documents”. Any amendments to or waivers from any provision of the Code of Ethics applicable to the chief executive officer, chief financial officer, or chief accounting officer will be disclosed by timely posting such information on our internet website.

There have been no material changes to the procedures by which shareholders may recommend nominees since the disclosure of the procedures in our 2008 proxy statement.

Item 11. Executive Compensation

Information required by this item is set forth under the headings “EXECUTIVE COMPENSATION”, “COMPENSATION DISCUSSION AND ANALYSIS”, and “COMPENSATION AND NOMINATING COMMITTEE REPORT” in our *2009 Proxy Statement*, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The following table provides information on our stock option plan as of December 31, 2008.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	Weighted-average exercise price of outstanding options, warrants and rights ($)	Number of securities remaining available for future issuance under equity compensation plans (#) (1)
Equity compensation plans approved by stockholders	335,730	$ 18.36	-
Equity compensation plans not approved by stockholders	-	-	-
Total	335,730	$ 18.36	-

(1) Plan expired May, 2008.

The remaining information required by this item is set forth under the caption “Security Ownership of Directors and Officers” and under the headings “NOMINEES FOR DIRECTOR WHOSE TERMS EXPIRE IN 2012”, “DIRECTORS WHOSE TERMS EXPIRE IN 2011”, “DIRECTORS WHOSE TERMS EXPIRE IN 2010”, “PRINCIPAL SHAREHOLDER” and “EXECUTIVE OFFICERS” in our *2009 Proxy Statement*, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item is set forth under the captions “Review and Approval of and Description of Transactions with Related Persons” and “Independence of Directors and Nominees” in our *2009 Proxy Statement*, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this item is set forth under the caption “Fees to Arnett & Foster, PLLC” in our *2009 Proxy Statement*, and is incorporated herein by reference.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

All financial statements and financial statement schedules required to be filed by this Form or by Regulation S-X, which are applicable to the Registrant, have been presented in the financial statements and notes thereto in Item 8 in Management's Discussion and Analysis of Financial Condition and Results of Operation in Item 7 or elsewhere in this filing where appropriate. The listing of exhibits follows:

Exhibit Number		Description	Page(s) in Form 10-K or Prior Filing Reference
(3)		Articles of Incorporation and By-laws:	
		(i) Amended and Restated Articles of Incorporation of Summit Financial Group, Inc.	(a)
		(ii) Amended and Restated By-laws of Summit Financial Group, Inc.	(b)
(10)	Material Contracts		
	(i)	Amended and Restated Employment Agreement with H. Charles Maddy, III	
	(ii)	Change in Control Agreement with H. Charles Maddy, III	
	(iii)	Executive Salary Continuation Agreement with H. Charles Maddy, III	
	(iv)	Form of Amended and Restated Employment Agreement entered into with Robert S. Tissue, Patrick N. Frye and Scott C. Jennings	
	(v)	Form of Executive Salary Continuation Agreement entered into with Robert S. Tissue, Patrick N. Frye and Scott C. Jennings	
	(vi)	Amended and Restated Employment Agreement with Ronald F. Miller	
	(vii)	Amended and Restated Employment Agreement with C. David Robertson	
	(viii)	First Amendment to Amended and Restated Employment Agreement with C. David Robertson	(c)
	(ix)	Form of Executive Salary Continuation Agreement entered into with Ronald F. Miller and C. David Robertson	
	(x)	1998 Officers Stock Option Plan	(d)
	(xi)	Board Attendance and Compensation Policy, as amended	(e)
	(xii)	Summit Financial Group, Inc. Directors Deferral Plan	(f)
	(xiii)	Amendment No. 1 to Directors Deferral Plan	(g)
	(xiv)	Amendment No. 2 to Directors Deferral Plan	
	(xv)	Summit Community Bank, Inc. Amended and Restated Directors Deferral Plan	
	(xvi)	Rabbi Trust for The Summit Financial Group, Inc. Directors Deferral Plan	
	(xvii)	Amendment No. One to Rabbi Trust for Summit Financial Group, Inc. Directors Deferral Plan	
	(xviii)	Amendment No. One to Rabbi Trust for Summit Community Bank, Inc. (successor in interest to Capital State Bank, Inc.) Directors Deferral Plan	
	(xix)	Amendment No. One to Rabbi Trust for Summit Community Bank, Inc. (successor in interest to Shenandoah Valley National Bank, Inc.) Directors Deferral Plan	
	(xx)	Amendment No. One to Rabbi Trust for Summit Community Bank, Inc. (successor in interest to South Branch Valley National Bank) Directors Deferral Plan	
	(xxi)	Summit Financial Group, Inc. Incentive Plan	(h)
	(xxii)	Summit Community Bank Incentive Compensation Plan	(i)
	(xxiii)	Form of Non-Qualified Stock Option Grant Agreement	(j)
	(xxiv)	Form of First Amendment to Non-Qualified Stock Option Grant Agreement	(k)

(12)	Statements Re: Computation of Ratios
(21)	Subsidiaries of Registrant
(23)	Consent of Arnett & Foster, P.L.L.C
(24)	Power of Attorney
(31.1)	Sarbanes-Oxley Act Section 302 Certification of Chief Executive Officer
(31.2)	Sarbanes-Oxley Act Section 302 Certification of Chief Financial Officer
(32.1)	Sarbanes-Oxley Act Section 906 Certification of Chief Executive Officer
(32.2)	Sarbanes-Oxley Act Section 906 Certification of Chief Financial Officer

(a) Incorporated by reference to Exhibit 3.i of Summit Financial Group, Inc.'s filing on Form 10-Q dated March 31, 2006.

(b) Incorporated by reference to Exhibit 3.2 of Summit Financial Group Inc.'s filing on Form 10-Q dated June 30, 2006.

(c) Incorporated by reference to Exhibit 10.8 of Summit Financial Group, Inc.'s filing on Form 8-K dated March 6, 2009.

(d) Incorporated by reference to Exhibit 10 of South Branch Valley Bancorp, Inc.'s filing on Form 10-QSB dated June 30, 1998.

(e) Incorporated by reference to Exhibit 10.10 of Summit Financial Group, Inc.'s filing on Form 10-K dated December 31, 2007.

(f) Incorporated by reference to Exhibit 10.10 of Summit Financial Group Inc.'s filing on Form 10-K dated December 31, 2005.

(g) Incorporated by reference to Exhibit 10.11 of Summit Financial Group Inc.'s filing on Form 10-K dated December 31, 2005.

(h) Incorporated by reference to Exhibit 10.2 of Summit Financial Group Inc.'s filing on Form 8-K dated December 14, 2007.

(i) Incorporated by reference to Exhibit 10.4 of Summit Financial Group Inc.'s filing on Form 8-K dated December 14, 2007.

(j) Incorporated by reference to Exhibit 10.3 of Summit Financial Group Inc.'s filing on Form 10-Q dated March 31, 2006.

(k) Incorporated by reference to Exhibit 10.4 of Summit Financial Group Inc.'s filing on Form 10-Q dated March 31, 2006.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
a West Virginia Corporation
(registrant)

By: /s/ H. Charles Maddy, III 3/ 13 /2009
H. Charles Maddy, III Date
President & Chief Executive Officer

By: /s/ Julie R. Cook 3/ 13 /09
Julie R. Cook Date
Vice President &
Chief Accounting Officer

By: /s/ Robert S. Tissue 3/ 13 /2009
Robert S. Tissue Date
Senior Vice President &
Chief Financial Officer

The Directors of Summit Financial Group, Inc. executed a power of attorney appointing Robert S. Tissue and/or Julie R. Cook their attorneys-in-fact, empowering them to sign this report on their behalf.

By: /s/ Robert S. Tissue 3/ 13 /2009
Robert S. Tissue Date
Attorney-in-fact

Exhibit 10.1

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

BETWEEN

SUMMIT FINANCIAL GROUP, INC.

AND

H. CHARLES MADDY, III

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AMENDED AND RESTATED EMPLOYMENT AGREEMENT

BETWEEN

SUMMIT FINANCIAL GROUP, INC.

AND

H. CHARLES MADDY, III

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement"), made and entered into this _31st__ day of _December_, 2008, amends and restates that certain Employment Agreement made and entered into as of the 4th day of March, 2005, by and between H. Charles Maddy, III ("Maddy") and Summit Financial Group, Inc., a West Virginia corporation and bank holding company ("Summit").

W I T N E S S E T H:

WHEREAS, Maddy is Chief Executive Officer and a Director of Summit and Chairman and a Director of Summit Community Bank, Inc., a state banking association ("Bank"), and

WHEREAS, the Board of Directors of Summit believe that it is in the best interests of Summit and its subsidiaries to enter into this Agreement with Maddy to ensure continuity of leadership and to ensure that Summit and its subsidiaries will have the benefit of his services as an employee of Summit and any of its affiliated companies for a reasonable period of time in the future, and

WHEREAS, Maddy is willing to provide the herein described services to Summit and its affiliates, and

WHEREAS, under Article X Section C this Agreement may be amended by a writing signed by all the parties hereto, and

WHEREAS, the parties have agreed to extend the term of this Agreement to March 4, 2012, and

WHEREAS, the parties hereto, in the interests of clarity and for other reasons stated herein, and for the purpose of complying with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), wish to amend and restate this Agreement, provided that all provisions applicable to compliance under Code Section 409A shall be effective as of March 4, 2005, and provided further that, notwithstanding any other provisions of this amended and restated Agreement, this amendment applies only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, and (iii) an amount to be paid in 2008 that would not otherwise be payable in such year, and to the extent necessary to qualify under Transition Relief issued under said Code Section 409A to not be treated as a change in the form and timing of a payment under section 409A(a)(4) or an acceleration of a payment under section 409A(a)(3), Maddy, by executing this Agreement, shall be deemed to have elected the timing and form of distribution provisions of this amended and restated Agreement, and to otherwise further revise the Agreement all on or before December 31, 2008.

NOW, THEREFORE, for and in consideration of the premises, their mutual promises, and the other good and valuable consideration herein specified, the receipt of which is hereby acknowledged by the parties hereto, the parties agree as follows:

I. EMPLOYMENT

Summit employs Maddy and Maddy accepts employment as Chief Executive Officer of Summit. All employment shall be in accordance with and subject to the terms and conditions of this Agreement and is sometimes herein referred to as the "Employment."

II. DUTIES AND RESPONSIBILITIES

A . Chief Executive Officer of Summit. Maddy, as Chief Executive Officer of Summit, shall report to and shall be responsible only to the Board of Directors of Summit, and he shall have direction and control of the duties and responsibilities of all other Summit officers and employees, regardless of the title or position of any such other officer or employee, except that Summit's Internal Auditor shall report to and shall be responsible only to the Board of Directors. As Chief Executive Officer, Maddy will perform all the duties and shall have all the responsibilities normally imposed upon and held by the Chief Executive Officer of a bank holding company. Maddy shall have the duty and responsibility of carrying out and executing the business policies of Summit as established from time to time by the Board of Directors, and he shall have such other specific duties and responsibilities relating to Summit and its affiliates as may be assigned to him from time to time by the Board of Directors.

B . Full Time Employment - Best Efforts Maddy shall devote full time and his best efforts at all times to the performance of his duties for Summit and its subsidiaries. He shall not be employed by, nor shall he devote any of his time and efforts to the furtherance of interests of any other person, firm or corporation except Summit, Summit's subsidiaries and such other entities as may be approved by the Board of Directors of Summit. Nothing herein shall preclude Maddy's current level of activity with respect to Mountain Lion Land Development LLC and the management by Maddy of his personal investment portfolio. It is contemplated that Maddy shall serve in banking, business, civic and social activities that will consume some part of his time and efforts, and such activities are encouraged and expected by Summit as part of Maddy's position with Summit and as part of the banking, business, civic and social communities of the State of West Virginia and Virginia, and nationally. The provisions of this Agreement are not intended to restrict such activities by Maddy so long as such activities do not interfere with his duties and responsibilities as defined in this Agreement.

III. TERM; EXTENSIONS; SEPARATION FROM SERVICE DEFINED

A . Term of Employment, Term of Agreement. The term of employment of Maddy by Summit shall be until March 4, 2012, and this Agreement shall remain in force and effect during such period unless sooner terminated or extended as provided herein. The term of this Agreement shall extend until all obligations under this Agreement have been fully performed by Maddy and Summit.

B. Extension of Term of Employment. The Board of Directors or a committee designated by the Board of Directors of Summit shall review this Agreement at least annually, and may, with the approval of Maddy, extend the term of this Agreement annually for additional one (1) year periods (so that the actual term of this Agreement will always be between two and three years).

C. "Separation from Service" Defined. "Separation from Service" means the severance of Maddy's employment with Summit, Bank, or any other affiliate for any reason. Maddy separates from service with Summit, Bank or any other affiliate if he dies, retires, separates from service because of Maddy's Disability, or otherwise has a termination of employment with Summit, Bank or any other affiliate. However, the employment relationship is treated as continuing intact while Maddy is on military leave, sick leave, or other *bona fide* leave of absence if the period of such leave does not exceed six months, or if longer, so long as Maddy's right to reemployment with Summit, Bank or any other affiliate is provided either by statute or by contract. If the period of leave exceeds six months and Maddy's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes Maddy to be unable to perform the duties of his position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A including, but not limited to:

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported Separation from Service,

(ii) in any instance in which Maddy is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Agreement and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans,"), then in such instance Maddy shall only be considered to meet the requirements of a Separation from Service hereunder if Maddy meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Agreement which would otherwise apply,

(iii) in any instance in which Maddy is an employee and an independent contractor of Summit, Bank or any other affiliate or any combination thereof, Maddy must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if Maddy provides services both as an employee and a member of the Board of Directors of Summit, Bank or any other affiliate or any combination thereof, the services provided as a director are not taken into account in determining whether Maddy has had a Separation from Service as an employee under this Agreement, provided that no plan in which Maddy participates or has participated in his capacity as a director is an Aggregated Plan, and

(iv) a determination of whether a Separation from Service has occurred shall be made in accordance with Treasury Regulations Section 1.409A-1(h)(4) or any similar or successor law, regulation or guidance of like import, in the event of an asset purchase transaction as described therein.

IV. TERMINATION OF EMPLOYMENT BY SUMMIT OR MADDY

The employment of Maddy may be terminated by any one of the following prior to the expiration of its normal term, provided that unless otherwise agreed to by the parties, all employment by both Summit and Bank shall be terminated simultaneously and termination of employment by either Summit or Bank shall automatically terminate employment with the other in which case Maddy shall be entitled to the benefits due and payable upon termination set forth elsewhere herein:

A. Mutual Agreement. By mutual agreement of the parties upon such terms and conditions as they may agree.

B. Death. Automatically and without action by either party, upon the death of Maddy.

C . Disability. By Summit upon the legal disability of Maddy, which shall mean that Maddy shall be unable to perform his duties by reason of any mental or physical disability which is expected to last at least six (6) months or result in death, as certified by Maddy's physician and as approved by Summit.

D . For Cause. By Summit for cause upon giving Maddy thirty (30) days advance notice of such termination, specifying the cause of termination. For purposes of this Agreement, "Cause" shall mean: (i) excessive absenteeism without approval of Summit not caused by disability; (ii) gross or willful neglect of duty resulting in substantial harm to Summit after Maddy has been given written direction and reasonable time to perform such duties; (iii) any acts or omissions on the part of Maddy which when proven constitute fraud or commission of any criminal act involving the person or property of others or the public generally; or (iv) Maddy's negligence, malfeasance or misfeasance in the performance of Maddy's duties that can reasonably be expected to have an adverse impact on the business of Summit or its affiliates, including but not limited to the reasonable financial objectives established by the Board of Directors of Summit.

E. Change of Control. By Maddy or Summit as set forth in the Change in Control Agreement upon a Change of Control as defined in the Change in Control Agreement attached hereto as Exhibit A.

F. Breach by Summit. By Maddy in the event of a material breach by Summit of any of the terms or conditions of this Agreement, in which case the noncompetition and nonsolicitation provisions set forth in Section VII of this Agreement shall not apply.

G. Insolvency, Etc. By Maddy, in the event of the business failure, insolvency, bankruptcy, or assignment for the benefit of creditors of or by Summit or Bank not attributable to Maddy, in which case the noncompetition and nonsolicitation provisions set forth in Section VII of this Agreement shall not apply.

V. COMPENSATION AND REIMBURSEMENTS

A. Base Salary. Summit shall pay Maddy for his service to both Summit and Bank, a base salary at an annual rate not less than $350,000, payable in equal semi-monthly installments (the "Base Salary"). Maddy's performance shall be evaluated by the Nominating and Compensation Committee of Summit at least once each twelve month period, and such evaluation shall be the basis of determining whether the compensation payable to Maddy shall be increased in the judgment of such committee directors. Upon review and extension of the Agreement as provided in Section III, above, the Base Salary shall be adjusted to reflect any increase in compensation above the initial base salary in effect for that year. All references to Base Salary in this Agreement and the Change in Control Agreement shall include subsequent increases. No decreases in the Base Salary shall be permitted during the term. In addition, for service as a member of the Boards of Directors of Summit or any of Summit's subsidiaries or affiliates, or their respective committees, Maddy shall receive such sums as may be paid to members and officers of such boards for their services.

B. Incentive Pay. In addition to the Base Salary herein provided for, Maddy shall be entitled to receive incentive compensation from Summit in accordance with plans adopted by its Board of Directors; *provided*, however, that any such plans, if required to be aggregated for Code Section 409A purposes with this Agreement or any other agreement between Maddy and Summit, Bank, or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder. The Board of Directors agrees that Mr. Maddy's bonus opportunities will not be less than the opportunities currently available to him under the Summit bonus plan in place at the time of execution of this Agreement or any extension thereof.

C. Fringe Benefits. Summit shall afford to Maddy the benefit of all fringe benefits afforded to other Summit or bank officers, such as pension, life insurance, health and accident insurance benefits, vacation and sick leave; *provided*, however, that any such fringe benefits, if required to be aggregated for Code Section 409A purposes with this Agreement or any other agreement between Maddy and Summit, Bank, or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder.

D. Club and Organization Membership and Dues. Summit shall maintain the cost of stock or membership certificate and the cost of the initiation fee for memberships for a family (general membership) in one or more country clubs in the trade areas of Summit, which Maddy shall select, plus dues, assessments and other costs of maintaining such memberships. Summit shall also pay Maddy's membership fees and dues in banking, business, civic, professional (including continuing professional education requirement to maintain his public accountant's license), and social organizations in which Maddy is a participating member. The benefits provided under this Article V Section D during Maddy's taxable year shall not affect the benefits to be provided in any other taxable year. The right to benefits under this Article V

Section D is not subject to liquidation or exchange for another benefit. In addition, the right to benefits under this Article V Section D is subject to the provisions of Article V Section F 8, to the extent applicable. The benefits under this Article V Section D shall cease upon Separation from Service of Maddy.

E. Business Expenses. Summit shall reimburse Maddy for all reasonable expenses incurred by Maddy in carrying out his duties and responsibilities, all provided such expense is incurred by Maddy prior to Separation from Service, including furnishing an automobile of Maddy's choice for use by Maddy, with the costs of purchase, maintenance and operation to be borne by Summit provided that unless otherwise approved by the Board of Directors, the cost of such automobile shall not exceed $75,000, adjusted annually for inflation. The reimbursement of an eligible expense shall be made by Summit no later than the last day of Maddy's taxable year during which the expense was incurred, or if later, the fifteenth day of the third month after such expense was incurred, and Maddy is required to request reimbursement and substantiate any such expense no later than ten days prior to the last date on which Summit is required to provide reimbursement for such expense hereunder. The amount of expenses eligible for reimbursement under this Article V Section E during Maddy's taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. The right to reimbursement under this Article V Section E is not subject to liquidation or exchange for another benefit. In addition, the right to reimbursement of eligible expenses under this Article V Section E is subject to the provisions of Article V Section F 8, to the extent applicable.

F. Termination Payments. In the event of termination of Maddy's employment prior to expiration of the term of this Agreement, Maddy or his family shall be compensated as follows:

1. If terminated and Maddy shall Separate from Service under Article IV, Section A of this Agreement (mutual agreement), then such amount as the parties shall agree in writing, subject to Article V Section F 8 to the extent applicable; *provided*, however, that any such written mutual agreement, if required to be aggregated for Code Section 409A purposes with this Agreement or any other agreement between Maddy and Summit, Bank, or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder.

2. If terminated under Article IV, Section B (death), of this Agreement, then Summit shall pay Maddy's beneficiary (to be designated in a form attached to this Agreement), or in the absence of a designated beneficiary, Maddy's estate, in a lump sum, on the first day of the second month following date of death, an amount equal to three (3) times the Base Salary in effect for the year in which death occurs. Summit further agrees to provide health benefits to the extent permitted under Summit's health benefit plans to Maddy's spouse and dependent children for a period of one (1) year following Maddy's death. Notwithstanding any other provisions of this Agreement, (i) in-kind health benefits provided under this Article V Section F 2 during any taxable year of Maddy, his spouse or dependent children shall not affect the in-kind health benefits to be provided under this Article V Section F 2 in any other taxable year; (ii) if the provision of health benefits under this Article V Section F 2 is to be done by means of reimbursement, the reimbursement of an eligible health benefit expense under this Article V Section F 2 must be made on or before the last day of the spouse's or dependent children's taxable year following the taxable year in which the expense was incurred, and (iii) no rights to

reimbursement or in-kind health benefits under this Article V Section F 2 shall be subject to liquidation or exchange for any other benefit.

3. If terminated and Maddy shall Separate from Service under Article IV, Section C (Disability), of this Agreement, then Summit shall pay Maddy in a lump sum on the date of Separation from Service, subject to Article V Section F 8 to the extent applicable, an amount equal to three (3) times the Base Salary in effect for the year in which Separation from Service occurs.

4. If terminated and Maddy shall Separate from Service under Article IV, Section D(iv) (for cause), then Summit shall pay Maddy in a lump sum on the date of Separation from Service, subject to Article V Section F 8 to the extent applicable, an amount equal to the Base Salary in effect for the year in which termination occurs without offset for compensation already paid prior to the effective date of termination.

5. If terminated under Article IV, Section D(i) - (iii) (for cause), or any combination of D(i), (ii), or (iii) or if voluntarily terminated by Maddy and there is no material breach by Summit, Summit shall pay Maddy's Base Salary in effect for the year in which termination occurs, only for such period of his active full-time employment to the date of the termination. Such payment shall be made to Maddy within the taxable year in which such Base Salary is earned, or if later no later than 2 ½ months after the date of Maddy's termination under this subparagraph.

6. If terminated and Maddy shall Separate from Service pursuant to Article IV, Section F (material breach by Summit), then Summit shall pay Maddy in a lump sum on the date of Separation from Service, subject to Article V Section F 8 to the extent applicable, an amount equal to two (2) times his Base Salary in effect for the year in which termination occurs without offset for compensation already paid prior to the effective date of termination.

7. If terminated pursuant to the provisions of the Change in Control Agreement attached hereto as Exhibit A, Maddy shall be entitled to the compensation set forth therein.

8. Six-Month Delay. Notwithstanding any other provisions of this Article V Section F, or any other provision of this Agreement, or any provision of the Change in Control Agreement attached hereto as Exhibit A, if Maddy is a Specified Employee (within the meaning of Code Section 409A) on Maddy's date of Separation from Service, then if any payment of deferred compensation (within the meaning of Code Section 409A) is to be made upon or based upon Maddy's Separation from Service other than by death, under any provision of this Agreement or of said Change in Control Agreement, and such payment of deferred compensation is to be made within six months after Maddy's date of Separation from Service, other than by death, then such payment shall instead be made on the date which is six months after such Separation from Service of Maddy (other than by death,) provided further, however, that in the case of any payment of deferred compensation which is to be made in installments, with the first such installment to be paid on or within six months after the date of Separation from Service other than by death, then in such event all such installments which would have otherwise been paid within the date which is six months after such Separation from Service of Maddy (other

than by death) shall be delayed, aggregated, and paid, notwithstanding any other provision of this Agreement or any other provision of said Change in Control Agreement, on the date which is six months after such Separation from Service of Maddy (other than by death), with the remaining installments to continue thereafter until fully paid hereunder or under said Change in Control Agreement, as the case may be. Notwithstanding any of the foregoing, or any other provision of this Agreement or of said Change in Control Agreement, no payment of deferred compensation upon or based upon Separation from Service may be made under this Agreement or under said Change in Control Agreement before the date that is six months after the date of Separation from Service or, if earlier, the date of death, if Maddy is a Specified Employee on Maddy's date of Separation from Service. This Article V Section F 8 shall only apply to delay the payment of deferred compensation to Specified Employees as required by Code Section 409A and the regulations and guidance issued thereunder.

9. The payments provided for in the event of Maddy's termination are in the nature of additional compensation and liquidated damages and upon termination, Maddy shall have no obligation to mitigate damages incurred by him in connection with such termination and he shall be absolutely entitled to receive said payments. Upon termination, Summit shall not be liable to Maddy for any further payments for other damages or compensation, except liabilities to Maddy incurred prior to termination under Article V, Section C, E and F, if any, of this Agreement.

VI. ADDITIONAL PAYMENT BY SUMMIT

A. Gross-Up Payment. Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by Summit and any of its subsidiaries and affiliates to or for the benefit of Maddy (whether paid or payable or distributed or distributable pursuant to this Agreement, the Executive Salary Continuation Agreement between Summit and Maddy, the Change in Control Agreement between Summit and Maddy, or any other agreement, contract, plan or arrangement, but determined without regard to any additional payments required under this Article VI) (any such payments and distributions collectively referred to as "Payments"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any similar tax that may hereinafter be imposed or any interest and penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Summit shall pay to Maddy an additional payment (the "Gross-Up Payment") equal to one hundred percent (100%) of the Excise Tax and one hundred percent (100%) of the amount of any federal, state and local income taxes and Excise Tax imposed on the Gross-Up Payment, all provided that any and all such Gross-Up Payment or Payments shall be paid to Maddy thirty (30) days after Maddy remits the taxes with respect to which such Gross-Up Payment is made, all subject to the provisions of Article V Section F 8 to the extent applicable.

B . Determination of Gross-Up Payment. All determinations required to be made under this Article VI, including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by the firm of independent accountants selected by Summit to audit its financial statements (the "Accounting Firm") which shall provide either before or no later than twenty (20) days after Maddy remits any such taxes, detailed supporting calculations both to Summit and Maddy. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a "change in control," Maddy shall appoint another nationally recognized accounting firm to make, either before or no later than twenty (20) days after Maddy remits any such taxes, the determinations required hereunder (which accounting firm shall then be referred to as the "Accounting Firm" hereunder). All fees and expenses of the Accounting Firm shall be borne solely by Summit.

VII. NONCOMPETITION AND NONSOLICITATION.

In consideration of the covenants set forth herein, including but not limited to the payments set forth in Article V Section F and the Change in Control Agreement attached as Exhibit A, Maddy agrees as follows:

A. For a period of two (2) years after Maddy's employment with Summit is terminated for any reason other than for cause under Article IV Section D, or insolvency of Summit not attributable to Maddy, or material breach by Summit, Maddy shall not, directly or indirectly, engage in the business of banking in the entire State of West Virginia, in any county or location in which Summit has operating offices at the time of termination, in the following designated locations in Virginia (see Exhibit to Article VII Section A attached, which is incorporated herein by reference; this Exhibit was molded to include the counties where municipalities are located) or in any location identified by Summit in its three-year strategic plan as a location for future expansion to be adopted by the Board and reviewed and updated at regular intervals.

For a period of one (1) year after Maddy's employment with Summit is terminated for cause as set forth in Article IV Section D(iv), Maddy shall not, directly or indirectly, engage in the business of banking in the entire State of West Virginia, in any county or location in which Summit has operating offices at the time of termination, in the following designated locations in Virginia (see Exhibit to Article VII Section A attached, which is incorporated herein by reference; this Exhibit was molded to include the counties where municipalities are located), or in any location identified by Summit in its three-year strategic plan as a location for future expansion to be adopted by the Board and reviewed and updated at regular intervals.

For purposes of this Article VII Section A, being engaged in the business of banking shall mean Maddy's engaging in any business or activity of any nature that is competitive with the business of Summit or its affiliates in the specified geographic area or Maddy's solicitation of business from clients with a primary or principal office in the specified geographic area.

B. During Maddy's employment by Summit and for two (2) years after Maddy's employment with Summit is terminated for any reason other than for cause under Article IV Section D(iv), insolvency of Summit not attributable to Maddy, or material breach by Summit, Maddy shall not, on his own behalf or on behalf of any other person, corporation or entity, either directly or indirectly, solicit, induce, recruit or cause another person in the employ of the Summit or its affiliates to terminate his or her employment for the purpose of joining, associating or becoming an affiliate of Maddy in any business which is in competition with any business or activity engaged in by the Summit or its affiliates.

For a period of one (1) year after Maddy's employment is terminated for cause as set forth in Article IV Section D(iv), Maddy shall not on his own behalf or on behalf of any other person, corporation or entity, either directly or indirectly, solicit, induce, recruit or cause another person in the employ of Summit or its affiliates to terminate his or her employment for the purpose of joining, associating, or becoming affiliated with Maddy in any business that is in competition with any business or activity engaged in by Summit or its affiliates.

C. Maddy further recognizes and acknowledges that in the event of the termination of Maddy's employment with Summit for any reason other than for cause under Article IV Section D, or material breach by Summit, (1) a breach of the obligations and conditions set forth herein will irreparably harm and damage Summit; (2) an award of money damages may not be adequate to remedy such harm; and (3) considering Maddy's relevant background, education and experience, Maddy believes that he will be able to earn a livelihood without violating the foregoing restrictions. Consequently, Maddy agrees that, in the event that Maddy breaches any of the covenants set forth in this Article VII, Summit and/or its affiliates shall be entitled to both a preliminary and permanent injunction in order to prevent the continuation of such harm and to recover money damages, insofar as they can be determined, including, without limitation, all costs and attorneys' fees incurred by Summit in enforcing the provisions of this Article VII.

D. In the event that this provision shall be deemed by any Court or body of competent jurisdiction to be unenforceable in whole or in part by reason of its extending for too long a period of time, or too great a geographical area or over too great a range of activities, or is overly broad in any other respect or for any other reason, then in such event this Employment Agreement shall be deemed modified and interpreted to extend over only such maximum period of time, geographical area, or range of activity or otherwise, so as to render these provisions valid and enforceable, and as so modified, these shall be enforceable and enforced.

VIII. CONFIDENTIAL INFORMATION.

Maddy shall not, during the term of this Agreement or at any time thereafter, directly or indirectly, publish or disclose to any person or entity any confidential information (other than a Summit employee entitled to know such confidential information) concerning the assets, customer/client lists, business or affairs of Summit, and its affiliates, including but not limited to any trade secrets, financial data, employee or customer/client information or organizational structure. Notwithstanding the foregoing, nothing herein shall prevent Maddy from utilizing the knowledge and experience he has acquired in the banking industry including without limitation his knowledge of and experience with producer bonus plans.

All files, records, documents, information, letters, notes, media lists, notebook and similar items relating to the business of Summit shall remain the exclusive property of Summit. Upon the expiration or earlier termination of this Agreement, or when requested by Summit, Maddy shall immediately deliver to Summit all such files, computer data files, records, documents, information and other items in the possession of or under the control of Maddy.

All business produced by Maddy while in the employ of Summit is the exclusive property of Summit unless specifically excluded elsewhere in this Agreement. Maddy shall not, during the term of this Agreement or any time thereafter, intentionally interfere with any business or contractual relationship of Summit.

IX. ARBITRATION.

Any dispute between the parties arising out of or with respect to this Agreement or any of its provisions or Maddy's employment with Summit, whether sounding in tort or contract, shall be resolved by the sole and exclusive remedy of binding arbitration. Maddy hereby waives his right to a jury trial and his right to receive noneconomic damages. Arbitration shall be conducted in Moorefield, West Virginia, in accordance with the rules of the American Arbitration Association ("AAA"). The parties agree each to select one arbitrator from an AAA employment panel. Within ten days after selection of the second arbitrator, the two arbitrators shall promptly select a third arbitrator. The arbitration shall be conducted in accordance with the West Virginia Rules of Evidence and all discovery issues shall be decided by the arbitrators. The panel of arbitrators shall supply a written opinion and analysis of the matter submitted for arbitration along with the decision. The arbitration decision shall be final and subject to enforcement in the local circuit court.

In any arbitration proceeding between the parties, the losing party shall pay to the prevailing party all reasonable expenses and costs including attorneys' fees incurred by the prevailing party during the arbitration proceeding, *provided*, that in the event Maddy becomes entitled to reimbursement under this Article IX, the following provisions shall apply: (i) reimbursement provided under this Article IX during any taxable year of Maddy shall not affect reimbursement to be provided under this Article IX in any other taxable year; (ii) reimbursement under this Article IX shall be made thirty (30) days after Maddy requests reimbursement hereunder, *provided* that in no event shall any payment under this Article IX be made after the last day of Maddy's taxable year following the taxable year in which the expense was incurred, (iii) no rights to reimbursement under this Article IX shall be subject to liquidation or exchange for any other benefit, and (iv) reimbursement provided under this Article IX shall be subject to the provisions of Article V Section F 8 herein, to the extent applicable. A party shall be considered a prevailing party if:

(i) it initiated the arbitration and substantially obtained the relief it sought, either through a judgment or the losing party's voluntary action before arbitration (after it is scheduled) or judgment;

(ii) the other party withdraws its action without substantially obtaining the relief it sought, or

(iii) it did not initiate the arbitration and judgment is entered for either party, but without substantially granting the relief sought.

X. MISCELLANEOUS PROVISIONS

A. Notices. Whenever notices are given pursuant to this Agreement, or with relation to any matter arising hereunder, such notices shall be given to such parties at the address set opposite their name below, and shall be given in writing, by registered mail, return receipt requested:

Summit Financial Group, Inc.	300 North Main Street Moorefield, West Virginia 26836
H. Charles Maddy, III	P. O. Box 979 Old Fields, West Virginia 26845

B. Prior Agreements. This Agreement represents the entire agreement between the parties, and all prior representations, promises or statements are merged with and into this document.

C. Amendments. Any amendments to this Agreement must be in writing and signed by all parties hereto except that extensions of the term of this Agreement under Article III may be evidenced by Board of Directors or Nominating and Compensation Committee minutes, all provided that (i) no amendment to this Agreement shall be effective if it would, if effective, cause this Agreement to violate Code Section 409A and the regulations and guidance thereunder or cause any amount of compensation or payment hereunder to be subject to a penalty tax under Code Section 409A and the regulations and guidance issued thereunder, which amount of compensation or payment would not have been subject to a penalty tax under Code Section 409A and the regulations and guidance thereunder in the absence of such amendment and (ii) the provisions of this Article X Section C are irrevocable.

D. Governing Law. The laws of West Virginia shall govern the interpretation and enforcement of this Agreement.

E. Headings. The headings used in this Agreement are used solely for the convenience of the parties and are not to be used in construing or interpreting the Agreement.

F. Severability of Provisions. In the event of a determination by a court of competent jurisdiction that one or more of the contract clauses is or are found to be unenforceable, illegal, contrary to public policy, or otherwise unenforceable, then this Agreement shall remain in full force and effect except for such clauses.

G. Indemnification. To the fullest extent permitted under applicable West Virginia law and federal banking law, Summit agrees that it will indemnify and hold harmless Maddy from and against all costs and expenses, including without limitation, all court costs and attorneys' fees, incurred by him during his lifetime in defending any and all claims, demands, proceedings, suits or actions, actually instituted or threatened, by third parties, involving this Agreement, its validity or enforceability or with respect to any payments to be made pursuant thereto; *provided*, that in the event Maddy becomes entitled to reimbursement under this Article X Section G, the following provisions shall apply: (i) reimbursement provided under this Article X Section G during any taxable year of Maddy shall not affect reimbursement to be provided under this Article X Section G in any other taxable year; (ii) reimbursement under this Article X Section G shall be made thirty (30) days after Maddy requests reimbursement hereunder, *provided* that in no event shall any payment under this Article X Section G be made after the last day of Maddy's taxable year following the taxable year in which the expense was incurred, (iii) no rights to reimbursement under this Article X Section G shall be subject to liquidation or exchange for any other benefit, and (iv) reimbursement provided under this Article X Section G shall be subject to the provisions of Article V Section F 8 herein, to the extent applicable.

H. Authority to Execute Documents. The undersigned representative of Summit certifies and represents that he is authorized to enter into its binding agreement with Maddy.

I. Waiver of Breach. A waiver of a breach of any provision of the Agreement by any party shall not be construed as a waiver of subsequent breaches of that provision. No requirement of this Agreement may be waived except in writing by the party adversely affected.

J. Binding Effect and Assignability. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors, assigns, heirs and legal representatives, including any entity with which Summit or Bank may merge or consolidate or to which either of them may transfer all or substantially all of their assets. Insofar as Maddy is concerned, this Agreement, being personal, cannot be assigned as to performance or for any other purpose.

K. Date Payments Deemed Made. In accordance with Code Section 409A and to the extent permitted by said Code Section 409A and the regulations and guidance issued thereunder, any payment to or on behalf of Maddy under this Agreement shall be treated as having been made on a date specified in this Agreement if it is made on a later date within Maddy's same taxable year as the designated date, or, if later, if made no later than the fifteenth day of the third month after such designated date provided that, in any event, Maddy is not permitted, directly or indirectly, to designate the taxable year of any payment.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day first written above:

SUMMIT FINANCIAL GROUP, INC.

By: /s/ Oscar M. Bean

Its: Chairman

/s/ H. Charles Maddy, III
H. CHARLES MADDY, III

Exhibit to Article VII Section A of Amended and Restated Employment Agreement by and between
Summit Financial Group, Inc. and H. Charles Maddy, III, dated _December 31__, 2008
Designated Virginia Locations

Ashburn

Charlottesville

Fredericksburg

Leesburg

Purcellville

Warrenton

* The designation of the municipality expressly includes the county in which the municipality is located.

Exhibit 10.2

Exhibit A

CHANGE IN CONTROL AGREEMENT

THIS CHANGE IN CONTROL AGREEMENT ("Agreement"), made and entered into this _31st_ day of _December_, 2008, by and between Summit Financial Group, Inc. (the "Company") and H. Charles Maddy, III ("Maddy"), amends, restates, supersedes and replaces that certain Change in Control Agreement made and entered into as of the 4th day of March, 2005;

WHEREAS, Company recognizes that Maddy's contribution to the growth, success and continued operation of Company has been substantial, and

WHEREAS, Company believes it is in the best interest of Company to grant Maddy a level of security to preserve key management and to assure fair consideration of any affiliation opportunities that arise, and

WHEREAS, the parties hereto, in the interests of clarity and for other reasons stated herein, and for the purpose of complying with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), wish to amend and restate this Agreement, provided that all provisions applicable to compliance under Code Section 409A shall be effective as of March 4, 2005, and provided further that, notwithstanding any other provisions of this amended and restated Agreement, this amendment applies only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, and (iii) an amount to be paid in 2008 that would not otherwise be payable in such year, and to the extent necessary to qualify under Transition Relief issued under said Code Section 409A to not be treated as a change in the form and timing of a payment under section 409A(a)(4) or an acceleration of a payment under section 409A(a)(3), Maddy, by executing this Agreement, shall be deemed to have elected the timing and form of distribution provisions of this amended and restated Agreement, and to otherwise further revise the Agreement all on or before December 31, 2008.

NOW, THEREFORE, in consideration of the promises and respective covenants and agreements of the parties herein contained, Company and Maddy agree as follows:

A. Definitions. For purposes of this Change in Control Agreement, the following definitions shall apply:

(1) "Change of Control" means with respect to (i) the Company or any Affiliate for whom Maddy is performing services at the time of the Change in Control Event; (ii) the Company or any Affiliate that is liable for the payment to Maddy hereunder (or all corporations liable for the payment if more than one corporation is liable) but only if either the compensation payable hereunder is attributable to the performance of service by Maddy for such corporation (or corporations) or there is a bona fide business purpose for such corporation or corporations to be liable for such payment and, in either case, no significant purpose of making

such corporation or corporations liable for such payment is the avoidance of Federal Income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in paragraph (i) or (ii) of this section, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in paragraph (i) or (ii) of this section, a Change in Ownership or Effective Control or a Change in the Ownership of a Substantial Portion of the Assets of a Corporation as defined in Section 409A of the Code, and the regulations or guidance issued thereunder, meeting the requirements of a "Change in Control Event" thereunder.

(2) "Company" shall mean Summit Financial Group, Inc.

(3) "Employment Agreement" shall mean the Amended and Restated Employment Agreement dated as of _December 31st______, 2008, by and between Summit Financial Group, Inc. and H. Charles Maddy, III.

(4) "Salary" means Maddy's Base Salary as defined in the Employment Agreement in effect on the date of termination of Maddy's employment under this Agreement, or if no Employment Agreement is in effect, Maddy's Base Salary on the date of termination of employment hereunder, corresponding to the definition of Base Salary in the most recent Employment Agreement.

(5) For purposes of this Change in Control Agreement, "Good Cause" shall mean: (i) excessive absenteeism without approval of Summit not caused by disability; (ii) gross or willful neglect of duty resulting in substantial harm to Summit after Maddy has been given written direction and reasonable time to perform such duties; or (iii) any acts or omissions on the part of Maddy which when proven constitute fraud or commission of any criminal act involving the person or property of others or the public generally.

(6) "Disability" means a physical or mental condition rendering Maddy substantially unable to perform the duties of an officer and director of a banking organization.

(7) "Retirement" means termination of employment by Maddy in accordance with Company's (or its successor's) retirement plan, including early retirement as approved by the Board of Directors.

(8) "Good Reason" means

(a) A Change of Control in the Company (as defined above) and:

(i) a decrease in Maddy's overall compensation (including, without limitation, salary, perquisites, bonuses and other earnings reported on IRS Form W-2, but excluding a diminution in board fees) below its level in effect immediately prior to the date of consummation of the Change of Control, without Maddy's prior written consent; or

(ii) a material reduction in the importance of Maddy's job responsibilities or assignment of job responsibilities inconsistent with Maddy's responsibility prior to the Change of Control without Maddy's prior written consent; or

(iii) a geographical relocation of Maddy to an office more than 20 miles from Maddy's location at the time of the Change of Control or the imposition of travel requirements inconsistent with those existing prior to the Change of Control without Maddy's prior written consent; or

(b) Failure of the Company to obtain assumption of this Change in Control Agreement by its successor as required by Paragraph M(1) below; or

(c) Any removal of Maddy from, or failure to re-elect Maddy to any of Maddy's positions with Company immediately prior to a Change of Control (except in connection with the termination of Maddy's employment for Good Cause, death, Disability or Retirement) without Maddy's prior consent.

(9) "Wrongful Termination" means termination of Maddy's employment by the Company or its affiliates for any reason other than at Maddy's option, Good Cause or the death, Disability or Retirement of Maddy prior to the expiration of twelve (12) months after consummation of the Change of Control.

(10) "Separation from Service" means the severance of Maddy's employment with the Company or any Affiliate for whom Maddy is performing services at the time of the Change in Control Event for any reason. Maddy separates from service with the Company or any Affiliate if he dies, retires, separates from service because of Maddy's Disability, or otherwise has a termination of employment with the Company or any Affiliate. However, the employment relationship is treated as continuing intact while Maddy is on military leave, sick leave, or other *bona fide* leave of absence if the period of such leave does not exceed six months, or if longer, so long as Maddy's right to reemployment with the Company or any Affiliate is provided either by statute or by contract. If the period of leave exceeds six months and Maddy's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes Maddy to be unable to perform the duties of his position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A including, but not limited to:

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported Separation from Service,

(ii) in any instance in which Maddy is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Agreement and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans,"), then in such instance Maddy shall only be considered to meet the requirements of a Separation from Service hereunder if Maddy meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Agreement which would otherwise apply,

(iii) in any instance in which Maddy is an employee and an independent contractor of the Company or any Affiliate or any combination thereof, Maddy must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if Maddy provides services both as an employee and a member of the Board of Directors of the Company or any Affiliate or any combination thereof, the services provided as a director are not taken into account in determining whether Maddy has had a Separation from Service as an employee under this Agreement, provided that no plan in which Maddy participates or has participated in his capacity as a director is an Aggregated Plan, and

(iv) a determination of whether a Separation from Service has occurred shall be made in accordance with Treasury Regulations Section 1.409A-1(h)(4) or any similar or successor law, regulation or guidance of like import, in the event of an asset purchase transaction as described therein.

B. Retention of Maddy After Change of Control. In order to facilitate management continuity and to promote an orderly transition of ownership, Company and Maddy agree that after a Change of Control, Maddy shall be employed by the acquiring company for a period of one (1) year (the "Transition Period"), commencing upon the date of consummation of the transaction resulting in a Change of Control. During the Transition Period, Maddy may terminate his employment for Good Reason, and the Company may terminate the employment of Maddy for Good Cause. If Company terminates Maddy in a manner constituting Wrongful Termination, or Maddy terminates for Good Reason, Maddy shall be entitled to receive the compensation set forth in paragraph E below.

If the Employment Agreement is still in effect, Maddy shall be employed pursuant to the terms of Article II and Article V, A-E of the Employment Agreement; *provided,* that any additional provisions of Maddy's Employment Agreement which by their terms specifically apply to this Change in Control Agreement shall also apply to Maddy's employment hereunder and, if the Employment Agreement is no longer in effect, such provisions shall be deemed to survive and shall be incorporated by reference into this Change in Control Agreement.

All other terms of Maddy's employment, including without limitation his right to receive termination payments and the term of his employment, will be controlled by this Agreement.

C. Compensation of Maddy Upon Separation from Service Due to Death or Disability During the Transition Period. In the event of the Separation from Service of Maddy due to Death or Disability during the Transition Period, Maddy shall be entitled to three times the greater of (a) Maddy's Salary in effect immediately prior to the date of consummation of a Change of Control or (b) Maddy's Salary in effect on the date of Separation from Service. Such payment shall be made in a lump sum on the date of Separation from Service under this Agreement, subject to the provisions of Paragraph N herein to the extent applicable.

D. Compensation of Maddy Upon Separation from Service Due to Expiration of the Transition Period. Upon Separation from Service due to the expiration of the Transition Period, Maddy shall be entitled to be paid an amount equal to three (3) times the greater of (a) Maddy's Salary in effect immediately prior to the date of consummation of a Change of Control or (b) Maddy's Salary in effect on the date of Separation from Service. Such payment shall be made in a lump sum on the date of Separation from Service under this Agreement, subject to the provisions of Paragraph N herein to the extent applicable.

E. Compensation of Maddy Upon Separation from Service Due to Good Reason or Wrongful Termination during the Transition Period. Except as hereinafter provided, if Maddy terminates his employment with the Company during the Transition Period for Good Reason, resulting in Maddy's Separation from Service, or the Company terminates Maddy's employment during the Transition Period in a manner constituting Wrongful Termination, resulting in Maddy's Separation from Service, the Company agrees as follows:

(1) The Company shall pay Maddy a cash payment equal to three (3) times the greater of (a) Maddy's Salary in effect immediately prior to the date of consummation of a Change of Control or (b) Maddy's Salary in effect on the date of Separation from Service. Such payment shall be made in a lump sum on the date of Separation from Service under this Agreement, subject to the provisions of Paragraph N herein to the extent applicable.

(2) Maddy will be entitled to receive his reasonable share of the Company's cash bonuses, if any, allocated in accordance with existing principles and authorized by the Board of Directors. The amount of Maddy's cash incentive award shall not be reduced due to Maddy not being actively employed for the full year. Said cash bonuses, if any, will be paid to Maddy in a lump sum on the date of Separation from Service, taking into account the provisions of Paragraph M herein relating to when payments are deemed to be made, and subject to the provisions of Paragraph N herein to the extent applicable.

(3) Maddy will continue to participate, without discrimination, for the number of months between the date of Separation from Service and the date that is thirty-six (36) months after the date of the consummation of the Change of Control in benefit plans (such as retirement, disability and medical insurance) maintained after any Change of Control for Maddy, in general, of the Company, or any successor organization, provided Maddy's continued participation is possible under the general terms and conditions of such plans. In the event Maddy's participation in any such plan is barred, the Company shall arrange to provide Maddy with

benefits substantially similar to those to which Maddy would have been entitled had his participation not been barred. However, in no event will Maddy receive from the Company the employee benefits contemplated by this subparagraph if Maddy receives comparable benefits from any other source. With respect to any benefits Maddy receives under this Paragraph E(3), the following provisions will apply: (i) in-kind benefits provided under this Paragraph E(3) during any taxable year of Maddy shall not affect the in-kind benefits to be provided under this Paragraph E(3) in any other taxable year; (ii) if the provision of benefits under this Paragraph E(3) is to be done by means of reimbursement, the reimbursement of an eligible benefit expense under this Paragraph E(3) must be made on or before the last day of Maddy's taxable year following the taxable year in which the expense was incurred, (iii) no rights to reimbursement or in-kind benefits under this Paragraph E(3) shall be subject to liquidation or exchange for any other benefit, and (iv) benefits provided under this Paragraph E(3) shall be subject to the provisions of Paragraph N herein to the extent applicable.

(4) Paragraph F of this Agreement and Section VII of the Employment Agreement shall not apply.

F. Separation from Service at Maddy's Option. Maddy may Separate from Service within six (6) months after consummation of any Change of Control without reason at his option by giving at least thirty (30) days' written notice of his intention to terminate his employment. In such event, Maddy shall be entitled to receive a payment equal to 75% of the greater of (a) Maddy's Salary in effect immediately prior to the date of consummation of a Change of Control or (b) Maddy's Salary in effect on the date of Separation from Service. Such payment shall be made in a lump sum on the date of Separation from Service under this Agreement, subject to the provisions of Paragraph N herein to the extent applicable.

G. Noncompetition and Nonsolicitation. In consideration of the covenants set forth herein, including but not limited to the payment set forth in paragraphs C, D and E hereof, Maddy agrees as follows:

(1) For a period of three (3) years after expiration of the Transition Period, provided Maddy's employment under this Agreement is not sooner terminated, Maddy shall not, directly or indirectly engage in the business of banking, in the entire State of West Virginia, in any county or location in which Summit has operating offices at the time of termination, in the following designated locations in Virginia (See Exhibit to Paragraphs G(1) and (2) attached, which is incorporated herein by reference. This Exhibit was molded to included the counties where the municipalities are located.), or in any location identified by Summit in its three-year strategic plan as a location for future expansion to be adopted by the Board and reviewed and updated at regular intervals.

(2) For a period of one (1) year after Maddy's employment with Summit is terminated for any reason other than Maddy's Disability, Retirement, Good Reason or termination at Maddy's option as provided in Paragraph F hereof, Maddy shall not, directly or indirectly, engage in the business of banking in the entire State of West Virginia, in any county or location in which Summit has operating offices at the time of termination, in the following designated locations in Virginia (See Exhibit to Paragraphs G(1) and (2)) attached, which is incorporated herein by reference. This Exhibit was molded to included the counties where the

municipalities are located.), or in any location identified by Summit in its three-year strategic plan as a location for future expansion to be adopted by the Board and reviewed and updated at regular intervals.

(3) For purposes of Paragraphs G(1) - (2), being engaged in the business of banking shall mean Maddy's engaging in any business or activity of any nature that is competitive with the business of Summit or its affiliates in the specified geographic area or Maddy's solicitation of business from clients with a primary or principal office in the specified geographic area.

(4) In the event that this provision shall be deemed by any Court or body of competent jurisdiction to be unenforceable in whole or in part by reason of its extending for too long a period of time, or too great a geographical area or over too great a range of activities, or is overly broad in any other respect or for any other reason, then in such event this Agreement shall be deemed modified and interpreted to extend over only such maximum period of time, geographical area, or range of activity or otherwise, so as to render these provisions valid and enforceable, and as so modified, these shall be enforceable and enforced.

H . Other Employment. Maddy shall not be required to mitigate the amount of any payment provided for in this Change in Control Agreement by seeking other employment. The amount of any payment provided for in this Change in Control Agreement shall not be reduced by any compensation earned or benefits provided (except as set forth in Paragraph E(3) above) as the result of employment by another employer after the date of Separation from Service.

I . Rights of Company Prior to the Change of Control. This Change in Control Agreement shall not affect the right of the Company or Maddy to terminate the foregoing Employment Agreement or the employment of Maddy in accordance therewith; provided, however, that any termination or reduction in salary or benefits that takes place after discussions have commenced that result in a Change of Control shall be presumed (without clear and convincing evidence to the contrary) to be Good Reason and a violation of this Change in Control Agreement entitling Maddy to the benefits hereof, provided Maddy Separates from Service either before or during the Transition Period, and any such termination by Company resulting in Maddy's Separation from Service either before or during the Transition Period shall be deemed to be a Wrongful Termination, and all references in this Change in Control Agreement to Salary shall be deemed to mean the Salary, as defined herein, based on the earnings Maddy would have had prior to any reduction thereof.

J . Confidentiality. Maddy shall not, during the term of this Agreement or at any time thereafter, directly or indirectly, publish or disclose to any person or entity any confidential information (other than a Company employee entitled to know such confidential information) concerning the assets, customer/client lists, business or affairs of Company, and its affiliates, including but not limited to any trade secrets, financial data, employee or customer/client information or organizational structure. Notwithstanding the foregoing, nothing herein shall prevent Maddy from utilizing the knowledge and experience he has acquired in the banking industry including without limitation the knowledge of producer bonus plans.

All files, records, documents, information, letters, notes, media lists, notebook and similar items relating to the business of Company shall remain the exclusive property of Company. Upon the expiration or earlier termination of this Agreement, or when requested by Company, Maddy shall immediately deliver to Company all such files, computer data files, records, documents, information and other items in the possession of or under the control of Maddy.

All business produced by Maddy while in the employ of the Company or any Affiliate thereof is the exclusive property of Company unless specifically excluded elsewhere in this Agreement. Maddy shall not, during the term of this Agreement or any time thereafter, intentionally interfere with any business or contractual relationship of the Company.

K. Gross-Up Payment. Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by Company and any of its subsidiaries and affiliates to or for the benefit of Maddy (whether paid or payable or distributed or distributable pursuant to this Agreement, the Executive Salary Continuation Agreement between Company and Maddy, the Employment Agreement between Company and Maddy, or any other agreement, contract, plan or arrangement, but determined without regard to any additional payments required under this Paragraph K) (any such payments and distributions collectively referred to as "Payments"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any similar tax that may hereinafter be imposed or any interest and penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Company shall pay to Maddy an additional payment (the "Gross-Up Payment") equal to one hundred percent (100%) of the Excise Tax and one hundred percent (100%) of the amount of any federal, state and local income taxes and Excise Tax imposed on the Gross-Up Payment, all provided that any and all such Gross-Up Payment or Payments shall be paid to Maddy thirty (30) days after Maddy remits the taxes with respect to which such Gross-Up Payment is made and all subject to the provisions of Paragraph N herein to the extent applicable.

All determinations required to be made under this Paragraph K, including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by the firm of independent accountants selected by Company to audit its financial statements (the "Accounting Firm") which shall provide either before or no later than twenty (20) days after Maddy remits any such taxes, detailed supporting calculations both to Company and Maddy. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a "change in control," Maddy shall appoint another nationally recognized accounting firm to make, either before or no later than twenty (20) days after Maddy remits any such taxes, the determinations required hereunder (which accounting firm shall then be referred to as the "Accounting Firm" hereunder). All fees and expenses of the Accounting Firm shall be borne solely by Company.

L. Arbitration. Any dispute between the parties arising out of or with respect to this Agreement or any of its provisions or Maddy's employment with Company, whether sounding in tort or contract, shall be resolved by the sole and exclusive remedy of binding arbitration. Maddy hereby waives his right to a jury trial and his right to receive noneconomic damages. Arbitration shall be conducted in Moorefield, West Virginia, in accordance with the rules of the American Arbitration Association ("AAA"). The parties agree each to select one arbitrator from an AAA employment panel. Within ten days after selection of the second arbitrator, the two arbitrators shall select a third arbitrator. The arbitration shall be conducted in accordance with the West Virginia Rules of Evidence and all discovery issues shall be decided by the arbitrators. The panel of arbitrators shall supply a written opinion and analysis of the matter submitted for arbitration along with the decision. The arbitration decision shall be final and subject to enforcement in the local circuit court.

In any arbitration proceeding between the parties, the losing party shall pay to the prevailing party all reasonable expenses and costs including attorneys' fees incurred by the prevailing party during the arbitration proceeding, *provided*, that in the event Maddy becomes entitled to reimbursement under this Paragraph L, the following provisions shall apply: (i) reimbursement provided under this Paragraph L during any taxable year of Maddy shall not affect reimbursement to be provided under this Paragraph L in any other taxable year; (ii) reimbursement under this Paragraph L shall be made thirty (30) days after Maddy requests reimbursement hereunder, *provided* that in no event shall any payment under this Paragraph L be made after the last day of Maddy's taxable year following the taxable year in which the expense was incurred, (iii) no rights to reimbursement under this Paragraph L shall be subject to liquidation or exchange for any other benefit, and (iv) reimbursement provided under this Paragraph L shall be subject to the provisions of Paragraph N herein, to the extent applicable. A party shall be considered a prevailing party if:

(i) it initiated the arbitration and substantially obtained the relief it sought, either through a judgment or the losing party's voluntary action before arbitration (after it is scheduled) or judgment;

(ii) the other party withdraws its action without substantially obtaining the relief it sought, or

(iii) it did not initiate the arbitration and judgment is entered for either party, but without substantially granting the relief sought.

M. Date Payments Deemed Made.

In accordance with Code Section 409A and to the extent permitted by said Code Section 409A and the regulations and guidance issued thereunder, any payment to or on behalf of Maddy under this Agreement shall be treated as having been made on a date specified in this Agreement if it is made on a later date within Maddy's same taxable year as the designated date, or, if later, if made no later than the fifteenth day of the third month after such designated date provided that, in any event, Maddy is not permitted, directly or indirectly, to designate the taxable year of any payment.

N. Six-Month Delay in Payments.

Notwithstanding any other provisions of this Agreement, if Maddy is a Specified Employee (within the meaning of Code Section 409A) on Maddy's date of Separation from Service, then if any payment of deferred compensation (within the meaning of Code Section 409A) is to be made upon or based upon Maddy's Separation from Service other than by death, under any provision of this Agreement, and such payment of deferred compensation is to be made within six months after Maddy's date of Separation from Service, other than by death, then such payment shall instead be made on the date which is six months after such Separation from Service of Maddy (other than by death,) provided further, however, that in the case of any payment of deferred compensation which is to be made in installments, with the first such installment to be paid on or within six months after the date of Separation from Service other than by death, then in such event all such installments which would have otherwise been paid within the date which is six months after such Separation from Service of Maddy (other than by death) shall be delayed, aggregated, and paid, notwithstanding any other provision of this Agreement, on the date which is six months after such Separation from Service of Maddy (other than by death), with the remaining installments to continue thereafter until fully paid hereunder. Notwithstanding any of the foregoing, or any other provision of this Agreement, no payment of deferred compensation upon or based upon Separation from Service may be made under this Agreement before the date that is six months after the date of Separation from Service or, if earlier, the date of death, if Maddy is a Specified Employee on Maddy's date of Separation from Service. This Paragraph N shall only apply to delay the payment of deferred compensation to Specified Employees as required by Code Section 409A and the regulations and guidance issued thereunder.

O. Successors; Binding Agreement.

(1) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Maddy, to expressly assume and agree to perform this Change in Control Agreement. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Change in Control Agreement and shall entitle Maddy to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if he terminated his employment for Good Reason hereunder, provided that Maddy incurs a Separation from Service within the Transition Period.

(2) This Change in Control Agreement and all rights of Maddy hereunder shall inure to the benefit of and be enforceable by Maddy's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If Maddy should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Maddy's devisee, legatee, or other designee or, if there be no such designee, to Maddy's estate.

P . Indemnification. To the fullest extent permitted under West Virginia law and federal banking law, the Company agrees that it will indemnify and hold harmless Maddy from and against all costs and expenses, including without limitation, all court costs and attorney's fees, incurred by him during his lifetime in defending any and all claims, demands, proceedings, suits or actions, actually instituted or threatened, by third parties, involving this Agreement, its validity or enforceability or with respect to any payments to be made pursuant thereto; *provided*, that in the event Maddy becomes entitled to reimbursement under this Paragraph P, the following provisions shall apply: (i) reimbursement provided under this

Paragraph P during any taxable year of Maddy shall not affect reimbursement to be provided under this Paragraph P in any other taxable year; (ii) reimbursement under this Paragraph P shall be made thirty (30) days after Maddy requests reimbursement hereunder, *provided* that in no event shall any payment under this Paragraph P be made after the last day of Maddy's taxable year following the taxable year in which the expense was incurred, (iii) no rights to reimbursement under this Paragraph P shall be subject to liquidation or exchange for any other benefit, and (iv) reimbursement provided under this Paragraph P shall be subject to the provisions of Paragraph N herein, to the extent applicable.

Q. Survival of Change in Control Agreement. This Change in Control Agreement shall survive the expiration of the Employment Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day first written above:

SUMMIT FINANCIAL GROUP, INC.

By: /s/ Oscar M. Bean_______________

Its: Chairman______________________

/s/ H. Charles Maddy, III__________________
H. CHARLES MADDY, III

Exhibit to Paragraphs G(1) and (2) of Change in Control Agreement

By and Between Summit Financial Group, Inc. and H. Charles Maddy, III, dated December 31 , 2008.

Designated Virginia Locations

Ashburn

Charlottesville

Fredericksburg

Leesburg

Purcellville

Warrenton

* The designation of the municipality expressly includes the county in which the municipality is located.

Exhibit 10.3

EXECUTIVE SALARY CONTINUATION AGREEMENT THAT SUPERSEDES AND REPLACES THE EXECUTIVE SALARY CONTINUATION AGREEMENT EFFECTIVE JULY 1, 2006

THIS AGREEMENT, made and entered into as of the 1st day of January, 2008, provided, however, that all provisions applicable to compliance under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") shall be effective as of January 1, 2005, by and between Summit Community Bank, a bank, organized and existing under the laws of the State of West Virginia (hereinafter referred to as the "Bank"), and H. Charles Maddy, III, an Executive of the Bank (hereinafter referred to as the "Executive").

WHEREAS, the Bank and the Executive are currently parties to an Executive Salary Continuation Agreement signed on July 19, 2007 and effective January 1, 2006 (which superseded and replaced the original Agreement, an Executive Supplemental Retirement Plan effective May 7, 1999), that provides for the payment of certain benefits. This Executive Salary Continuation Agreement ("Agreement" or "Executive Plan") and the benefits provided hereunder shall supersede and replace the existing Executive Salary Continuation Agreement and the benefits provided thereby;

WHEREAS, the Executive has been and continues to be a valued Executive of the Bank who is a member of a select group of management or a highly-compensated employee of the Bank;

WHEREAS, the purpose of this Agreement is to further the growth and development of the Bank by providing the Executive with supplemental retirement income, and thereby encourage the Executive's productive efforts on behalf of the Bank and the Bank's shareholders, and to align the interests of the Executive and those shareholders;

WHEREAS, it is the desire of the Bank and the Executive to enter into this Agreement under which the Bank will agree to make certain payments to the Executive at retirement or the Executive's Beneficiary in the event of the Executive's death pursuant to this Agreement; and

WHEREAS, the Bank intends this Agreement to comply with Final Regulations and Transition Relief promulgated by the Internal Revenue Service pursuant to Code Section 409A, and accordingly, notwithstanding any other provisions of this Agreement, this amendment applies only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, and (iii) an amount to be paid in 2008 that would not otherwise be payable in such year, and to the extent necessary to qualify under such Transition Relief to not be treated as a change in the form and timing of a payment under Code Section 409A(a)(4) or an acceleration of a payment under Code Section 409A(a)(3), the Executive, by executing this Agreement, shall be deemed to have elected the form and timing of distribution provisions of this Agreement, on or before December 31, 2008.

ACCORDINGLY, it is intended that the Agreement be "unfunded" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and not be construed to provide income to the participant or beneficiary under the Code, particularly Section 409A of the Code and guidance or regulations issued thereunder, prior to actual receipt of benefits; and

THEREFORE, it is agreed as follows:

I. EFFECTIVE DATE

Except as otherwise provided herein, the Effective Date of this Agreement shall be January 1, 2008, provided, however, that all provisions applicable to compliance under Code Section 409A shall be effective as of January 1, 2005.

II. FRINGE BENEFITS

The salary continuation benefits provided by this Agreement are granted by the Bank as a fringe benefit to the Executive and are not part of any salary reduction plan or an arrangement deferring a bonus or a salary increase. The Executive has no option to take any current payment or bonus in lieu of these salary continuation benefits except as set forth hereinafter.

III. DEFINITIONS

A. Retirement Date:
If the Executive remains in the continuous employ of the Bank until at least the Executive's Normal Retirement Age, (except as otherwise set forth in Paragraph IX,) and provided that no determination of Disability of Executive, at any time prior to Executive's Normal Retirement Age, has been made, (regardless of any return to active service of Executive subsequent to any such determination of Disability,) the Executive's Retirement Date shall be the date on which the Executive attains the age of sixty-three (63) years or has a Separation from Service, whichever is later.

B. Normal Retirement Age:
Normal Retirement Age shall mean the date on which the Executive attains age sixty-three (63).

C. Plan Year:
Any reference to "Plan Year" shall mean a calendar year from January 1 to December 31. In the year of implementation, the term "Plan Year" shall mean the period from the effective date to December 31 of the year of the effective date.

D. Termination of Employment:

Termination of Employment shall mean voluntary resignation of employment by the Executive, or the Bank's discharge of the Executive without cause (*i.e.,* a discharge of the Executive by the Bank that does not satisfy the definition of discharge "for cause" set forth in Subparagraph III [F]).

E. Separation from Service:

"Separation from Service" shall mean that the Executive has experienced a Termination of Employment from the Bank. However, the employment relationship is treated as continuing intact while the Executive is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the Executive's right to reemployment with the Bank or any Affiliate is provided either by statute or by contract. If the period of leave exceeds six months and the Executive's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Executive to be unable to perform the duties of his position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A including, but not limited to:

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported Termination of Employment or Separation from Service,

(ii) in any instance in which the Executive is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Agreement and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance Executive shall only be considered to meet the requirements of a Separation from Service hereunder if such Executive meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Agreement which would otherwise apply,

(iii) in any instance in which Executive is an employee and an independent contractor of the Bank or any Affiliate or both, the Executive must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if Executive provides services both as an employee and a member of the Board of Directors of the Bank or any Affiliate or both or any combination thereof, the services provided as a director are not taken into account in determining whether the Executive has had a Separation from Service as an employee under this Agreement, provided that no plan in which Executive participates or has participated in his capacity as a director is an Aggregated Plan, and

(iv) a determination of whether a Separation from Service has occurred shall be made in accordance with Treasury Regulations Section 1.409A-1(h)(4) or any similar or successor law, regulation or guidance of like import, in the event of an asset purchase transaction as described therein.

F. Discharge for Cause:
The term “for cause” shall mean for the conviction of Executive for commission of a felony against the Bank or any Affiliate. If a dispute arises as to discharge “for cause,” such dispute shall be resolved by arbitration as set forth in this Executive Plan. In the alternative, if the Executive is permitted to resign due to conviction of a felony as described above, the Board of Directors may vote to deny all benefits. A majority decision by the Board of Directors is required for forfeiture of the Executive’s benefits under the preceding sentence.

G. Change of Control:
“Change of Control” shall mean with respect to (i) the Bank or an Affiliate for whom the Executive is performing services at the time of the Change in Control Event; (ii) the Bank or any Affiliate that is liable for the payment to the Executive hereunder (or all corporations liable for the payment if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of service by the Executive for Bank or such corporation (or corporations) or there is a bona fide business purpose for Bank or such corporation or corporations to be liable for such payment and, in either case, no significant purpose of making Bank or such corporation or corporations liable for such payment is the avoidance of Federal Income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in paragraph (i) or (ii) of this section, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in paragraph (i) or (ii) of this section, a Change in Ownership or Effective Control or a Change in the Ownership of a Substantial Portion of the Assets of a Corporation as defined in Section 409A of the Code, and the regulations or guidance issued by the Internal Revenue Service thereunder, meeting the requirements of a “Change in Control Event” thereunder.

H. Restriction on Timing of Distribution:

Notwithstanding any provision of this Agreement to the contrary, distributions of deferred compensation (within the meaning of Code Section 409A) under this Plan to the Executive may not commence earlier than six (6) months after the date of a Separation from Service if, pursuant to Code Section 409A and the regulations and guidance thereunder, the Executive is considered a "specified employee" of the Bank if any stock of the Bank or any parent thereof is publicly traded on an established securities market or otherwise. In the event a distribution of deferred compensation under this Plan is delayed pursuant to this paragraph, the originally scheduled payment shall be delayed until six months after the date of Separation from Service and shall commence instead on the first day of the seventh month following Separation from Service, as follows: if payments are scheduled under this Plan to be made in installments, all such installment payments which would have otherwise been paid within six (6) months after the date of a Separation from Service shall be delayed, aggregated, and paid instead on the first day of the seventh month after Separation from Service, after which all installment payments shall be made on their regular schedule; if payment is scheduled under this Plan to be made in a lump sum, the lump payment shall be delayed until six months after the date of Separation from Service and instead be made on the first day of the seventh month after the date of Separation from Service. This Subparagraph III [H] shall only apply to delay the payment of deferred compensation to specified employees as required by Code Section 409A and the regulations and guidance issued thereunder.

I. Beneficiary:

The Executive shall have the right to name a Beneficiary of any benefit payable under this Agreement on the Executive's death. The Executive shall have the right to name such Beneficiary at any time prior to the Executive's death and submit it to the Plan Administrator (or Plan Administrator's representative) on the form provided. Once received and acknowledged by the Plan Administrator, the form shall be effective. The Executive may change a Beneficiary designation at any time by submitting a new form to the Plan Administrator. Any such change shall follow the same rules as for the original Beneficiary designation and shall automatically supersede the existing Beneficiary form on file with the Plan Administrator.

If the Executive dies without a valid Beneficiary designation on file with the Plan Administrator, death benefits shall be paid to the Executive's estate.

If the Plan Administrator determines in its discretion that a benefit is to be paid to a minor, to a person declared incompetent, or to a person incapable of handling the disposition of that person's property, the Plan Administrator may direct distribution of such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship as it may deem appropriate prior to distribution of the benefit. Any distribution of a benefit shall be a distribution for the account of the Executive and the

Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Agreement for such distribution amount.

J. Disability:

"Disability" shall mean the Executive: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Bank. Medical determination of Disability may be made by either the Social Security Administration or by the provider of an accident or health plan covering employees of the Bank. Upon the request of the Plan Administrator, the Executive must submit proof to the Plan Administrator of Social Security Administration's or the provider's determination. Notwithstanding any of the foregoing, the term "Disability" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A and the regulations and guidance thereunder.

IV. RETIREMENT BENEFIT AND POST-RETIREMENT DEATH BENEFIT

Upon attainment of the Retirement Date, (as set forth in Subparagraph III [A,] subject to the provisions of Paragraph IX,) the Bank shall pay the Executive an annual benefit equal to One Hundred Seventy Five Thousand ($175,000), the "Retirement Benefit." Said Retirement Benefit shall be paid in equal monthly installments (1/12th of the annual benefit) until the death of the Executive. Said payment shall commence the first day of the month following (i) the date of such Separation from Service, or (ii) if applicable, in accordance with the Restriction on Timing of Distribution, whichever is later. Upon the death of the Executive after attainment of the Retirement Date, (as set forth in III [A,] subject to the provisions of Paragraph IX,) if there is a balance in the accrued liability retirement account, an amount equal to such balance shall be paid in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death.

V. DEATH BENEFIT PRIOR TO RETIREMENT

In the event the Executive should die while actively employed by the Bank at any time after the date of this Agreement but prior to the Executive's Separation from Service, and prior to any determination of Disability (as provided in Paragraph X) the Bank will pay an amount equal to the accrued balance on the date of death of the Executive's accrued liability retirement account in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death.

VI. BENEFIT ACCOUNTING/ACCRUED LIABILITY RETIREMENT ACCOUNT

Notwithstanding any provision herein to the contrary, the provisions of this Paragraph VI, shall be effective beginning January 1, 2007. Prior to the date on which Executive attains Executive's Normal Retirement Age, and during the time that Executive continues in the employment of Bank, (or after Separation from Service but before Executive has attained Normal Retirement Age if a Change in Control has occurred and Executive has thereafter had a Separation from Service as set forth in Paragraph IX,) and provided this Agreement is in effect, the Bank shall account for this benefit using Generally Accepted Accounting Principles ("GAAP"). Prior to the date on which Executive attains Executive's Normal Retirement Age and during the time that Executive continues in the employment of Bank, and prior to any determination of Disability of Executive prior to Executive attaining Normal Retirement Age, (or after Separation from Service but before Executive has attained Executive's Normal Retirement Age if a Change in Control has occurred and Executive has had a Separation from Service as set forth in Paragraph IX) and provided this Agreement is in effect, the Bank shall establish an accrued liability retirement account for the Executive into which appropriate reserves shall be accrued sufficient so that if the account were increased ratably each year prior to Executive attaining Normal Retirement Age and during which Executive continued in the employment of Bank (or after Separation from Service but before Executive has attained Executive's Normal Retirement Age if a Change in Control has occurred and Executive has had a Separation from Service as set forth in Paragraph IX) and using a compound interest rate as set forth in Schedule A attached hereto and incorporated herein by reference (provided, however, that such interest rate set forth on Schedule A may be changed, for purposes of the calculation of the accrued Liability retirement account hereunder, by the Compensation Committee of Bank at any time and from time to time but only in good faith and in a manner that the Compensation Committee of the Bank reasonably determines to be consistent with industry standards at the time of such change of interest rate herein), sufficient funds would be available to pay the Retirement Benefit to Executive, still assuming a compound interest rate as set forth on Schedule A (again provided, however, as stated above, that such interest rate may be changed, for purposes of the calculation of the accrued liability retirement account hereunder, by the Compensation Committee of the Bank at any time and from time to time but only in good faith and in a manner that the Compensation Committee of the Bank reasonably determines to be consistent with industry standards at the time of such change of interest rate herein,) for the life expectancy of Executive, based upon the United States Life Insurance Company mortality tables (or tables of a reasonably comparable life insurance company if such mortality tables are no longer available) in effect from time to time as such accruals are made.

The accrued liability retirement account established hereunder shall be for accounting and bookkeeping purposes only, and is not, nor shall be construed to be, an account or trust for the benefit of the Executive. Once payments to Executive commence pursuant to Paragraphs IV, VIII, or IX, such payments shall be applied so as to reduce the balance in the accrued liability retirement account for purposes of any payout of an amount equal to the remaining balance thereof under said Paragraphs.

VII. VESTING

The Executive shall be fully vested in the Retirement Benefit for purposes of any payments to Executive pursuant to Paragraphs IV or IX hereunder. For all other purposes, the Executive shall vest in the Retirement Benefit in accordance with the following schedule from the Effective Date of the original Agreement.

Total Years of Employment with the Bank from the Effective Date of the Original Agreement (5/7/99)	*Vested (to a maximum of 100%)*
1	5%
2	10%
3	15%
4	20%
5	25%
6	30%
7	35%
8	40%
9	45%
10	50%
11	50%
12	50%
13	50%
14	50%
15	50%
16	50%
17	50%
18	50%
19	100%
20 or more	100%

VIII. BENEFIT UPON SEPARATION FROM SERVICE PRIOR TO RETIREMENT

A. Resignation of Employee or Discharge Without Cause:
Subject to the provisions of Paragraph IX, (and no payment shall be made under this Paragraph VIII if the provisions of Paragraph IX are applicable,) in the event that the Executive shall incur a Separation from Service prior to Normal Retirement Age, and prior to any determination of Disability, then the Bank shall pay to the Executive an annual benefit equal to the vested percentage of the Retirement Benefit, as provided in Paragraph IV (the "Vested Benefit"). Said Vested Benefit shall be paid in equal monthly installments (1/12th of the annual Vested Benefit) commencing the first day of the month following (i) the date of attainment of Normal Retirement Age or (ii) if applicable, in accordance with the Restriction on Timing of Distribution, whichever is later, until the death of the Executive.

Upon the death of the Executive after commencement of payments provided for in this paragraph, if there is a balance remaining in the accrued liability retirement account, an amount equal to such balance shall be paid in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death.

In the event the Executive's death should occur after Separation from Service under this Section VIII but prior to the commencement of payments provided for in this paragraph, an amount equal to the balance in the accrued liability retirement account shall be paid in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the death of the Executive.

B. Discharge For Cause or Upon Vote to Deny All Benefits:
In the event the Executive shall be discharged for cause at any time, or should the Board vote to deny all benefits following a discharge for cause as set forth in Subparagraph III [F], this Agreement shall terminate and all benefits provided herein shall be forfeited.

IX. CHANGE OF CONTROL

If the Executive suffers a Separation from Service prior to attaining Normal Retirement Age and within two years after a Change of Control (provided that there has been no determination of Disability prior to such Separation from Service), then the Executive shall receive the Retirement Benefit described in Paragraph IV as if the Executive had been continuously employed by the Bank until the Executive's Normal Retirement Age, except that payments under this Paragraph IX shall be paid in equal monthly installments commencing the first day of the month following (i) the date of attainment of Normal Retirement Age or (ii) if applicable, in accordance with the Restriction on Timing of Distribution, whichever is later, until the death of the Executive. The Executive will also remain eligible for all promised death benefits in this Agreement. In addition, no sale, merger or consolidation of the Bank shall take place unless the new or surviving entity expressly acknowledges the obligations under this Agreement and agrees to abide by its terms.

X. DISABILITY

In the event that a determination of Disability is made respecting the Executive, during any period of employment prior to Executive attaining Normal Retirement Age (and the Executive, notwithstanding any other provision of this Agreement, including but not limited to any provision of Subparagraph III [J,] shall not be considered disabled for purposes of this Paragraph X if the Executive has had a Separation from Service prior to such Disability, without returning to active employment with the Bank and being actively employed with the Bank at the time of such Disability, even if such Separation of Service has taken place after a Change in Control and Executive, although no longer employed by Bank, may be eligible for a Retirement Benefit pursuant to Paragraph IX or otherwise), the Bank shall establish an account (hereinafter sometimes referred to as the "Disability Account") in an amount equal to the balance as of the date of Disability of Executive of the accrued liability retirement account established on the Executive's behalf pursuant to this Agreement, (provided that the Bank shall be required to do so only once for each Executive, and with respect to an Executive who has a determination of Disability prior to Normal Retirement Age and who returns to active employment with the Bank and a subsequent determination of Disability, also prior to Normal Retirement Age, is made respecting the Executive, the Bank shall not be required to establish a Disability Account other than any Disability Account established upon the first determination of Disability of the Executive.) Interest at a rate equivalent to the Moody's Seasoned Baa Corporate Bond Yield per annum then in effect (or if no such rate is then published or in effect, then at the rate equivalent to the yield of reasonably comparable instruments selected by the Compensation Committee of the Bank) shall be accrued and added to the Disability Account and distributions subtracted therefrom until complete distribution hereunder. Upon Executive attaining Normal Retirement Age after a determination of Disability, the Bank shall distribute to the Executive, (commencing on the first day of the month following the date the Executive attains the Executive's Normal Retirement Age, and subject to the 'Restriction on Timing of Distribution' as defined in this Agreement,) an amount equal to the balance in the Disability Account of Executive in One Hundred Twenty (120) equal monthly installments. In the event of the death of Executive after a determination of Disability and regardless of whether Executive has attained Normal Retirement Age, any portion of any Disability Account of Executive not yet distributed to Executive hereunder shall be distributed in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death. After a determination of Disability prior to Executive's Normal Retirement Age, no other benefits than those set forth in this Paragraph X will be owed or payable to the Executive or any Beneficiary under this Agreement under any circumstances, including but not limited to, during the period of Disability, upon death, upon attaining Normal Retirement Age or Retirement Date, or in the event of any subsequent return to active service or subsequent period of Disability. The Disability Account established hereunder shall be for accounting and bookkeeping purposes only, and is not, nor shall be construed to be, an account or trust for the benefit of the Executive. Once payments to Executive commence pursuant to this Paragraph X, such payments shall be applied so as to reduce the balance in the Disability Account for purposes of any payout of an amount equal to the remaining balance thereof.

XI. RESTRICTION UPON FUNDING

The Bank shall have no obligation to set aside, earmark or entrust any fund or money with which to pay its obligations under this Executive Plan. The Executive, their beneficiary(ies), or any successor in interest shall be and remain simply a general creditor of the Bank in the same manner as any other creditor having a general claim for matured and unpaid compensation.

The Bank reserves the absolute right, at its sole discretion, to either fund the obligations undertaken by this Executive Plan or to refrain from funding the same and to determine the extent, nature and method of such funding. Should the Bank elect to fund this Executive Plan, in whole or in part, through the purchase of life insurance, mutual funds, disability policies or annuities, the Bank reserves the absolute right, in its sole discretion, to terminate such funding at any time, in whole or in part. At no time shall any Executive be deemed to have any lien, right, title or interest in any specific funding investment or assets of the Bank.

If the Bank elects to invest in a life insurance, disability or annuity policy on the life of the Executive, then the Executive shall assist the Bank by freely submitting to a physical exam and supplying such additional information necessary to obtain such insurance or annuities.

XII. MISCELLANEOUS

A. Alienability and Assignment Prohibition:
Neither the Executive, nor the Executive's surviving spouse, nor any other beneficiary(ies) under this Executive Plan shall have any power or right to transfer, assign, anticipate, hypothecate, mortgage, commute, modify or otherwise encumber in advance any of the benefits payable hereunder nor shall any of said benefits be subject to seizure for the payment of any debts, judgments, alimony or separate maintenance owed by the Executive or the Executive's beneficiary(ies), nor be transferable by operation of law in the event of bankruptcy, insolvency or otherwise. In the event the Executive or any beneficiary attempts assignment, commutation, hypothecation, transfer or disposal of the benefits hereunder, the Bank's liabilities shall forthwith cease and terminate.

B. Binding Obligation of the Bank and any Successor in Interest:
The Bank shall not merge or consolidate into or with another bank or sell substantially all of its assets to another bank, firm or person until such bank, firm or person expressly agree, in writing, to assume and discharge the duties and obligations of the Bank under this Executive Plan. This Executive Plan shall be binding upon the parties hereto, their successors, beneficiaries, heirs and personal representatives.

C. Amendment or Revocation:
It is agreed by and between the parties hereto that, during the lifetime of the Executive, this Agreement may be amended or revoked at any time or times, in whole or in part, by the mutual written consent of the Executive and the Bank. Any such amendment shall not be effective to decrease or restrict any Executive's accrued benefit under this Agreement, determined as of the date of amendment, unless agreed to in writing by the Executive, and provided further, no amendment shall be made, or if made, shall be effective, if such amendment would cause the Agreement to violate Code Section 409A. In the event this Agreement is terminated, such termination shall not cause acceleration of a distribution of benefits, except under limited circumstances as permitted under Code Section 409A and the regulations and guidance issued thereunder (*e.g.,* 30 days before or

12 months after a Change of Control event, upon termination of all arrangements of the same type, or upon corporate dissolution or bankruptcy).

D. Gender:
Whenever in this Executive Plan words are used in the masculine or neuter gender, they shall be read and construed as in the masculine, feminine or neuter gender, whenever they should so apply.

E. Headings:
Headings and subheadings in this Executive Plan are inserted for reference and convenience only and shall not be deemed a part of this Executive Plan.

F. Applicable Law:
The laws of the State of West Virginia shall govern the validity and interpretation of this Agreement.

G. Partial Invalidity:
If any term, provision, covenant, or condition of this Executive Plan is determined by an arbitrator or a court, as the case may be, to be invalid, void, or unenforceable, such determination shall not render any other term, provision, covenant, or condition invalid, void, or unenforceable, and the Executive Plan shall remain in full force and effect notwithstanding such partial invalidity.

H. Not a Contract of Employment:
This Agreement shall not be deemed to constitute a contract of employment between the parties hereto, nor shall any provision hereof restrict the right of the Bank to discharge the Executive, or restrict the right of the Executive to terminate employment.

I. Tax Withholding:
The Bank shall withhold any taxes that are required to be withheld, under federal, state or local tax laws, including without limitation under Section 409A of the Code and regulations thereunder, from the benefits provided under this Agreement. The Executive acknowledges that the Bank's sole liability regarding taxes is to forward any amounts withheld to the appropriate taxing authority(ies).

J. Opportunity to Consult with Independent Advisors:
The Executive acknowledges that he has been afforded the opportunity to consult with independent advisors of his choosing including, without limitation, accountants or tax advisors and counsel regarding both the benefits granted to him under the terms of this Agreement and the: (i) terms and conditions which may affect the Executive's right to these benefits; and (ii) personal tax effects of such benefits including, without limitation, the effects of any federal or state taxes, Section 280G of the Code, Section 409A of the Code and guidance or regulations thereunder, and any other taxes, costs, expenses or liabilities whatsoever related to such benefits, which in any of the foregoing instances the Executive

acknowledges and agrees shall be the sole responsibility of the Executive notwithstanding any other term or provision of this Agreement. The Executive further acknowledges and agrees that the Bank shall have no liability whatsoever related to any such personal tax effects or other personal costs, expenses, or liabilities applicable to the Executive and further specifically waives any right for himself or herself, and his or her heirs, beneficiaries, legal representative, agents, successor and assign to claim or assert liability on the part of the Bank related to the matters described above in this paragraph. The Executive further acknowledges that he has read, understands and consents to all of the terms and conditions of this Agreement, and that he enters into this Agreement with a full understanding of its terms and conditions.

K. Permissible Acceleration Provision:
Under Code Section 409A(a)(3), a payment of deferred compensation may not be accelerated except as provided in regulations by the Code. Certain permissible payment accelerations include payments necessary to comply with a domestic relations order, payments necessary to comply with certain conflict of interest rules, payments intended to pay employment taxes, and certain de minimis payments related to the Executive's termination of the Executive's interest in the plan. Any permissible payment accelerations under this Agreement shall be at the discretion of Bank and shall be consistent with the requirements of Code Section 409A and the regulations and guidance issued thereunder.

L. Supersede and Replace Entire Agreement:
This Agreement shall supersede the Executive Salary Continuation Agreement signed on July 19, 2007 and effective January 1, 2006 (which superseded and replaced the original Agreement, an Executive Supplemental Retirement Plan effective May 7, 1999), and shall replace the entire Agreement of the parties pertaining to this particular Executive Salary Continuation Agreement.

XIII. ADMINISTRATIVE AND CLAIMS PROVISION

A. Plan Administrator:
The "Plan Administrator" of this Executive Plan shall be Summit Financial Group. As Plan Administrator, the Bank shall be responsible for the management, control and administration of the Executive Plan. The Plan Administrator may delegate to others certain aspects of the management and operation responsibilities of the Executive Plan including the employment of advisors and the delegation of ministerial duties to qualified individuals.

B. Claims Procedure:
a. Filing a Claim for Benefits:

Any insured, beneficiary, or other individual, ("Claimant") entitled to benefits under this Executive Plan will file a claim request with the Plan Administrator. The Plan Administrator will, upon written request of a

Claimant, make available copies of all forms and instructions necessary to file a claim for benefits or advise the Claimant where such forms and instructions may be obtained. If the claim relates to disability benefits, then the Plan Administrator shall designate a sub-committee to conduct the initial review of the claim (and applicable references below to the Plan Administrator shall mean such sub-committee).

b. Denial of Claim:

A claim for benefits under this Executive Plan will be denied if the Bank determines that the Claimant is not entitled to receive benefits under the Executive Plan. Notice of a denial shall be furnished the Claimant within a reasonable period of time after receipt of the claim for benefits by the Plan Administrator. This time period shall not exceed more than ninety (90) days after the receipt of the properly submitted claim. In the event that the claim for benefits pertains to disability, the Plan Administrator shall provide written notice within forty-five (45) days. However, if the Plan Administrator determines, in its discretion, that an extension of time for processing the claim is required, such extension shall not exceed an additional ninety (90) days. In the case of a claim for disability benefits, the forty-five (45) day review period may be extended for up to thirty (30) days if necessary due to circumstances beyond the Plan Administrator's control, and for an additional thirty (30) days, if necessary. Any extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

c. Content of Notice:

The Plan Administrator shall provide written notice to every Claimant who is denied a claim for benefits which notice shall set forth the following:

(i.) The specific reason or reasons for the denial;

(ii.) Specific reference to pertinent Executive Plan provisions on which the denial is based;

(iii.) A description of any additional material or information necessary for the Claimant to perfect the claim, and any explanation of why such material or information is necessary; and
(iv.) Any other information required by applicable regulations, including with respect to disability benefits.

d. Review Procedure:

The purpose of the Review Procedure is to provide a method by which a Claimant may have a reasonable opportunity to appeal a denial of a claim to the Plan Administrator for a full and fair review. The Claimant, or his duly authorized representative, may:

(i.) Request a review upon written application to the Plan Administrator. Application for review must be made within sixty (60) days of receipt of written notice of denial of claim. If the denial of claim pertains to disability, application for review must be made within one hundred eighty (180) days of receipt of written notice of the denial of claim;

(ii.) Review and copy (free of charge) pertinent Executive Plan documents, records and other information relevant to the Claimant's claim for benefits;

(iii.) Submit issues and concerns in writing, as well as documents, records, and other information relating to the claim.

e. Decision on Review:

A decision on review of a denied claim shall be made in thefollowing manner:

(i.) The Plan Administrator may, in its sole discretion, hold a hearing on the denied claim. If the Claimant's initial claim is for disability benefits, any review of a denied claim shall be made by members of the Plan Administrator other than the original decision maker(s) and such person(s) shall not be a subordinate of the original decision maker(s). The decision on review shall be made promptly, but generally not later than sixty (60) days after receipt of the application for review. In the event that the denied claim pertains to disability, such decision shall not be made later than forty-five (45) days after receipt of the application for review. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial sixty (60) day period. In no event shall the extension exceed a period of sixty (60) days from the end of the initial period. In the event the denied claim pertains to disability, written notice of such extension shall be furnished to the Claimant prior to the termination of the initial forty-five (45) day period. In no event shall the extension exceed a period of thirty (30) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

(ii.) The decision on review shall be in writing and shall include specific reasons for the decision written in an understandable manner with specific references to the pertinent Executive Plan provisions upon which the decision is based.

(iii.) The review will take into account all comments, documents, records and other information submitted by the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination. Additional considerations shall be required in the case of a claim for disability benefits. For example, the claim will be reviewed without deference to the initial adverse benefits determination and, if the initial adverse benefit determination was based in whole or in part on a medical judgment, the Plan Administrator will consult with a health care professional with appropriate training and experience in the field of medicine involving the medical judgment. The health care professional who is consulted on appeal will not be the same individual who was consulted during the initial determination or the subordinate of such individual. If the Plan Administrator obtained the advice of medical or vocational experts in making the initial adverse benefits determination (regardless of whether the advice was relied upon), the Plan Administrator will identify such experts.

(iv.) The decision on review will include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records or other information relevant to the Claimant's claim for benefits.

f. Exhaustion of Remedies:

A Claimant must follow the claims review procedures under this Executive Plan and exhaust his or her administrative remedies before taking any further action with respect to a claim for benefits.

C. Arbitration:
If claimants continue to dispute the benefit denial based upon completed performance of this Executive Plan or the meaning and effect of the terms and conditions thereof, then claimants may submit the dispute to an Arbitrator in West Virginia for final arbitration. The Arbitrator shall be selected by mutual agreement of the Bank and the claimants. The Arbitrator shall operate under the rules then in effect of the American Arbitration Association. The parties hereto

agree that they and their heirs, personal representatives, successors and assignsshall be bound by the decision of such Arbitrator with respect to any controversy properly submitted to it for determination.

Where a dispute arises as to the Bank's discharge of the Executive "for cause," such dispute shall likewise be submitted to arbitration as above described and the parties hereto agree to be bound by the decision thereunder.

XIV. TERMINATION OR MODIFICATION OF AGREEMENT BY REASON OFCHANGES IN THE LAW, RULES OR REGULATIONS

The Bank is entering into this Agreement upon the assumption that certain existing tax laws, rules and regulations will continue in effect in their current form. If any said assumptions should change and said change has a detrimental effect on this Executive Plan, then the Bank reserves the right to terminate or modify this Agreement accordingly, but only to the extent necessary to conform this Agreement to the provisions and requirements of any applicable law (including ERISA and the Code, including, but not limited to Section 409A of the Code and regulations thereunder).

Upon a Change of Control, the provisions of Paragraph IX respecting assumption of the obligations of this Agreement by the successor entity shall apply.

IN WITNESS WHEREOF, the parties hereto acknowledge that each has carefully read this Agreement and executed the original thereof on the first day set forth hereinabove, and that, upon execution, each has received a conforming copy.

SUMMIT COMMUNITY BANK
Moorefield, West Virginia

/s/ Kristie M. Cost	By: /s/ Oscar M. Bean Chairman
Witness	(Bank Officer other than Insured) Title
/s/ Kristie M. Cost	/s/ H. Charles Maddy, III
Witness	H. Charles Maddy, III

SCHEDULE A
to
EXECUTIVE SALARY CONTINUATION AGREEMENT
BETWEEN SUMMIT COMMUNITY BANK
AND H. CHARLES MADDY, III

This Schedule A to the Executive Salary Continuation Agreement between Summit Community Bank and H. Charles Maddy, III sets forth the rate of interest under Section VI of the Agreement for purposes of determining the accrued liability reserve and is incorporated as a part of the Agreement. This Schedule A is effective January 1, 2006, and shall remain in effect unless amended or revised according to the provisions set forth in Section VI of the Agreement.

Interest Rate	6.28%

Exhibit 10.4

FORM OF AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Employment Agreement”) is made and entered into on this _____ day of ________, 2008, effective as of January 3, 2006 (unless specifically stated otherwise), by and among SUMMIT FINANCIAL GROUP, INC. (“Summit FGI”), a West Virginia corporation, and ______________________ (the “Employee”).

WHEREAS, Summit FGI offers the terms and conditions of employment hereinafter set forth and Employee accepts such terms and conditions in consideration of his employment with Summit FGI; and

WHEREAS, Employee and Summit FGI executed an employment agreement on January 3, 2006; and

WHEREAS, under Paragraph 18 said employment agreement may be modified by a writing signed by all the parties thereto; and

WHEREAS, the parties hereto, in the interests of clarity and for other reasons stated herein, and for the purpose of complying with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), wish to amend and restate this Employment Agreement, provided that all provisions applicable to compliance under Code Section 409A shall be effective as of January 3, 2006, and provided further that, notwithstanding any other provisions of this amended and restated Employment Agreement, this amendment applies only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, and (iii) an amount to be paid in 2008 that would not otherwise be payable in such year, and to the extent necessary to qualify under Transition Relief issued under said Code Section 409A to not be treated as a change in the form and timing of a payment under section 409A(a)(4) or an acceleration of a payment under section 409A(a)(3), Employee, by executing this Employment Agreement, shall be deemed to have elected the timing and form of distribution provisions of this amended and restated Employment Agreement, and to otherwise further revise the Employment Agreement all on or before December 31, 2008.

NOW THEREFORE, in consideration of the promises and the respective covenants and agreements of the parties herein contained, Summit FGI and Employee contract and agree as follows:

1. **Definitions and Special Rules.** The following definitions and special rules, in addition to any terms otherwise defined herein, shall apply to this Employment Agreement.

(a) "Change of Control" shall mean with respect to (i) Summit FGI or an Affiliate for whom the Employee is performing services at the time of the Change in Control Event; (ii) Summit FGI or any Affiliate that is liable for the payment to the Employee hereunder (or all corporations liable for the payment if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of service by the Employee for Summit FGI or such corporation (or corporations) or there is a bona fide business purpose for Summit FGI or such corporation or corporations to be liable for such payment and, in either case, no significant purpose of making Summit FGI or such corporation or corporations liable for such payment is the avoidance of Federal Income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in paragraph (i) or (ii) of this Paragraph, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in paragraph (i) or (ii) of this Paragraph, a Change in Ownership or Effective Control or a Change in the Ownership of a Substantial Portion of the Assets of a Corporation as defined in Section 409A of the Code, and the regulations or guidance issued by the Internal Revenue Service thereunder, meeting the requirements of a "Change in Control Event" thereunder.

(b) "Salary" means the Employee's average of annual base salary and bonuses for the two full year periods immediately prior to the date of the consummation of a Change of Control or for two full year periods immediately preceding the date of Separation from Service, whichever is greater.

(c) “Good Cause” includes (i) Employee’s continued poor work performance after written notice of and reasonable opportunity to correct deficiencies; (ii) Employee’s behavior outside or on the job which affects the ability of management of Summit FGI or its affiliates or co-workers to perform their jobs and that is not corrected after reasonable written warning; (iii) Employee’s failure to devote reasonable time to the job that is not corrected after reasonable warning; (iv) any other significant deficiency in performance by Employee that is not corrected after reasonable warning; (v) Employee’s repeated negligence, malfeasance or misfeasance in the performance of Employee’s duties that can reasonably be expected to have an adverse impact upon the business and affairs of Summit FGI or its affiliates, provided, however that if in the reasonable judgment of the Board of Directors of Summit FGI, the damage incurred by Summit FGI as a result of Employee’s conduct is capable of being substantially corrected, Summit FGI will give Employee thirty (30) days’ advance notice of its intention to terminate for Good Cause under this section and a reasonable opportunity to cure the cause of the possible termination to the reasonable satisfaction of Summit FGI; (vi) Employee’s commission of any act constituting theft, intentional wrongdoing or fraud; (vii) the conviction of the Employee of a felony criminal offense in either state or federal court; (viii) any single act by Employee constituting gross negligence or that causes material harm to the reputation, financial condition or property of Summit FGI or its affiliates.

(d) “Disability” means unable as a result of a physical or mental condition to perform Employee’s normal duties from day to day in Employee’s usual capacity.

(e) “Retirement” means Separation from Service by Employee in accordance with Summit FGI’s retirement plan, including early retirement as approved by the Board of Directors of Summit FGI.

(f) “Good Reason” means a Change of Control in Summit FGI and the occurrence of one or more of the following events prior to the expiration of twenty-four (24) months after consummation of the Change of Control:

(i) a material decrease in the total amount of Employee’s base salary below its level in effect on the date of consummation of the Change of Control, without Employee’s prior written consent; or

(ii) a material reduction in Employee's job duties and responsibilities without Employee's prior written consent; or

(iii) a material geographical relocation of Employee without Employee's prior written consent, which shall be deemed to mean relocation to an office more than twenty (20) miles from Employee's location at the time of the Change of Control; or

(iv) failure of Summit FGI to obtain assumption of this Employment Agreement by its successor, which shall be deemed a material breach of this Employment Agreement; or

(v) any purported termination of Employee's employment which is not effected pursuant to a notice of termination required in Paragraph 15 of this Employment Agreement, which shall be deemed a material breach of this Employment Agreement.

Provided, that Employee provides notice to Summit FGI of the existence of the occurring condition described in this Paragraph 1(f) no later than ninety (90) days after the initial occurrence thereof, and Summit FGI fails to correct or remedy the condition within thirty (30) days of receipt of such notice.

(g) "Wrongful Termination" means termination of Employee's employment prior to the expiration of twenty-four (24) months after consummation of a Change of Control for any reason other than at Employee's option, Good Cause or the death, Disability or Retirement of Employee.

(h) "Separation from Service" means the severance of Employee's employment with Summit FGI or any other affiliate for any reason. Employee separates from service with Summit FGI or any other affiliate if he dies, retires, separates from service because of the Employee's Disability, or otherwise has a termination of employment with Summit FGI or any other affiliate. However, the employment relationship is treated as continuing intact while Employee is on military leave, sick leave, or other *bona fide* leave of absence if the period of such leave does not exceed six months, or if longer, so long as Employee's right to reemployment with Summit FGI or any other affiliate is provided either by statute or by contract. If the period of leave exceeds six months and Employee's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the employee to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Employment Agreement in a manner consistent with the requirements of Code Section 409A including, but not limited to:

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported termination or Separation from Service;

(ii) in any instance in which such Employee is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Employment Agreement and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance Employee shall only be considered to meet the requirements of a Separation from Service hereunder if such Employee meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Employment Agreement which would otherwise apply;

(iii) in any instance in which Employee is an employee and an independent contractor of Summit FGI or any other affiliate or any combination thereof, Employee must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if an Employee provides services both as an employee and a member of the Board of Directors of Summit FGI or any other affiliate or any combination thereof, the services provided as a director are not taken into account in determining whether the Employee has had a Separation from Service as an employee under this Employment Agreement, provided that no plan in which such Employee participates or has participated in his capacity as a director is an Aggregated Plan; and

(iv) a determination of whether a Separation from Service has occurred shall be made in accordance with Treasury Regulations Section 1.409A-1(h)(4) or any similar or successor law, regulation or guidance of like import, in the event of an asset purchase transaction as described therein.

(i) Date Payments Deemed Made. In accordance with Code Section 409A and to the extent permitted by said Code Section 409A and the regulations and guidance issued thereunder, any payment to or on behalf of Employee under this Employment Agreement shall be treated as having been made on a date specified in this Employment Agreement if it is made on a later date within Employee's same taxable year as the designated date, or, if later, if made no later than the fifteenth day of the third month after such designated date provided that, in any event, Employee is not permitted, directly or indirectly, to designate the taxable year of any payment.

(j) Six-Month Delay. Notwithstanding any other provisions of this Employment Agreement, if Employee is a Specified Employee (within the meaning of Code Section 409A) on Employee's date of Separation from Service, then if any payment of deferred compensation (within the meaning of Code Section 409A) is to be made upon or based upon Employee's Separation from Service other than by death, under any provision of this

Employment Agreement, and such payment of deferred compensation is to be made within six months after Employee's date of Separation from Service, other than by death, then such payment shall instead be made on the date which is six months after such Separation from Service of Employee (other than by death,) provided further, however, that in the case of any payment of deferred compensation which is to be made in installments, with the first such installment to be paid on or within six months after the date of Separation from Service other than by death, then in such event all such installments which would have otherwise been paid within the date which is six months after such Separation from Service of Employee (other than by death) shall be delayed, aggregated, and paid, notwithstanding any other provision of this Employment Agreement, on the date which is six months after such Separation from Service of Employee (other than by death), with the remaining installments to continue thereafter until fully paid hereunder. Notwithstanding any of the foregoing, or any other provision of this Employment Agreement, no payment of deferred compensation upon or based upon Separation from Service may be made under this Employment Agreement before the date that is six months after the date of Separation from Service or, if earlier, the date of death, if Employee is a Specified Employee on Employee's date of Separation from Service. This Paragraph 1(j) shall only apply to delay the payment of deferred compensation to Specified Employees as required by Code Section 409A and the regulations and guidance issued thereunder.

2. **Term.** The initial term of this Employment Agreement shall be for three (3) years, unless terminated sooner as provided herein. Absent termination by one of the parties as provided in this Employment Agreement, the term of this Employment Agreement shall automatically be extended for unlimited additional one (1) year term(s), in which case such term shall end one (1) year from the date on which it is last renewed.

3. **Duties.** Employee shall perform and have all of the duties and responsibilities of the Chief Financial Officer or such duties and obligations that may be assigned to him from time to time by the Chief Executive Officer and/or the Board of Directors of Summit FGI; provided any material changes to Employee's duties or obligations have been determined by the Board of Directors and/or the Chief Executive Officer in their reasonable discretion to be commensurate with duties and obligations that might be assigned to other similarly-situated executive officers of the Company. No later than five (5) days after the Company materially changes Employee's duties or obligations, Employee will give the Company written notice if he believes a breach of this section has occurred and Company shall have a reasonable opportunity to cure the cause of the possible breach. Failure by Employee to give the notice required under this section shall constitute a waiver of his rights to claim a breach of this section arising from the specific duties or obligations then at issue. If it is determined through arbitration that the Company has breached this provision, then in consideration of the compensation and benefits set forth herein, Company and Employee agree that any damages received by Employee shall be limited to the amount Employee would be entitled to had he been terminated not for Good Cause under paragraph 6 of this Agreement.

Employee's duties shall include, but not be limited to, managing the asset liability and investment risk of Summit FGI, and overseeing the financial reporting and disclosure obligations of Summit FGI. Employee shall devote his best efforts on a full-time basis to the performance of such duties.

4. <u>Compensation and Benefits</u>. During the term of this Employment Agreement, including any extensions, Summit FGI agrees that Employee's compensation and benefits shall be as follows:

(a) <u>Base Salary</u>. Employee's base salary shall be not less than One Hundred Fifty Thousand Dollars ($150,000) per year, paid on a semi-monthly basis. Employee shall be considered for salary increases on the basis of merit on an annual basis, with any future increases subject to the sole discretion of Summit FGI.

(b) <u>Bonus</u>. In addition to the base salary provided for herein, Employee shall be eligible for incentive-based bonuses subject to goals and criteria to be determined by the Board of Directors of Summit FGI; *provided*, however, that any such plans, if required to be aggregated for Code Section 409A purposes with this Employment Agreement or any other agreement between Employee and Summit FGI or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder.

(c) <u>Paid Leave</u>. Employee shall be entitled to all paid leave as provided by Summit FGI to other similarly-situated officers.

(d) Fringe Benefits. Except as specified below, Summit FGI shall afford to Employee the benefit of all fringe benefits afforded to all other similarly-situated employees of Summit FGI, including but not limited to retirement plans, stock ownership or stock option plans, life insurance, disability, health and accident insurance benefits or any other fringe benefit plan now existing or hereinafter adopted by Summit FGI, subject to the terms and conditions thereof. *Provided,* that any such plans, if required to be aggregated for Code Section 409A purposes with this Employment Agreement or any other agreement between Employee and Summit FGI or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder.

(e) Business Expenses. Summit FGI shall reimburse Employee for reasonable expenses incurred by Employee in carrying out his duties and responsibilities, all provided such expense is incurred by Employee prior to Separation from Service, including but not limited to reimbursing civic club organization dues and reasonable expenses for customer entertainment. The reimbursement of an eligible expense shall be made by Summit FGI no later than the last day of Employee's taxable year during which the expense was incurred, or if later, the fifteenth day of the third month after such expense was incurred, and Employee is required to request reimbursement and substantiate any such expense no later than ten days prior to the last date on which Summit FGI is required to provide reimbursement for such expense hereunder. The amount of expenses eligible for reimbursement under this Paragraph 4(e) during Employee's taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. The right to reimbursement under this Paragraph 4(e) is not subject to liquidation or exchange for another benefit. In addition, the right to reimbursement of eligible expenses under this Paragraph 4(e) is subject to the provisions of Paragraph 1(j) to the extent applicable.

(f) Automobile. Summit FGI shall provide Employee with the use of an automobile for the Employee's business and personal use. Summit FGI shall be responsible for expenses associated with the vehicle including but not limited to taxes, gasoline, licenses, maintenance, repair, insurance and reasonable cellular phone charges. Employee shall be subject to tax for his personal use of the vehicle in accordance with the Internal Revenue Code and any applicable state law. Upon approval of the Chief Executive Officer of Summit FGI, appropriate replacement vehicles shall be provided in the future, but in no event less frequently than every third model year. If Employee Separates from Service not for Good Cause, or if Employee Separates from Service for Good Reason, or if Summit FGI terminates Employee's employment in a manner constituting Wrongful Termination which results in Employee's Separation from Service, then Employee shall be entitled to retain the vehicle provided hereunder and title thereto shall be transferred to Employee on the date of Employee's Separation from Service, but in all other respects the benefits provided under this Paragraph 4(f) shall cease upon Employee's Separation from Service. In addition, notwithstanding anything to the contrary herein, the following provisions will apply with respect to benefits provided under this Paragraph 4(f): (i) in-kind benefits provided under this Paragraph 4(f) during any taxable year of Employee shall not affect the in-kind benefits to be provided under this Paragraph 4(f) in any other taxable year; (ii) if the provision of benefits under this Paragraph 4(f) is to be done by means of reimbursement, the reimbursement of an eligible benefit expense under this Paragraph 4(f) must be made on or before the last day of Employee's taxable year following the taxable year in which the expense was incurred, (iii) no rights to reimbursement or in-kind benefits under this Paragraph 4(f) shall be subject to liquidation or exchange for any other benefit, and (iv) benefits provided under this Paragraph 4(f) shall be subject to the provisions of Paragraph 1(j) to the extent applicable.

5. **Termination for Good Cause.** Subject to the provisions of Paragraph 7 below, if Employee terminates his employment with Summit FGI for any reason or Summit FGI terminates Employee's employment for Good Cause, Employee shall not be entitled to any compensation other than that which is earned and payable as of the effective date of termination of employment, which shall be paid to Employee in accordance with Summit FGI's normal payroll procedures.

6. **Termination Not for Good Cause.** Employee's employment may be terminated by Summit FGI for any reason permitted under applicable law so long as Employee is given thirty (30) days advance written notice (or payment in lieu thereof). In the event of a termination pursuant to this paragraph resulting in Employee's Separation from Service, subject to the provisions of Paragraph 7 below, Employee shall be entitled to payment from Summit FGI equal to the base salary compensation set forth in this Employment Agreement for the remaining term of the Employment Agreement, or severance pay equal to 100% of his then current annual base salary, whichever is greater. Said cash payment shall be paid in a lump sum on the date of Employee's Separation from Service, subject to the provisions of Paragraph 1(j) to the extent applicable. The severance compensation set forth in this Paragraph 6 shall not be duplicative of any compensation to which Employee may be entitled pursuant to Paragraph 7 of this Employment Agreement. In the event that Employee is entitled to compensation pursuant to Paragraph 7 of this Employment Agreement, this Paragraph 6 shall not apply.

7. <u>Termination for Good Reason or Wrongful Termination, or at Employee's Option Upon Change of Control</u>

(a) Except as hereinafter provided, if Employee terminates his employment with Summit FGI for Good Reason or Summit FGI terminates Employee's employment in a manner constituting Wrongful Termination, resulting in Employee's Separation from Service, Summit FGI hereby agrees to pay Employee a cash payment equal to Employee's Salary, on a monthly basis, multiplied by the number of months between the date of Separation from Service and the date that is twenty-four (24) months after the date of consummation of Change of Control; provided that in no event shall Employee receive a lump sum payment that is less than 100% of his Salary. Said cash payment shall be paid in a lump sum on the date of Employee's Separation from Service, subject to the provisions of Paragraph 1(j) to the extent applicable. In addition, Employee shall have the right to terminate his employment without reason at his option within six (6) months after a Change of Control, resulting in Employee's Separation from Service, by giving written notice of termination. In this case, Employee will be entitled to receive a cash payment equal to seventy five percent of his Salary, and said cash payment shall be paid in a lump sum on the date of Employee's Separation from Service, subject to the provisions of Paragraph 1(j) to the extent applicable.

(b) For the year in which Employee terminates his employment with Summit FGI for Good Reason or Summit FGI terminates Employee's employment in a manner constituting Wrongful Termination, resulting in Employee's Separation from Service, Employee will be entitled to receive his reasonable share of Summit FGI's cash bonuses and employee benefit plan contributions, if any, allocated in accordance with existing policies and procedures and authorized by the Board of Directors of Summit FGI prior to the Change in Control. The amount of Employee's cash incentive award shall not be reduced due to Employee not being actively employed for the full year. Such bonuses, if any, shall be paid to Employee in a lump sum on the date of Employee's Separation from Service, taking into account the provisions of Paragraph 1(i), and subject to the provisions of Paragraph 1(j) to the extent applicable.

(c) If compensation pursuant to Paragraph 7(a) is payable, Employee will continue to participate, without discrimination, for the number of months between the date of Separation from Service and the date that is twenty-four (24) months after the date of the consummation of the Change of Control, in benefit plans (such as retirement, disability and medical insurance) maintained after any Change of Control for employees, in general, of Summit FGI and/or any successor organization(s), provided Employee's continued participation is possible under the general terms and conditions of such plans. In the event Employee's participation in any such plan is barred, Summit FGI shall arrange to provide Employee with benefits substantially similar to those which Employee would have been entitled had his participation not been barred, but only for the period of time specified in the preceding sentence. Notwithstanding the foregoing, if Employee terminates his employment after a Change of Control without reason at his option, as permitted under Paragraph 7(a), then Employee shall be entitled to receive the employee benefits contemplated in this Paragraph 7(c) only for a period of six (6) months after the date of Separation from Service. However, in no event will Employee receive from Summit FGI the employee benefits contemplated by this Paragraph 7(c) if Employee receives comparable benefits from any other source. With respect to any benefits Employee receives under this Paragraph 7(c), the following provisions will apply: (i) in-kind benefits provided under this Paragraph 7(c) during any taxable year of Employee shall not affect the in-kind benefits to be provided under this Paragraph 7(c) in any other taxable year; (ii) if the provision of benefits under this Paragraph 7(c) is to be done by means of reimbursement, the reimbursement of an eligible benefit expense under this Paragraph 7(c) must be made on or before the last day of Employee's taxable year following the taxable year in which the expense was incurred, (iii) no rights to reimbursement or in-kind benefits under this Paragraph 7(c) shall be subject to liquidation or exchange for any other benefit, and (iv) benefits provided under this Paragraph 7(c) shall be subject to the provisions of Paragraph 1(j) to the extent applicable.

(d) The compensation set forth in this Paragraph 7 shall not be duplicative of any compensation to which Employee may be entitled pursuant to Paragraph 6 of this Employment Agreement.

8. **Other Employment.** Employee shall not be required to mitigate the amount of any payment provided for in this Employment Agreement by seeking other employment. The amount of any payment provided for in this Employment Agreement shall not be reduced by any compensation earned or benefits provided (except as set forth in Paragraph 7(c) above) as the result of employment by another employer after the date of termination.

9. **Rights of Summit FGI Prior to the Change of Control.** This Employment Agreement shall not affect the right of Summit FGI to terminate Employee, or to reduce the salary or benefits of Employee, with or without Good Cause, prior to any Change of Control; provided, however, any termination resulting in Employee's Separation from Service for any reason other than at Employee's option, Good Cause or the death, Disability or Retirement of Employee that takes place before any Change of Control but after discussions have commenced that result in a Change of Control shall be presumed to be a Wrongful Termination, absent clear and convincing evidence to the contrary.

10. **Noncompetition and Nonsolicitation.** In consideration of the covenants set forth herein, including but not limited to the compensation set forth in Paragraphs 4, 6 and 7 above, Employee agrees as follows:

(a) For the entire duration of Employee's employment with Summit FGI and for two (2) years following the termination of such employment for any reason by either Employee or Summit FGI (the "Restricted Period"), Employee shall not (i) within a seventy-five (75) mile radius of Summit FGI and/or its affiliates directly or indirectly engage in any business or activity of any nature whatsoever that is competitive with the business of Summit FGI or its affiliates or (ii) sell or solicit the sale of, any services or products related thereto, directly or indirectly, to any of Summit FGI's or its affiliates' customers or clients within the State of West Virginia, the Commonwealth of Virginia or any other states in which Summit FGI and/or its affiliates conducts such business or sells services in the future. Notwithstanding the foregoing, this noncompetition covenant shall not apply to the business and activities conducted by Summit

Mortgage, a division of Shenandoah Valley National Bank, unless such business and activities are conducted in the State of West Virginia, Virginia or any other state in which other affiliates of Summit FGI also engage in any business or activity or sell or solicit services in the future.

(b) Without limitation of the foregoing, during the Restricted Period, Employee shall not serve as a proprietor, partner, officer, director, stockholder, employee, sales representative or consultant for any organization, company or business entity of any type that engages in any business or activity of any nature whatsoever described in Paragraph 10(a) above, provided however that this provision will not prohibit Employee from (i) owning bonds, non-voting preferred stock or up to five percent (5%) of the outstanding common stock of any such entity if such common stock is publicly traded, or (ii) accepting a position with a nationally- recognized professional services firm, provided that in such capacity, Employee does not render services, directly or indirectly, to any client or customer of such firm that engages in any business or activity described in Paragraph 10(a), above.

(c) Employee acknowledges and agrees that in the event of the breach or threatened breach of this provision, the harm and damages that will be suffered by Summit FGI are not susceptible of calculation or determination with a reasonable degree of certainty, and cannot be fully remedied by an award of money damages or other remedy at law. Employee further acknowledges and agrees that considering Employee's relevant background, education and experience, Employee will be able to earn a livelihood without violating the foregoing restrictions. In addition to any and all other rights and remedies available to Summit FGI in the event of any threatened, actual or continuing breach of this covenant not to compete, Employee consents to and acknowledges Summit FGI's right and option to seek and obtain in any court of competent jurisdiction a preliminary and/or permanent injunction in respect of any threatened, actual or continuing breach of the covenant not to compete set forth herein.

(d) In the event that this provision shall be deemed by any court or body of competent jurisdiction to be unenforceable in whole or in part by reason of its extending for too long a period of time, or too great a geographical area or over too great a range of activities, or overly broad in any other respect or for any other reason, then and in such event this Employment Agreement shall be deemed modified and interpreted to extend over only such maximum period of time, geographical area or range of activities, or otherwise, so as to render these provisions valid and enforceable, and as so modified, these provisions shall be enforceable and enforced.

(e) This Paragraph 10 shall not apply in any respect to Employee, unless Employee agrees otherwise in writing, in the event of the consummation of a Change in Control or in the event of Employee's termination by Summit FGI for other than Good Cause.

11. <u>Confidential Information</u>.

(a) Employee agrees not to use, publish or otherwise disclose (except as Employee's duties may require), either during or at any time subsequent to his/her employment, any secret, proprietary or confidential information or data of Summit FGI or any information or data of others that Summit FGI or its affiliates is obligated to maintain in confidence. Employee understands that the use, publication or other disclosure of such information may violate privacy rights, as well as expose Summit FGI or its affiliates to financial loss, competitive disadvantage and/or embarrassment. Employee also understands that it is Employee's duty to take adequate care to ensure that such secret, proprietary or confidential information is not used, published or otherwise disclosed by others. Notwithstanding the foregoing, nothing herein shall prevent Employee from utilizing the knowledge and experience he has acquired in the banking industry.

(b) Employee also agrees upon any termination of his/her employment to deliver to Summit FGI promptly all items that belong to Summit FGI or that by their nature are for the use of employees of Summit FGI only, including, without limitation, all written and other materials that are of a secret, proprietary or confidential nature relating to the business of Summit FGI and/or Summit FGI's affiliates. All business developed and produced by Employee while in the employ of Summit FGI is the exclusive property of Summit FGI unless specifically excluded in this Agreement. Employee shall not, during the term of this Agreement or any time thereafter, intentionally interfere with any business or contractual relationship of Summit FGI.

(c) For purposes of this Employment Agreement, the terms “secret” or confidential” are used in the ordinary sense and do not refer to official security classifications of the United States Government. Without limitation, examples of materials, information and data that are considered to be of a secret or confidential nature are for purposes of this Employment Agreement include but are not limited to drawings, manuals, customer lists, notebooks, reports, models, inventions, formulas, incentive plans, processes, machines, compositions, computer programs, accounting methods, business plans and information systems including such materials, information and data that are in machine-readable form.

12. **No Prior Obligation.** Other than this Employment Agreement, Employee represents that there are no agreements, covenants or arrangements, whether written or oral, in effect which would prevent him from rendering service to Summit FGI during the term of this employment and he has not made and will not make any commitments, become associated, either directly or indirectly, in any manner, as partner, officer, director, stockholder, advisor, employee or in any other capacity in any business or organization, unless such activity complies with Summit FGI’s Code of Ethics. Employee expressly agrees to indemnify and hold harmless Summit FGI, its affiliates, and Summit FGI’s and its affiliates’ directors, officers and employees from any and all liability resulting from or arising under the breach of this representation and warranty. This indemnification is in addition to and not in substitution of rights Summit FGI may have against Employee at common law or otherwise.

13. **Successors; Binding Agreement; Exclusive Remedy.**

(a) Summit FGI will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business stock and/or assets of Summit FGI, by agreement in form and substance satisfactory to Employee, to expressly assume and agree to perform this Employment Agreement.

(b) This Employment Agreement and all rights of Employee hereunder shall inure to the benefit of and be enforceable by Employee’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If Employee should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Employment Agreement to Employee's devisee, legatee, or other designee or, if there be no such designee, to Employee's estate.

(c) This Employment Agreement shall represent the exclusive and only remedy of Employee in the event a termination occurs after a Change in Control. Summit FGI and Employee agree that it is impossible to determine with any reasonable accuracy the amount of prospective damages to either party should Employee be terminated or terminate his employment during the term of this Employment Agreement. Summit FGI and Employee agree that the payment provided herein is reasonable and not a penalty, based upon the facts and circumstances of the parties at the time of entering this Employment Agreement, and with due regard to future expectations.

14. **Arbitration.** Except for any dispute arising out of the obligations set forth in Paragraph 10 of this Employment Agreement, any dispute between the parties arising out of or with respect to this Employment Agreement or any of its provisions or Employee's employment with Summit FGI shall be resolved by the sole and exclusive remedy of binding arbitration. Unless otherwise agreed by the parties, the arbitration shall be conducted in Moorefield, West Virginia under the auspices of, and in accordance with the rules of the American Arbitration Association. Any decision issued by an arbitrator in accordance with this provision shall be final and binding on the parties thereto and not subject to appeal or civil litigation.

15. ***Notice.*** For the purposes of this Employment Agreement, notices, demands and other communications provided for in the Employment Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by the United States registered mail, return receipt requested, postage prepaid, addressed as follows:

If to Employee: ____________________

____

____

If to Summit FGI: Summit Financial Group, Inc.
Attn: H. Charles Maddy, III, President & CEO
P. O. Box 179
Moorefield, WV 26836

or such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

16. **Indemnification.** To the fullest extent permitted under applicable West Virginia law and federal banking law, Summit FGI agrees that it will indemnify and hold Employee harmless from and against all costs and expenses, including without limitation, all court costs and attorney's fees, incurred by Employee during his lifetime in defending any and all claims, demands, proceedings, suits or actions actually instituted or threatened by third parties involving this Employment Agreement, its validity or enforceability or with respect to payments to be made pursuant thereto; *provided*, that in the event Employee becomes entitled to reimbursement under this Paragraph 16, the following provisions shall apply: (i) reimbursement provided under this Paragraph 16 during any taxable year of Employee shall not affect reimbursement to be provided under this Paragraph 16 in any other taxable year; (ii) reimbursement under this Paragraph 16 shall be made thirty (30) days after Employee requests reimbursement hereunder, *provided* that in no event shall any payment under this Paragraph 16 be made after the last day of Employee's taxable year following the taxable year in which the expense was incurred, (iii) no rights to reimbursement under this Paragraph 16 shall be subject to liquidation or exchange for any other benefit, and (iv) reimbursement provided under this Paragraph 16 shall be subject to the provisions of Paragraph 1(j) to the extent applicable.

17. **Additional Payment by Summit FGI.**

a. Gross-Up Payment. Notwithstanding anything in this Employment Agreement to the contrary, in the event it shall be determined that any payment or distribution by Summit FGI and any of its subsidiaries and affiliates to or for the benefit of Employee (whether paid or payable or distributed or distributable pursuant to this Employment Agreement, the Executive Salary Continuation Agreement between Summit FGI and Employee, or any other agreement, contract, plan or arrangement, but determined without regard to any additional payments required under this Paragraph 17) (any such payments and distributions collectively referred to as

“Payments”), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any similar tax that may hereinafter be imposed or any interest and penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the “Excise Tax”), then Summit FGI shall pay to Employee an additional payment (the “Gross-Up Payment”) equal to one hundred percent (100%) of the Excise Tax and one hundred percent (100%) of the amount of any federal, state and local income taxes and Excise Tax imposed on the Gross-Up Payment, all provided that any and all such Gross-Up Payment or Payments shall be paid to Employee thirty (30) days after Employee remits the taxes with respect to which such Gross-Up Payment is made, all subject to the provisions of Paragraph 1(j) to the extent applicable.

b . Determination of Gross-Up Payment. All determinations required to be made under this paragraph 17 including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by the firm of independent accountants selected by Summit FGI to audit its financial statements (the “Accounting Firm”) which shall provide either before or no later than twenty (20) days after Employee remits any such taxes, detailed supporting calculations both to Summit FGI and Employee. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a “change in control,” Employee shall appoint another nationally recognized accounting firm to make, either before or no later than twenty (20) days after Employee remits any such taxes, the determinations required hereunder (which accounting firm shall then be referred to as the “Accounting Firm” hereunder). All fees and expenses of the Accounting Firm shall be borne solely by Summit FGI.

18. **Miscellaneous.** No provisions of this Employment Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Employee and authorized officers of Summit FGI, all provided that (i) no modification, waiver or discharge shall be effective if it would, if effective, cause this Employment Agreement to violate Code Section 409A and the regulations and guidance thereunder or cause any amount of compensation or payment hereunder to be subject to a penalty tax under Code Section 409A and the regulations and guidance issued thereunder, which amount of compensation or payment would not have been subject to a penalty tax under Code Section 409A and the regulations and guidance thereunder in the absence of such modification, waiver or discharge, and (ii) the provisions of this paragraph 18 are irrevocable. No waiver by either party hereto at any time of any breach by the other hereto of, or compliance with, any condition or provisions of this Employment Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

19. **Validity.** The invalidity or unenforceability of any provision or provisions of this Employment Agreement shall not affect the validity or enforceability of any other provisions of this Employment Agreement, which shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Employment Agreement to be signed as of the day and year first above written.

SUMMIT FINANCIAL GROUP, INC.

By: /s/ H. Charles Maddy, III

Its: President

____

EMPLOYEE NAME

Exhibit 10.5

FORM OF EXECUTIVE SALARY CONTINUATION AGREEMENT THAT SUPERSEDES AND REPLACES THE EXECUTIVE SALARY CONTINUATION AGREEMENT EFFECTIVE JANUARY 1, 2006

THIS AGREEMENT, made and entered into as of the 1st day of January, 2008, provided, however, that all provisions applicable to compliance under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") shall be effective as of January 1, 2005, by and between Summit Financial Group, Inc., a corporation organized and existing under the laws of the State of West Virginia (hereinafter referred to as the "Company"), and ______________________, an Executive of the Company (hereinafter referred to as the "Executive").

WHEREAS, the Company and the Executive are currently parties to an Executive Salary Continuation Agreement signed on July 19, 2007 and effective January 1, 2006 (which superseded and replaced the original Agreement, an Executive Supplemental Retirement Plan effective the 25th day of January, 2002, and a subsequent amendment thereto), that provides for the payment of certain benefits. This Executive Salary Continuation Agreement and the benefits provided hereunder shall supersede and replace the existing Executive Salary Continuation Agreement and the benefits provided thereby;

WHEREAS, the Executive has been and continues to be a valued Executive of the Company who is a member of a select group of management or a highly-compensated employee of the Company;

WHEREAS, the purpose of this Agreement is to further the growth and development of the Company by providing the Executive with supplemental retirement income, and thereby encourage the Executive's productive efforts on behalf of the Company and the Company's shareholders, and to align the interests of the Executive and those shareholders;

WHEREAS, it is the desire of the Company and the Executive to enter into this Agreement under which the Company will agree to make certain payments to the Executive at retirement or the Executive's Beneficiary in the event of the Executive's death pursuant to this Agreement; and

WHEREAS, the Company intends this Agreement to comply with Final Regulations and Transition Relief promulgated by the Internal Revenue Service pursuant to Code Section 409A, and accordingly, notwithstanding any other provisions of this Agreement, this amendment applies only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, and (iii) an amount to be paid in 2008 that would not otherwise be payable in such year, and to the extent necessary to qualify under such Transition Relief to not be treated as a change in the form and timing of a payment under Code Section 409A(a)(4) or an acceleration of a payment under Code Section 409A(a)(3), the Executive, by executing this Agreement, shall be deemed to have elected the form and timing of distribution provisions of this Agreement, on or before December 31, 2008.

ACCORDINGLY, it is intended that the Agreement be "unfunded" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and not be construed to provide income to the participant or beneficiary under the Code, particularly Section 409A of the Code and guidance or regulations issued thereunder, prior to actual receipt of benefits; and

THEREFORE, it is agreed as follows:

I. EFFECTIVE DATE

Except as otherwise provided herein, the Effective Date of this Agreement shall be January 1, 2008, provided, however, that all provisions applicable to compliance under Code Section 409A shall be effective as of January 1, 2005.

II. FRINGE BENEFITS

The salary continuation benefits provided by this Agreement are granted by the Company as a fringe benefit to the Executive and are not part of any salary reduction plan or an arrangement deferring a bonus or a salary increase. The Executive has no option to take any current payment or bonus in lieu of these salary continuation benefits except as set forth hereinafter.

III. DEFINITIONS

A. <u>Retirement Date:</u>
If the Executive remains in the continuous employ of the Company until at least the Executive's Normal Retirement Age, (except as otherwise set forth in Paragraph IX,) and provided that no determination of Disability of Executive, at any time prior to Executive's Normal Retirement Age, has been made, (regardless of any return to active service of Executive subsequent to any such determination of Disability,) the Executive's Retirement Date shall be the date on which the Executive attains the age of sixty-five (65) years or has a Separation from Service, whichever is later.

B. <u>Normal Retirement Age:</u>
Normal Retirement Age shall mean the date on which the Executive attains age sixty-five (65).

C. <u>Plan Year</u>:
Any reference to "Plan Year" shall mean a calendar year from January 1 to December 31. In the year of implementation, the term "Plan Year" shall mean the period from the effective date to December 31 of the year of the effective date.

D. Termination of Employment:

Termination of Employment shall mean voluntary resignation of employment by the Executive, or the Company's discharge of the Executive without cause (*i.e.,* a discharge of the Executive by the Company that does not satisfy the definition of discharge "for cause" set forth in Subparagraph III [F]).

E. Separation from Service:

"Separation from Service" shall mean that the Executive has experienced a Termination of Employment from the Company. However, the employment relationship is treated as continuing intact while the Executive is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the Executive's right to reemployment with the Company or any Affiliate is provided either by statute or by contract. If the period of leave exceeds six months and the Executive's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Executive to be unable to perform the duties of his position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A including, but not limited to:

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported Termination of Employment or Separation from Service,

(ii) in any instance in which the Executive is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Agreement and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance Executive shall only be considered to meet the requirements of a Separation from Service hereunder if such Executive meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Agreement which would otherwise apply,

(iii) in any instance in which Executive is an employee and an independent contractor of the Company or any Affiliate or both, the Executive must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if Executive provides services both as an employee and a member of the Board of Directors of the Company or any Affiliate or both or any combination thereof, the services provided as a director are not taken into account in determining whether the Executive has had a Separation from Service as an employee under this Agreement, provided that no plan in which Executive participates or has participated in his capacity as a director is an Aggregated Plan, and

(iv) a determination of whether a Separation from Service has occurred shall be made in accordance with Treasury Regulations Section 1.409A-1(h)(4) or any similar or successor law, regulation or guidance of like import, in the event of an asset purchase transaction as described therein.

F. Discharge for Cause:
The term "for cause" shall mean for the conviction of Executive for commission of a felony against the Company or any Affiliate. If a dispute arises as to discharge "for cause," such dispute shall be resolved by arbitration as set forth in this Executive Plan. In the alternative, if the Executive is permitted to resign due to conviction of a felon as described above, the Board of Directors may vote to deny all benefits. A majority decision by the Board of Directors is required for forfeiture of the Executive's benefits under the preceding sentence.

G. Change of Control:
"Change of Control" shall mean with respect to (i) the Company or an Affiliate for whom the Executive is performing services at the time of the Change in Control Event; (ii) the Company or any Affiliate that is liable for the payment to the Executive hereunder (or all corporations liable for the payment if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of service by the Executive for Company or such corporation (or corporations) or there is a bona fide business purpose for Company or such corporation or corporations to be liable for such payment and, in either case, no significant purpose of making Company or such corporation or corporations liable for such payment is the avoidance of Federal Income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in paragraph (i) or (ii) of this section, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in paragraph (i) or (ii) of this section, a Change in Ownership or Effective Control or a Change in the Ownership of a Substantial Portion of the Assets of a Corporation as defined in Section 409A of the Code, and the regulations or guidance issued by the Internal Revenue Service thereunder, meeting the requirements of a "Change in Control Event" thereunder.

H. Restriction on Timing of Distribution:

Notwithstanding any provision of this Agreement to the contrary, distributions of deferred compensation (within the meaning of Code Section 409A) under this Plan to the Executive may not commence earlier than six (6) months after the date of a Separation from Service if, pursuant to Code Section 409A and the regulations and guidance thereunder, the Executive is considered a "specified employee" of the Company if any stock of the Company or any parent thereof is publicly traded on an established securities market or otherwise. In the event a distribution of deferred compensation under this Plan is delayed pursuant to this paragraph, the originally scheduled payment shall be delayed until six months after the date of Separation from Service and shall commence instead on the first day of the seventh month following Separation from Service, as follows: if payments are scheduled under this Plan to be made in installments, all such installment payments which would have otherwise been paid within six (6) months after the date of a Separation from Service shall be delayed, aggregated, and paid instead on the first day of the seventh month after Separation from Service, after which all installment payments shall be made on their regular schedule; if payment is scheduled under this Plan to be made in a lump sum, the lump payment shall be delayed until six months after the date of Separation from Service and instead be made on the first day of the seventh month after the date of Separation from Service. This Subparagraph III [H] shall only apply to delay the payment of deferred compensation to specified employees as required by Code Section 409A and the regulations and guidance issued thereunder.

I. Beneficiary:

The Executive shall have the right to name a Beneficiary of any benefit payable under this Agreement on the Executive's death. The Executive shall have the right to name such Beneficiary at any time prior to the Executive's death and submit it to the Plan Administrator (or Plan Administrator's representative) on the form provided. Once received and acknowledged by the Plan Administrator, the form shall be effective. The Executive may change a Beneficiary designation at any time by submitting a new form to the Plan Administrator. Any such change shall follow the same rules as for the original Beneficiary designation and shall automatically supersede the existing Beneficiary form on file with the Plan Administrator.

If the Executive dies without a valid Beneficiary designation on file with the Plan Administrator, death benefits shall be paid to the Executive's estate.

If the Plan Administrator determines in its discretion that a benefit is to be paid to a minor, to a person declared incompetent, or to a person incapable of handling the disposition of that person's property, the Plan Administrator may direct distribution of such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship as it may deem appropriate prior to distribution of the benefit. Any distribution of a benefit shall be a distribution for the account of the Executive and the

Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Agreement for such distribution amount.

J. Disability:
"Disability" shall mean the Executive: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company. Medical determination of Disability may be made by either the Social Security Administration or by the provider of an accident or health plan covering employees of the Company. Upon the request of the Plan Administrator, the Executive must submit proof to the Plan Administrator of Social Security Administration's or the provider's determination. Notwithstanding any of the foregoing, the term "Disability" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A and the regulations and guidance thereunder.

IV. RETIREMENT BENEFIT AND POST-RETIREMENT DEATH BENEFIT

Upon attainment of the Retirement Date, (as set forth in Subparagraph III [A,] subject to the provisions of Paragraph IX,) the Company shall pay the Executive an annual benefit equal to One Hundred Twenty Five Thousand ($125,000), the "Retirement Benefit." Said Retirement Benefit shall be paid in equal monthly installments (1/12th of the annual benefit) until the death of the Executive. Said payment shall commence the first day of the month following (i) the date of such Separation from Service, or (ii) if applicable, in accordance with the Restriction on Timing of Distribution, whichever is later. Upon the death of the Executive after attainment of the Retirement Date, (as set forth in III [A,] subject to the provisions of Paragraph IX,) if there is a balance in the accrued liability retirement account, an amount equal to such balance shall be paid in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death.

V. DEATH BENEFIT PRIOR TO RETIREMENT

In the event the Executive should die while actively employed by the Company at any time after the date of this Agreement but prior to the Executive's Separation from Service, and prior to any determination of Disability (as provided in Paragraph X) the Company will pay an amount equal to the accrued balance on the date of death of the Executive's accrued liability retirement account in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death.

VI. BENEFIT ACCOUNTING/ACCRUED LIABILITY RETIREMENT ACCOUNT

Notwithstanding any provision herein to the contrary, the provisions of this Paragraph VI, shall be effective beginning January 1, 2006. Prior to the date on which Executive attains Executive's Normal Retirement Age, and during the time that Executive continues in the employment of Company, (or after Separation from Service but before Executive has attained Normal Retirement Age if a Change in Control has occurred and Executive has thereafter had a Separation from Service as set forth in Paragraph IX,) and provided this Agreement is in effect, the Company shall account for this benefit using Generally Accepted Accounting Principles ("GAAP"). Prior to the date on which Executive attains Executive's Normal Retirement Age and during the time that Executive continues in the employment of Company, and prior to any determination of Disability of Executive prior to Executive attaining Normal Retirement Age, (or after Separation from Service but before Executive has attained Executive's Normal Retirement Age if a Change in Control has occurred and Executive has had a Separation from Service as set forth in Paragraph IX) and provided this Agreement is in effect, the Company shall establish an accrued liability retirement account for the Executive into which appropriate reserves shall be accrued sufficient so that if the account were increased ratably each year prior to Executive attaining Normal Retirement Age and during which Executive continued in the employment of Company (or after Separation from Service but before Executive has attained Executive's Normal Retirement Age if a Change in Control has occurred and Executive has had a Separation from Service as set forth in Paragraph IX) and using a compound interest rate as set forth in Schedule A attached hereto and incorporated herein by reference (provided, however, that such interest rate set forth on Schedule A may be changed, for purposes of the calculation of the accrued liability retirement account hereunder, by the Compensation Committee of Company at any time and from time to time but only in good faith and in a manner that the Compensation Committee of the Company reasonably determines to be consistent with industry standards at the time of such change of interest rate herein), sufficient funds would be available to pay the Retirement Benefit to Executive, still assuming a compound interest rate as set forth on Schedule A (again provided, however, as stated above, that such interest rate may be changed, for purposes of the calculation of the accrued liability retirement account hereunder, by the Compensation Committee of the Company at any time and from time to time but only in good faith and in a manner that the Compensation Committee of the Company reasonably determines to be consistent with industry standards at the time of such change of interest rate herein,) for the life expectancy of Executive, based upon the United States Life Insurance Company mortality tables (or tables of a reasonably comparable life insurance company if such mortality tables are no longer available) in effect from time to time as such accruals are made.

The accrued liability retirement account established hereunder shall be for accounting and bookkeeping purposes only, and is not, nor shall be construed to be, an account or trust for the benefit of the Executive. Once payments to Executive commence pursuant to Paragraphs IV, VIII, or IX, such payments shall be applied so as to reduce the balance in the accrued liability retirement account for purposes of any payout of an amount equal to the remaining balance thereof under said Paragraphs.

VII. VESTING

The Executive shall be fully vested in the Retirement Benefit for purposes of any payments to Executive pursuant to Paragraphs IV or IX hereunder. For all other purposes, the Executive shall vest in the Retirement Benefit in accordance with the following schedule from the Effective Date of the original Agreement.

Total Years of Employment with the Company from Effective Date of Original Agreement (1/25/02)	*Vested (to a maximum of 100%)*
1	5%
2	10%
3	15%
4	20%
5	25%
6	30%
7	35%
8	40%
9	45%
10	50%
11	50%
12	50%
13	50%
14	50%
15	50%
16	50%
17	50%
18	50%
19	50%
20 or more	100%

VIII. BENEFIT UPON SEPARATION FROM SERVICE PRIOR TO RETIREMENT

A. Resignation of Employee or Discharge Without Cause:

Subject to the provisions of Paragraph IX, (and no payment shall be made under this Paragraph VIII if the provisions of Paragraph IX are applicable,) in the event that the Executive shall incur a Separation from Service prior to Normal Retirement Age, and prior to any determination of Disability, then the Company shall pay to the Executive an annual benefit equal to the vested percentage of the Retirement Benefit, as provided in Paragraph IV (the “Vested Benefit”). Said Vested Benefit shall be paid in equal monthly installments (1/12th of the annual

Vested Benefit) commencing the first day of the month following (i) the date of attainment of Normal Retirement Age or (ii) if applicable, in accordance with the Restriction on Timing of Distribution, whichever is later, until the death of the Executive.

Upon the death of the Executive after commencement of payments provided for in this paragraph, if there is a balance remaining in the accrued liability retirement account, an amount equal to such balance shall be paid in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death.

In the event the Executive's death should occur after Separation from Service under this Section VIII but prior to the commencement of payments provided for in this paragraph, an amount equal to the balance in the accrued liability retirement account shall be paid in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the decease of the Executive.

B. Discharge For Cause or Upon Vote to Deny All Benefits:

In the event the Executive shall be discharged for cause at any time, or should the Board vote to deny all benefits following a discharge for cause as set forth in Subparagraph III [F], this Agreement shall terminate and all benefits provided herein shall be forfeited.

IX. CHANGE OF CONTROL

If the Executive suffers a Separation from Service prior to attaining Normal Retirement Age and within two years after a Change of Control (provided that there has been no determination of Disability prior to such Separation from Service), then the Executive shall receive the Retirement Benefit described in Paragraph IV as if the Executive had been continuously employed by the Company until the Executive's Normal Retirement Age, except that payments under this Paragraph IX shall be paid in equal monthly installments commencing the first day of the month following (i) the date of attainment of Normal Retirement Age or (ii) if applicable, in accordance with the Restriction on Timing of Distribution, whichever is later, until the death of the Executive. The Executive will also remain eligible for all promised death benefits in this Agreement. In addition, no sale, merger or consolidation of the Company shall take place unless the new or surviving entity expressly acknowledges the obligations under this Agreement and agrees to abide by its terms.

X. DISABILITY

In the event that a determination of Disability is made respecting the Executive, during any period of employment prior to Executive attaining Normal Retirement Age (and the

Executive, notwithstanding any other provision of this Agreement, including but not limited to any provision of Subparagraph III [J,] shall not be considered disabled for purposes of this Paragraph X if the Executive has had a Separation from Service prior to such Disability, without returning to active employment with the Company and being actively employed with the Company at the time of such Disability, even if such Separation of Service has taken place after a Change in Control and Executive, although no longer employed by Company, may be eligible for a Retirement Benefit pursuant to Paragraph IX or otherwise), the Company shall establish an account (hereinafter sometimes referred to as the "Disability Account") in an amount equal to the balance as of the date of Disability of Executive of the accrued liability retirement account established on the Executive's behalf pursuant to this Agreement, (provided that the Company shall be required to do so only once for each Executive, and with respect to an Executive who has a determination of Disability prior to Normal Retirement Age and who returns to active employment with the Company and a subsequent determination of Disability, also prior to Normal Retirement Age, is made respecting the Executive, the Company shall not be required to establish a Disability Account other than any Disability Account established upon the first determination of Disability of the Executive.) Interest at a rate equivalent to the Moody's Seasoned Baa Corporate Bond Yield per annum then in effect (or if no such rate is then published or in effect, then at the rate equivalent to the yield of reasonably comparable instruments selected by the Compensation Committee of the Company) shall be accrued and added to the Disability Account and distributions subtracted therefrom until complete distribution hereunder. Upon Executive attaining Normal Retirement Age after a determination of Disability, the Company shall distribute to the Executive, (commencing on the first day of the month following the date the Executive attains the Executive's Normal Retirement Age, and subject to the 'Restriction on Timing of Distribution' as defined in this Agreement,) an amount equal to the balance in the Disability Account of Executive in One Hundred Twenty (120) equal monthly installments. In the event of the death of Executive after a determination of Disability and regardless of whether Executive has attained Normal Retirement Age, any portion of any Disability Account of Executive not yet distributed to Executive hereunder shall be distributed in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death. After a determination of Disability prior to Executive's Normal Retirement Age, no other benefits than those set forth in this Paragraph X will be owed or payable to the Executive or any Beneficiary under this Agreement under any circumstances, including but not limited to, during the period of Disability, upon death, upon attaining Normal Retirement Age or Retirement Date, or in the event of any subsequent return to active service or subsequent period of Disability. The Disability Account established hereunder shall be for accounting and bookkeeping purposes only, and is not, nor shall be construed to be, an account or trust for the benefit of the Executive. Once payments to Executive commence pursuant to this Paragraph X, such payments shall be applied so as to reduce the balance in the Disability Account for purposes of any payout of an amount equal to the remaining balance thereof.

XI. RESTRICTION UPON FUNDING

The Company shall have no obligation to set aside, earmark or entrust any fund or money with which to pay its obligations under this Executive Plan. The Executive, their beneficiary(ies), or any successor in interest shall be and remain simply a general creditor of the Company in the same manner as any other creditor having a general claim for matured and unpaid compensation.

The Company reserves the absolute right, at its sole discretion, to either fund the obligations undertaken by this Executive Plan or to refrain from funding the same and to determine the extent, nature and method of such funding. Should the Company elect to fund this Executive Plan, in whole or in part, through the purchase of life insurance, mutual funds, disability policies or annuities, the Company reserves the absolute right, in its sole discretion, to terminate such funding at any time, in whole or in part. At no time shall any Executive be deemed to have any lien, right, title or interest in any specific funding investment or assets of the Company.

If the Company elects to invest in a life insurance, disability or annuity policy on the life of the Executive, then the Executive shall assist the Company by freely submitting to a physical exam and supplying such additional information necessary to obtain such insurance or annuities.

XII. MISCELLANEOUS

A. Alienability and Assignment Prohibition:

Neither the Executive, nor the Executive's surviving spouse, nor any other beneficiary(ies) under this Executive Plan shall have any power or right to transfer, assign, anticipate, hypothecate, mortgage, commute, modify or otherwise encumber in advance any of the benefits payable hereunder nor shall any of said benefits be subject to seizure for the payment of any debts, judgments, alimony or separate maintenance owed by the Executive or the Executive's beneficiary(ies), nor be transferable by operation of law in the event of bankruptcy, insolvency or otherwise. In the event the Executive or any beneficiary attempts assignment, commutation, hypothecation, transfer or disposal of the benefits hereunder, the Company's liabilities shall forthwith cease and terminate.

B. Binding Obligation of the Company and any Successor in Interest:

The Company shall not merge or consolidate into or with another corporation, firm, bank or person or sell substantially all of its assets to another corporation, bank, firm or person until such corporation, bank, firm or person expressly agree, in writing, to assume and discharge the duties and obligations of the Company under this Executive Plan. This Executive Plan shall be binding upon the parties hereto, their successors, beneficiaries, heirs and personal representatives.

C. Amendment or Revocation:

It is agreed by and between the parties hereto that, during the lifetime of the

Executive, this Agreement may be amended or revoked at any time or times, in whole or in part, by the mutual written consent of the Executive and the Company. Any such amendment shall not be effective to decrease or restrict any Executive's accrued benefit under this Agreement, determined as of the date of amendment, unless agreed to in writing by the Executive, and provided further, no amendment shall be made, or if made, shall be effective, if such amendment would cause the Agreement to violate Code Section 409A. In the event this Agreement is terminated, such termination shall not cause acceleration of a distribution of benefits, except under limited circumstances as permitted under Code Section 409A and the regulations and guidance issued thereunder (*e.g.,* 30 days before or 12 months after a Change of Control event, upon termination of all arrangements of the same type, or upon corporate dissolution or bankruptcy).

D. Gender:

Whenever in this Executive Plan words are used in the masculine or neuter gender, they shall be read and construed as in the masculine, feminine or neuter gender, whenever they should so apply.

E. Headings:

Headings and subheadings in this Executive Plan are inserted for reference and convenience only and shall not be deemed a part of this Executive Plan.

F. Applicable Law:

The laws of the State of West Virginia shall govern the validity and interpretation of this Agreement.

G. Partial Invalidity:

If any term, provision, covenant, or condition of this Executive Plan is determined by an arbitrator or a court, as the case may be, to be invalid, void, or unenforceable, such determination shall not render any other term, provision, covenant, or condition invalid, void, or unenforceable, and the Executive Plan shall remain in full force and effect notwithstanding such partial invalidity.

H. Not a Contract of Employment:

This Agreement shall not be deemed to constitute a contract of employment between the parties hereto, nor shall any provision hereof restrict the right of the Company to discharge the Executive, or restrict the right of the Executive to terminate employment.

I. Tax Withholding:

The Company shall withhold any taxes that are required to be withheld, under federal, state or local tax laws, including without limitation under Section 409A of the Code and regulations thereunder, from the benefits provided under this Agreement. The Executive acknowledges that the Company's sole liability regarding taxes is to forward any amounts withheld to the appropriate taxing authority(ies).

J. Opportunity to Consult with Independent Advisors:

The Executive acknowledges that he has been afforded the opportunity to consult with independent advisors of his choosing including, without limitation, accountants or tax advisors and counsel regarding both the benefits granted to him under the terms of this Agreement and the: (i) terms and conditions which may affect the Executive's right to these benefits; and (ii) personal tax effects of such benefits including, without limitation, the effects of any federal or state taxes, Section 280G of the Code, Section 409A of the Code and guidance or regulations thereunder, and any other taxes, costs, expenses or liabilities whatsoever related to such benefits, which in any of the foregoing instances the Executive acknowledges and agrees shall be the sole responsibility of the Executive notwithstanding any other term or provision of this Agreement. The Executive further acknowledges and agrees that the Company shall have no liability whatsoever related to any such personal tax effects or other personal costs, expenses, or liabilities applicable to the Executive and further specifically waives any right for himself or herself, and his or her heirs, beneficiaries, legal representative, agents, successor and assign to claim or assert liability on the part of the Company related to the matters described above in this paragraph. The Executive further acknowledges that he has read, understands and consents to all of the terms and conditions of this Agreement, and that he enters into this Agreement with a full understanding of its terms and conditions.

K. Permissible Acceleration Provision:

Under Code Section 409A(a)(3), a payment of deferred compensation may not be accelerated except as provided in regulations by the Code. Certain permissible payment accelerations include payments necessary to comply with a domestic relations order, payments necessary to comply with certain conflict of interest rules, payments intended to pay employment taxes, and certain de minimis payments related to the Executive's termination of the Executive's interest in the plan. Any permissible payment accelerations under this Agreement shall be at the discretion of Company and shall be consistent with the requirements of Code Section 409A and the regulations and guidance issued thereunder.

L. Supersede and Replace Entire Agreement:

This Agreement shall supersede the Executive Salary Continuation Agreement signed on July 19, 2007 and effective January 1, 2006 (which superseded and replaced the original Agreement, an Executive Supplemental Retirement Plan effective January 25, 2002) and shall replace the entire Agreement of the parties pertaining to this particular Executive Salary Continuation Agreement.

XIII. ADMINISTRATIVE AND CLAIMS PROVISION

A. Plan Administrator:

The "Plan Administrator" of this Executive Plan shall be Summit Financial Group. As Plan Administrator, the Company shall be responsible for the management, control and administration of the Executive Plan. The Plan Administrator may delegate to others certain aspects of the management and operation responsibilities of the Executive Plan including the employment of advisors and the delegation of ministerial duties to qualified individuals.

B. Claims Procedure:

a. Filing a Claim for Benefits:

Any insured, beneficiary, or other individual, ("Claimant") entitled to benefits under this Executive Plan will file a claim request with the Plan Administrator. The Plan Administrator will, upon written request of a Claimant, make available copies of all forms and instructions necessary to file a claim for benefits or advise the Claimant where such forms and instructions may be obtained. If the claim relates to disability benefits, then the Plan Administrator shall designate a sub-committee to conduct the initial review of the claim (and applicable references below to the Plan Administrator shall mean such sub-committee).

b. Denial of Claim:

A claim for benefits under this Executive Plan will be denied if the Company determines that the Claimant is not entitled to receive benefits under the Executive Plan. Notice of a denial shall be furnished the Claimant within a reasonable period of time after receipt of the claim for benefits by the Plan Administrator. This time period shall not exceed more than ninety (90) days after the receipt of the properly submitted claim. In the event that the claim for benefits pertains to disability, the Plan Administrator shall provide written notice within forty-five (45) days. However, if the Plan Administrator determines, in its discretion, that an extension of time for processing the claim is required, such extension shall not exceed an additional ninety (90) days. In the case of a claim for disability benefits, the forty-five (45) day review period may be extended for up to thirty (30) days if necessary due to circumstances beyond the Plan Administrator's control, and for an additional thirty (30) days, if necessary. Any extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

c. Content of Notice:

The Plan Administrator shall provide written notice to every Claimant who is denied a claim for benefits which notice shall set forth the following:

(i.) The specific reason or reasons for the denial;

(ii.) Specific reference to pertinent Executive Plan provisions on which the denial is based;

(iii.) A description of any additional material or information necessary for the Claimant to perfect the claim, and any explanation of why such material or information is necessary; and

(iv.) Any other information required by applicable regulations, including with respect to disability benefits.

d. Review Procedure:

The purpose of the Review Procedure is to provide a method by which a Claimant may have a reasonable opportunity to appeal a denial of a claim to the Plan Administrator for a full and fair review. The Claimant, or his duly authorized representative, may:

(i.) Request a review upon written application to the Plan Administrator. Application for review must be made within sixty (60) days of receipt of written notice of denial of claim. If the denial of claim pertains to disability, application for review must be made within one hundred eighty (180) days of receipt of written notice of the denial of claim;

(ii.) Review and copy (free of charge) pertinent Executive Plan documents, records and other information relevant to the Claimant's claim for benefits;

(iii.) Submit issues and concerns in writing, as well as documents, records, and other information relating to the claim.

e. Decision on Review:

A decision on review of a denied claim shall be made in thefollowing manner:

(i.) The Plan Administrator may, in its sole discretion, hold a hearing on the denied claim. If the Claimant's initial claim is for disability benefits, any review of a denied claim shall be made by members of the Plan Administrator other than the original decision maker(s) and such person(s) shall not be a subordinate of the original decision maker(s). The decision on review shall be made promptly, but generally not later than sixty (60) days after receipt of the application for review. In the event that the denied claim pertains to disability, such decision shall not be made later than forty-five (45) days after receipt of the application for review. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial sixty (60) day period. In no event shall the extension exceed a period of sixty (60) days from the end of the initial period. In the event the denied claim pertains to disability, written notice of such extension shall be furnished to the Claimant prior to the termination of the initial forty-five (45) day period. In no event shall the extension exceed a period of thirty (30) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

(ii.) The decision on review shall be in writing and shall include specific reasons for the decision written in an understandable manner with specific references to the pertinent Executive Plan provisions upon which the decision is based.

(iii.) The review will take into account all comments, documents, records and other information submitted by the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination. Additional considerations shall be required in the case of a claim for disability benefits. For example, the claim will be reviewed without deference to the initial adverse benefits determination and, if the initial adverse benefit determination was based in whole or in part on a medical judgment, the Plan Administrator will consult with a health care professional with appropriate training and experience in the field of medicine involving the medical judgment. The health care professional who is consulted on appeal will not be the same individual who was consulted during the initial determination or the subordinate of such individual. If the Plan Administrator obtained the advice of medical or vocational experts in making the initial adverse benefits determination (regardless of whether the advice was relied upon), the Plan Administrator will identify such experts.

(iv.) The decision on review will include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records or other information relevant to the Claimant's claim for benefits.

f. Exhaustion of Remedies:

A Claimant must follow the claims review procedures under this Executive Plan and exhaust his or her administrative remedies before taking any further action with respect to a claim for benefits.

C. Arbitration:

If claimants continue to dispute the benefit denial based upon completed performance of this Executive Plan or the meaning and effect of the terms and conditions thereof, then claimants may submit the dispute to an Arbitrator in West Virginia for final arbitration. The Arbitrator shall be selected by mutual agreement of the Company and the claimants. The Arbitrator shall operate under the rules then in effect of the American Arbitration Association. The parties hereto agree that they and their heirs, personal representatives, successors and assigns shall be bound by the decision of such Arbitrator with respect to any controversy properly submitted to it for determination.

Where a dispute arises as to the Company's discharge of the Executive "for cause," such dispute shall likewise be submitted to arbitration as above described and the parties hereto agree to be bound by the decision thereunder.

XIV. TERMINATION OR MODIFICATION OF AGREEMENT BY REASON OFCHANGES IN THE LAW, RULES OR REGULATIONS

The Company is entering into this Agreement upon the assumption that certain existing tax laws, rules and regulations will continue in effect in their current form. If any said assumptions should change and said change has a detrimental effect on this Executive Plan, then the Company reserves the right to terminate or modify this Agreement accordingly, but only to the extent necessary to conform this Agreement to the provisions and requirements of any applicable law (including ERISA and the Code, including, but not limited to Section 409A of the Code and regulations thereunder).

Upon a Change of Control, the provisions of Paragraph IX respecting assumption of the obligations of this Agreement by the successor entity shall apply.

IN WITNESS WHEREOF, the parties hereto acknowledge that each has carefully read this Agreement and executed the original thereof on the first day set forth hereinabove, and that, upon execution, each has received a conforming copy.

SUMMIT FINANCIAL GROUP, INC.
Moorefield, West Virginia

/s/ Teresa D. Ely Witness	By: /s/ H. Charles Maddy, III President (Company Officer other than Insured) Title
______________________ **WITNESS**	0 ; ______________________ **EMPLOYEE**

SCHEDULE A

to
EXECUTIVE SALARY CONTINUATION AGREEMENT
BETWEEN SUMMIT FINANCIAL GROUP INC.
AND ____________________________

This Schedule A to the Executive Salary Continuation Agreement between Summit Financial Group, Inc. and ________________________ sets forth the rate of interest under Section VI of the Agreement for purposes of determining the accrued liability reserve and is incorporated as a part of the Agreement. This Schedule A is effective January 1, 2006, and shall remain in effect unless amended or revised according to the provisions set forth in Section VI of the Agreement.

Interest Rate	6.28%

Exhibit 10.6

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") made in duplicate originals this _29th__ day of _December_, 2008, and effective August 1, 1998 (unless specifically stated otherwise), is between SUMMIT FINANCIAL GROUP, INC., formerly known as South Branch Valley Bancorp, Inc., ("Summit"), SUMMIT COMMUNITY BANK, INC. (the "Company"), and RONALD MILLER ("Employee").

WHEREAS, Summit is forming a subsidiary entity (the "Virginia Bank") for purposes of conducting banking operations in the Commonwealth of Virginia;

WHEREAS, Summit offers the terms and conditions of employment hereinafter set forth and the Employee has indicated his willingness to accept such terms and conditions in consideration of his employment with Summit;

WHEREAS, Employee and Summit executed an employment agreement on August 1, 1998, which was thereafter amended July 1, 2000 to provide for the waiver of future merit raises in exchange for establishment of a Supplemental Executive Retirement Plan by Summit for the benefit of Employee;

WHEREAS, under Paragraph 15 said employment agreement may be amended by a writing signed by all the parties hereto; and

WHEREAS, the parties hereto, in the interests of clarity and for other reasons stated herein, and for the purpose of complying with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), wish to amend and restate this Agreement, provided that all provisions applicable to compliance under Code Section 409A shall be effective as of January 1, 2005, and provided further that, notwithstanding any other provisions of this amended and restated Agreement, this amendment applies only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, and (iii) an amount to be paid in 2008 that would not otherwise be payable in such year, and to the extent necessary to qualify under Transition Relief issued under said Code Section 409A to not be treated as a change in the form and timing of a payment under section 409A(a)(4) or an acceleration of a payment under section 409A(a)(3), Employee, by executing this Agreement, shall be deemed to have elected the timing and form of distribution provisions of this amended and restated Agreement, and to otherwise further revise the Agreement all on or before December 31, 2008.

NOW, THEREFORE, in consideration of the mutual promises and covenants made in this Agreement, the parties agree as follows:

1 . **Employment.** The Company and Summit hereby employ Employee and Employee hereby accepts employment as President, Chief Executive Officer and Chairman of the Board of Directors of the Virginia Bank until June 15, 2007, and thereafter as President and Chief Executive Officer of the Company, and as a member of the Board of Directors of the Company, upon the terms and conditions set forth herein.

2. **Term.** The term of this Agreement shall be for three (3) years commencing on July 1, 2000, and ending on June 30, 2003, unless one of the parties terminates this Agreement as provided herein. On July 1, 2003, and every three years thereafter (the "Anniversary Date"), the Agreement shall renew automatically for an additional three years unless either the Board of Directors of Company or Employee gives contrary written notice to the other no later than the Anniversary Date. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

3 . **Duties.** Employee shall perform and have all of the duties and responsibilities that may be assigned to him from time to time by the Board of Directors of the Company. Employee shall devote his best efforts on a full-time basis to the performance of such duties.

4 . **Compensation and Benefits.** During the term of employment, the Company agrees to pay Employee a base salary and to provide benefits as set forth in Exhibit A, which is attached hereto and incorporated herein by reference.

5 . **Termination by the Company or Employee.** The employment of Employee with the Company may be terminated by any one of the following means, in which case Employee shall be entitled to such compensation as is described below:

A. Mutual Agreement. The Employee's employment may be terminated by mutual agreement of the parties upon such terms and conditions as they may agree; *provided*, that if such mutual agreement provides for any payments or in-kind benefits to be paid or granted to Employee it shall be in writing, and *provided further*, that such written mutual agreement, if required to be aggregated for Code Section 409A purposes with this Agreement or any other agreement between Employee and Company, or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder.

B. For Cause.

(1) The Employee's employment may be terminated by the Company for cause consisting of one or more of the reasons specified in Paragraph 5(B)(2)(a) - (e) below; provided, however, that if the cause of termination is for a reason specified in Paragraph 5(B)(2)(a) below, and if in the reasonable judgment of the Board of Directors of the Company the damage incurred by the Company as a result of Employee's conduct constituting cause is damage of a type that is capable of being substantially reversed and corrected, the Company shall give Employee thirty (30) days advance notice of the Company's intention to terminate his employment for cause and a reasonable opportunity to cure the cause of the possible termination to the satisfaction of the Company.

(2) For purposes of this Agreement, the term "cause" shall be defined as follows:

(a) Employee's repeated negligence, malfeasance or misfeasance in the performance of Employee's duties that can reasonably be expected to have an adverse impact upon the business and affairs of the Company;

(b) Employee's commission of any act constituting theft, intentional wrongdoing or fraud;

(c) The conviction of the Employee of a felony criminal offense in either state or federal court;

(d) Any single act by Employee constituting gross negligence or which causes material harm to the reputation, financial condition or property of the Company; or

(e) The death of Employee during the term of this Agreement, in which event the Company shall pay to the estate of the Employee any compensation for services rendered but unpaid prior to the Employee's date of death. Such payment shall be made in a lump sum on the first day of the second month following Employee's date of death.

(3) The Board of Directors of the Company shall determine, in its sole discretion, whether any acts and/or omissions on the part of Employee constitute "cause" as defined above. Notwithstanding the foregoing, Employee shall be entitled to arbitrate a finding of the Board of Directors of "cause" in accordance with Paragraph 9 hereof.

(4) In the event that Company terminates Employee's employment for cause (other than death) as defined above, which results in Employee's Separation from Service, Employee shall be entitled to be paid his regular salary and benefits up to the date of Separation from Service, but not any additional compensation. Any payment

to Employee pursuant to this Paragraph 5(B)(4) shall be paid in a lump sum on the date of Employee's Separation from Service, subject to the provisions of Paragraph 7(D) to the extent applicable.

C. Not for Cause. Employee's employment may be terminated by the Company for any reason permitted under applicable law not specified in Paragraph 5(B) above so long as Employee is given thirty (30) days advance written notice (or payment in lieu thereof). In the event of a termination pursuant to this Paragraph 5(C) which results in Employee's Separation from Service, Employee shall be entitled to payment from the Company equivalent to the base salary compensation set forth in this Agreement for the remaining term of the Agreement or severance pay equal to six (6) months of base salary payments, whichever is greater. Any payment to Employee pursuant to this Paragraph 5(C) shall be paid in a lump sum on the date of Employee's Separation from Service, subject to the provisions of Paragraph 7(D) to the extent applicable.

D. Employee Resignation. Employee recognizes and understands the vital role he plays in the Company's establishment of the Virginia Bank, and therefore agrees not to resign from employment during the initial three-year term of this Agreement except in the event of his disability. If the Employee resigns in violation of this commitment, Employee agrees to comply with the restrictions set forth in Paragraph 6 below.

E. Change in Control. Exhibit B hereto sets forth the rights and responsibilities of the parties in the event of a change in control, as defined therein, and is incorporated herein by reference. *Provided,* that if Employee is entitled to payments upon Separation from Service under this Agreement and also under Exhibit B hereto, the provisions of Exhibit B shall apply in lieu of the provisions of this Agreement.

6. **Noncompetition and Nonsolicitation.** In consideration of the covenants set forth herein, including but not limited to the severance pay set forth in Paragraph 5 and Exhibit A, Employee agrees as follows:

A. For a period of three (3) years after Employee's employment with the Company is terminated by Employee for any reason other than Employee's disability, Employee shall not, directly or indirectly, engage in the business of banking in the City of Winchester or the County of Frederick, Virginia. For purposes of this Paragraph 6(A), being engaged in the business of banking shall mean Employee's presence or work in a bank office in the specified geographic area or Employee's solicitation of business from clients with a primary or principle office in the specified geographic area.

B. During Employee's employment by the Company and for three (3) years after Employee's employment with the Company is terminated by Employee for any reason other than Employee's permanent disability rendering him unable to perform the duties of an officer or director of a banking organization, Employee shall not, on his own behalf or on behalf of any other person, corporation or entity, either directly or indirectly, solicit, induce, recruit or cause another person in the employ of the Company or its affiliates to terminate his or her employment for the purpose of joining, associating or becoming an employee with any business which is in competition with any business or activity engaged in by the Company or its affiliates.

C. Employee further recognizes and acknowledges that in the event of the termination of Employee's employment with the Company for any reason other than Employee's disability, (1) a breach of the obligations and conditions set forth herein will irreparably harm and damage the Company; (2) an award of money damages may not be adequate to remedy such harm; and (3) considering Employee's relevant background, education and experience, Employee believes that he will be able to earn a livelihood without violating the foregoing restrictions. Consequently, Employee agrees that, in the event that Employee breaches any of the covenants set forth in this Paragraph 6, the Company and/or its affiliates shall be entitled to both a preliminary and permanent injunction in order to prevent the continuation of such harm and to recover money damages, insofar as they can be determined, including, without limitation, all costs and attorneys' fees incurred by the Company in enforcing the provisions of this Paragraph 6. Such relief may be sought notwithstanding the arbitration provision set forth in Paragraph 10 below.

7. **Definitions and Special Rules.** For purposes of this Agreement and its Exhibits, including the Change in Control Agreement attached hereto as Exhibit B, the following definitions and special rules shall apply:

A. "Disability" shall mean a physical or mental condition rendering Employee substantially and permanently unable to perform the duties of an officer and director of a banking organization.

B. "Separation from Service" means the severance of Employee's employment with Company or any affiliate for any reason. Employee separates from service with Company or any affiliate if he dies, retires, separates from service because of Employee's Disability, or otherwise has a termination of employment with Company or any affiliate. However, the employment relationship is treated as continuing intact while Employee is on military leave, sick leave, or other *bona fide* leave of absence if the period of such leave does not exceed six months, or if longer, so long as Employee's right to reemployment with Company or any affiliate is provided either by statute or by contract. If the period of leave exceeds six months and Employee's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period.

Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes Employee to be unable to perform the duties of his position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A including, but not limited to:

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported Separation from Service,

(ii) in any instance in which Employee is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Agreement and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance Employee shall only be considered to meet the requirements of a Separation from Service hereunder if Employee meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Agreement which would otherwise apply,

(iii) in any instance in which Employee is an employee and an independent contractor of Company or any affiliate or any combination thereof, Employee must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if Employee provides services both as an employee and a member of the Board of Directors of Company or any affiliate or any combination thereof, the services provided as a director are not taken into account in determining whether Employee has had a Separation from Service as an employee under this Agreement, provided that no plan in which Employee participates or has participated in his capacity as a director is an Aggregated Plan, and

(iv) a determination of whether a Separation from Service has occurred shall be made in accordance with Treasury Regulations Section 1.409A-1(h)(4) or any similar or successor law, regulation or guidance of like import, in the event of an asset purchase transaction as described therein.

C. Date Payments Deemed Made. In accordance with Code Section 409A and to the extent permitted by said Code Section 409A and the regulations and guidance issued thereunder, any payment to or on behalf of Employee under this Agreement or its Exhibits A and B shall be treated as having been made on a date specified in this Agreement or in Exhibit A or B if it is made on a later date within Employee's same taxable year as the designated date, or, if later, if made no later than the fifteenth day of the third month after such designated date provided that, in any event, Employee is not permitted, directly or indirectly, to designate the taxable year of any payment.

D. Six-Month Delay. Notwithstanding any other provisions of this Agreement or its Exhibits, including the Change in Control Agreement attached hereto as Exhibit B, if Employee is a Specified Employee (within the meaning of Code Section 409A) on Employee's date of Separation from Service, then if any payment of deferred compensation (within the meaning of Code Section 409A) is to be made upon or based upon Employee's Separation from Service other than by death, under any provision of this Agreement or of said Change in Control Agreement, and such payment of deferred compensation is to be made within six months after Employee's date of Separation from Service, other than by death, then such payment shall instead be made on the date which is six months after such Separation from Service of Employee (other than by death,) provided further, however, that in the case of any payment of deferred compensation which is to be made in installments, with the first such installment to be paid on or within six months after the date of Separation from Service other than by death, then in such event all such installments which would have otherwise been paid within the date which is six months after such Separation from Service of Employee (other than by death) shall be delayed, aggregated, and paid, notwithstanding any other provision of this Agreement or any other provision of said Change in Control Agreement, on the date which is six months after such Separation from Service of Employee (other than by death), with the remaining installments to continue thereafter until fully paid hereunder or under said Change in Control Agreement, as the case may be. Notwithstanding any of the foregoing, or any other provision of this Agreement or of said Change in Control Agreement, no payment of deferred compensation upon or based upon Separation from Service may be made under this Agreement or under said Change in Control Agreement before the date that is six months after the date of Separation from Service or, if earlier, the date of death, if Employee is a Specified Employee on Employee's date of Separation from Service. This Paragraph 7(D) shall only apply to delay the payment of deferred compensation to Specified Employees as required by Code Section 409A and the regulations and guidance issued thereunder.

8. **Notices.** Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and sent by registered or certified mail listed herein. In the case of Employee to the following address: Post Office Box 384, Strasburg, Virginia 22657. In the case of the Company to the President addressed to H. Charles Maddy, Ill in care of South Branch Valley Bancorp, Inc., P.O. Box 680, Moorefield, WV 26836. Any notice sent pursuant to this paragraph shall be effective when deposited in the mail.

9. **Confidential Information.** Employee shall not, during the term of this Agreement or at any time thereafter, directly or indirectly, publish or disclose to any person or entity any confidential information concerning the assets, business or affairs of the Company, including but not limited to any trade secrets, financial data, employee or customer/client information or organizational structure.

10. **Arbitration.** Any dispute between the parties arising out of or with respect to this Agreement or any of its provisions or Employee's employment with the Company shall be resolved by the sole and exclusive remedy of binding arbitration. Arbitration shall be conducted in Martinsburg, West Virginia in accordance with the rules of the American Arbitration Association ("AAA"). The parties agree to select one arbitrator from an AAA employment panel. The arbitration shall be conducted in accordance with the West Virginia Rules of Evidence and all discovery issues shall be decided by the arbitrator. The arbitrator shall supply a written opinion and analysis of the matter submitted for arbitration along with the decision. The arbitration decision shall be final and subject to enforcement in the local circuit court.

11. **Entire Agreement.** This Agreement constitutes the entire Agreement between the parties and shall supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and may not be changed or amended except by an instrument in writing to be executed by each of the parties hereto.

12. **Severability.** If any provision hereof, or any portion of any provision hereof, is held to be invalid, illegal or unenforceable, all other provisions shall remain in force and effect as if such invalid, illegal or unenforceable provision or portion thereof had not been included herein. If any provision or portion of any provision of this Agreement is so broad as to be unenforceable, such provision or a portion thereof shall be interpreted to be only so broad as is enforceable.

13. **Headings.** The headings contained in this Agreement are included for convenience or reference only and shall have no effect on the construction, meaning or interpretation of this Agreement.

14. **Governing Law.** The laws of the State of West Virginia shall govern the interpretation and enforcement of this Agreement.

15. **Amendments.** Any amendments to the Agreement must be in writing and signed by all parties hereto, *provided* that (i) no amendment to this Agreement shall be effective if it would, if effective, cause this Agreement to violate Code Section 409A and the regulations and guidance thereunder or cause any amount of compensation or payment hereunder to be subject to a penalty tax under Code Section 409A and the regulations and guidance issued thereunder, which amount of compensation or payment would not have been subject to a penalty tax under Code Section 409A and the regulations and guidance thereunder in the absence of such amendment and (ii) the provisions of this Paragraph 15 are irrevocable.

16. **Waiver of Breach.** No requirement of this Agreement may be waived except by a written document signed by the party adversely affected. A waiver of a breach of any provision of the Agreement by any party shall not be construed as a waiver of subsequent breaches of that provision.

17. **Counterparts.** This Agreement may be executed in counterparts, all of which shall be considered one and the same Agreement and each of which shall be deemed an original.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its corporate name by its corporate officer thereunto duly authorized, and Employee has hereunto set his hand and seal, as of the day and year first above written:

SUMMIT FINANCIAL GROUP, INC.

By: /s/ H. Charles Maddy, III

Its: President

SUMMIT COMMUNITY BANK, INC.

By: /s/ H. Charles Maddy, III

Its: Co-Chairman

/s/ Ronald F. Miller
Ronald Miller

Exhibit A
Compensation and Benefits

A. <u>Base Salary</u>. Employee's starting base salary shall be Seventy-five Thousand Dollars ($75,000) per year. As of the date that the Virginia Bank opens for business, the base salary shall be increased to One Hundred Thousand Dollars ($100,000) per year. Effective March 1, 2000, Employee's base salary shall be One Hundred Twenty-five Thousand Dollars ($125,000) per year. Employee shall be considered for salary increases on the basis of cost of living increases, beginning with the year ended December 31, 2000. In consideration of Employee's waiver of future merit raises, Company has established a Supplemental Executive Benefit Plan for the benefit of Employee.

B. <u>Bonus</u>. In addition to the base salary provided for herein, beginning at year end 2001, Employee shall be eligible for incentive bonuses subject to goals and criteria to be determined by the Board of Directors of the Company; *provided*, that any such plans, if required to be aggregated for Code Section 409A purposes with this Agreement or any other agreement between Employee and Company or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder.

C. <u>Vacation</u>. Employee shall be entitled to all paid vacation and holidays and other paid leave as provided by the Company to other employees.

D. <u>Fringe Benefits</u>. Except as specified below, the Company shall afford to Employee the benefit of all fringe benefits afforded to all other Company officers, including but not limited to retirement plans, stock ownership or stock option plans, life insurance, disability, health and accident insurance benefits or any other fringe benefit plan now existing or hereinafter adopted by the Company, subject to the terms and conditions thereof; *provided*, that any such plans, if required to be aggregated for Code Section 409A purposes with this Agreement or any other agreement between Employee and Company or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder.

(1) The Company shall pay 65% of the actual premiums paid by the Company for Employee's health and accident insurance benefits and Employee shall be responsible for the remaining 35% of the actual premiums.

(2) The Company shall provide life insurance for the Employee in the amount of $100,000.

E. <u>Business Expenses</u>. The Company shall reimburse Employee for all reasonable expenses incurred by Employee in carrying out his duties and responsibilities, all provided such expense is incurred by Employee prior to Separation from Service, including but not limited to reimbursing civic club organization dues and reasonable expenses for customer entertainment. The reimbursement of an eligible expense shall be made by Company no later than the last day of Employee's taxable year during which the expense was incurred, or if later, the fifteenth day of the third month after such expense was incurred, and Employee is required to request reimbursement and substantiate any such expense no later than ten days prior to the last date on which Company is required to provide reimbursement for such expense hereunder. The amount of expenses eligible for reimbursement under this Exhibit A Paragraph E during Employee's taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. The right to reimbursement under this Exhibit A Paragraph E is not subject to liquidation or exchange for another benefit. In addition, the right to reimbursement of eligible expenses under this Exhibit A Paragraph E is subject to the provisions of Paragraph 7(D) of the Employment Agreement, to the extent applicable.

F. Automobile. The Company shall purchase from Employee in 1998 the 1996 Buick Ultra owned by him as of the execution of this Agreement and provide such vehicle for the employee's business and personal use. The purchase price of the vehicle shall be agreed upon between the Company's President and Employee. Following the purchase, the Company shall be responsible for expenses associated with the vehicle including but not limited to taxes, gasoline, licenses, maintenance, repair, insurance and reasonable cellular phone charges. Employee shall be subject to tax for his personal use of the vehicle in accordance with the Internal Revenue Code and any applicable state law. Upon approval of the Company, appropriate replacement vehicles may be provided in the future. The benefits provided under this Exhibit A Paragraph F during Employee's taxable year shall not affect the benefits to be provided in any other taxable year. The right to benefits under this Exhibit A Paragraph F is not subject to liquidation or exchange for another benefit. In addition, the right to benefits under this Exhibit A Paragraph F is subject to the provisions of Paragraph 7(D) of the Employment Agreement, to the extent applicable. The benefits under this Exhibit A Paragraph F shall cease upon Separation from Service of Employee.

G. Director's Fees. The Company shall pay Employee the same director's fees as are provided to other inside officer members of the Board of Directors.

Exhibit B

Change in Control Agreement

A. Definitions. For purposes of this Exhibit B, the following definitions shall apply:

(1) "Change of Control" means with respect to (i) the Company or any Affiliate for whom Employee is performing services at the time of the Change in Control Event; (ii) the Company or any Affiliate that is liable for the payment to Employee hereunder (or all corporations liable for the payment if more than one corporation is liable) but only if either the compensation payable hereunder is attributable to the performance of service by Employee for such corporation (or corporations) or there is a bona fide business purpose for such corporation or corporations to be liable for such payment and, in either case, no significant purpose of making such corporation or corporations liable for such payment is the avoidance of Federal Income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in paragraph (i) or (ii) of this section, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in paragraph (i) or (ii) of this section, a Change in Ownership or Effective Control or a Change in the Ownership of a Substantial Portion of the Assets of a Corporation as defined in Section 409A of the Code, and the regulations or guidance issued thereunder, meeting the requirements of a "Change in Control Event" thereunder.

(2) "Company" shall mean Summit Financial Group, Inc.

(3) "Salary" means the greater of $75,000 or the average of Employee's full earnings reported on IRS Form W-2 for the two full year periods immediately prior to the date of the consummation of the Change of Control or for the two full year periods immediately preceding the date of Separation from Service, whichever is greater.

(4) For purposes of this Exhibit B, "Good Cause" has the same meaning as the term "cause" set forth in Paragraph 5(B)(2) of the foregoing Employment Agreement.

(5) "Disability" means a physical or mental condition rendering Employee substantially unable to perform the duties of an officer and director of a banking organization.

(6) "Retirement" means Separation from Service by Employee in accordance with Company's (or its successor's) retirement plan, including early retirement as approved by the Board of Directors.

(7) "Good Reason" means

(a) A Change of Control in the Company (as defined above) followed by:

(i) a material decrease in Employee's Salary below its level in effect immediately prior to the date of consummation of the Change of Control, without Employee's prior written consent; or

(ii) a material reduction in the importance of Employee's job responsibilities, or assignment of job responsibilities inconsistent with employee's responsibilities prior to the Change in Control without Employee's prior written consent; or

(iii) a material geographical relocation of Employee without Employee's prior written consent, which shall be deemed to mean relocation to an office more than 20 miles from Employee's location at the time of the Change of Control, or the imposition of travel requirements materially inconsistent with those existing prior to the Change in Control without Employee's prior written consent; or

(b) Failure of the Company to obtain assumption of this Change in Control Agreement by its successor as required by Paragraph E(1) below; or

(c) Any material reduction in the Employee's authority, duties, or responsibilities, which shall be deemed to include removal of Employee from, or failure to re-elect Employee to, any of Employee's positions with Company immediately prior to a Change in Control (except in connection with the termination of Employee's employment for Good Cause, death, Disability or Retirement) without Employee's prior consent.

Provided, that Employee provides notice to the Company of the existence of the occurring condition described in this Paragraph A(6) no later than ninety (90) days after the initial occurrence thereof, and the Company fails to correct or remedy the condition within thirty (30) days of receipt of such notice.

(8) "Wrongful Termination" means termination of Employee's employment by the Company or its affiliates for any reason other than at Employee's option, Good Cause or the death, Disability or Retirement of Employee prior to the expiration of eighteen (18) months after consummation of the Change of Control.

(9) "Separation from Service" means the severance of Employee's employment with Company or any affiliate for any reason. Employee separates from service with Company or any affiliate if he dies, retires, separates from service because of Employee's Disability, or otherwise has a termination of employment with Company or any affiliate. However, the employment relationship is treated as continuing intact while Employee is on military leave, sick leave, or other *bona fide* leave of absence if the period of such leave does not exceed six months, or if

longer, so long as Employee's right to reemployment with Company or any affiliate is provided either by statute or by contract. If the period of leave exceeds six months and Employee's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes Employee to be unable to perform the duties of his position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A including, but not limited to:

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported Separation from Service,

(ii) in any instance in which Employee is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Agreement and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance Employee shall only be considered to meet the requirements of a Separation from Service hereunder if Employee meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Agreement which would otherwise apply,

(iii) in any instance in which Employee is an employee and an independent contractor of Company or any affiliate or any combination thereof, Employee must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if Employee provides services both as an employee and a member of the Board of Directors of Company or any affiliate or any combination thereof, the services provided as a director are not taken into account in determining whether Employee has had a Separation from Service as an employee under this Agreement, provided that no plan in which Employee participates or has participated in his capacity as a director is an Aggregated Plan, and

(iv) a determination of whether a Separation from Service has occurred shall be made in accordance with Treasury Regulations Section 1.409A-1(h)(4) or any similar or successor law, regulation or guidance of like import, in the event of an asset purchase transaction as described therein.

B. Compensation of Employee Upon Separation from Service Due to Good Reason or Wrongful Termination within Eighteen (18) Months of a Change in Control. Except as hereinafter provided, if Employee terminates his employment with the Company for Good Reason within eighteen (18) months after a Change in Control, resulting in Employee's Separation from Service, or the Company terminates Employee's employment within eighteen (18) months after a Change in Control in a manner constituting Wrongful Termination, resulting in Employee's Separation from Service, the Company agrees as follows:

(1) The Company shall pay Employee a cash payment equal to Employee's Salary, on a monthly basis, multiplied by the number of months between the date of Separation from Service and the date that is eighteen (18) months after the date of consummation of the Change of Control. Such payment shall be made in a lump sum on the date of Separation from Service, subject to the provisions of Paragraph 7(D) of the foregoing Employment Agreement to the extent applicable.

(2) For the year in which Separation from Service occurs, Employee will be entitled to receive his reasonable share of the Company's cash bonuses, if any, allocated in accordance with existing principles and authorized by the Board of Directors. The amount of Employee's cash incentive award shall not be reduced due to Employee not being actively employed for the full year. Said cash bonuses, if any, will be paid to Employee in a lump sum on the date of Separation from Service, taking into account the provisions of Paragraph 7(C) of the foregoing Employment Agreement relating to when payments are deemed to be made, and subject to the provisions of Paragraph 7(D) of the foregoing Employment Agreement to the extent applicable.

(3) Employee will continue to participate, without discrimination, for the number of months between the date of Separation from Service and the date that is eighteen (18) months after the date of the consummation of the Change of Control in benefit plans (such as retirement, disability and medical insurance) maintained after any Change of Control for employees, in general, of the Company, or any successor organization, provided Employee's continued participation is possible under the general terms and conditions of such plans. In the event Employee's participation in any such plan is barred, the Company shall arrange to provide Employee with benefits substantially similar to those to which Employee would have been entitled had his participation not been barred, but only for the period of time specified in the preceding sentence. However, in no event will Employee receive from the Company the employee benefits contemplated by this subparagraph if Employee receives comparable benefits from any other source. With respect to any benefits Employee receives under this Paragraph B(3), the following provisions will apply: (i) in-kind benefits provided under this

Paragraph B(3) during any taxable year of Employee shall not affect the in-kind benefits to be provided under this Paragraph B(3) in any other taxable year; (ii) if the provision of benefits under this Paragraph B(3) is to be done by means of reimbursement, the reimbursement of an eligible benefit expense under this Paragraph B(3) must be made on or before the last day of Employee's taxable year following the taxable year in which the expense was incurred, (iii) no rights to reimbursement or in-kind benefits under this Paragraph B(3) shall be subject to liquidation or exchange for any other benefit, and (iv) benefits provided under this Paragraph B(3) shall be subject to the provisions of Paragraph 7(D) of the foregoing Employment Agreement to the extent applicable.

(4) In the event Employee becomes entitled to any payments or distributions under this Change in Control Agreement or any other plan or program of the Company, if any such payments or distributions will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (or any similar tax that may hereinafter be imposed), the Company shall pay to employee an additional amount or amounts (each, a "Gross Up Payment"), such that the net amount or amounts retained by Employee, after deduction of any Excise Tax on any of the above-described payments or distributions and any federal, state and local income tax and excise tax upon payment provided for by this section, shall be equal to the amount of such payments or distributions prior to the imposition of such Excise Tax. *Provided,* that any and all such Gross-Up Payment or Payments shall be paid to Employee thirty (30) days after Employee remits the taxes with respect to which such Gross-Up Payment is made, all subject to the provisions of Paragraph 7(D) of the foregoing Employment Agreement to the extent applicable.

(5) Paragraph 6 (Noncompetition and Nonsolicitation) of the foregoing Employment Agreement shall not apply.

C. Other Employment. Employee shall not be required to mitigate the amount of any payment provided for in this Change in Control Agreement by seeking other employment. The amount of any payment provided for in this Change in Control Agreement shall not be reduced by any compensation earned or benefits provided (except as set forth in Paragraph B(3) above) as the result of employment by another employer after the date of Separation from Service.

D. Rights of Company Prior to the Change of Control. This Change in Control Agreement shall not affect the right of the Company or Employee to terminate the foregoing Employment Agreement or the employment of Employee in accordance therewith; provided, however, that any termination or reduction in salary or benefits that takes place after discussions have commenced that result in a Change in Control shall be presumed (without clear and convincing evidence to the contrary) to be a violation of this Change in Control Agreement entitling Employee to the benefits hereof, so that any such termination by Company resulting in Employee's Separation from Service either before or within eighteen (18) months after a Change in Control shall be deemed to be a Wrongful Termination, and all references in this Change in Control Agreement to Salary shall be deemed to mean the Salary, as defined herein, based on the earnings Employee would have had prior to any reduction thereof.

E. Successors; Binding Agreement.

(1) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Employee, to expressly assume and agree to perform this Change in Control Agreement. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Change in Control Agreement and shall entitle Employee to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if he terminated his employment for Good Reason hereunder, *provided* that Employee incurs a Separation from Service within eighteen (18) months after a Change in Control, and *provided further* that the notice and time to correct provisions of Paragraph A(6) herein are satisfied.

(2) This Change in Control Agreement and all rights of Employee hereunder shall inure to the benefit of and be enforceable by Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If Employee should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's devisee, legatee, or other designee or, if there be no such designee, to Employee's estate.

Exhibit 10.7

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") made in duplicate originals this _22nd_ day of _December_, 2008, and effective as of July 1, 2004 (unless specifically stated otherwise), is between SUMMIT FINANCIAL GROUP, INC. ("Summit"), SUMMIT COMMUNITY BANK, INC., successor in interest to Capital State Bank, Inc., (the "Company"), and C. DAVID ROBERTSON ("Employee").

WHEREAS, the Company offers the terms and conditions of employment hereinafter set forth and the Employee has indicated his willingness to accept such terms and conditions in consideration of his employment with the Company;

WHEREAS, Employee, Summit and Company executed an amended and restated employment agreement on May 6, 2004, effective July 1, 2004;

WHEREAS, under Paragraph 15 said amended and restated employment agreement may be amended by a writing signed by all the parties hereto; and

WHEREAS, the parties hereto, in the interests of clarity and for other reasons stated herein, and for the purpose of complying with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), wish to amend and restate this Agreement, provided that all provisions applicable to compliance under Code Section 409A shall be effective as of January 1, 2005, and provided further that, notwithstanding any other provisions of this amended and restated Agreement, this amendment applies only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, and (iii) an amount to be paid in 2008 that would not otherwise be payable in such year, and to the extent necessary to qualify under Transition Relief issued under said Code Section 409A to not be treated as a change in the form and timing of a payment under section 409A(a)(4) or an acceleration of a payment under section 409A(a)(3), Employee, by executing this Agreement, shall be deemed to have elected the timing and form of distribution provisions of this amended and restated Agreement, and to otherwise further revise the Agreement all on or before December 31, 2008.

NOW, THEREFORE, in consideration of the mutual promises and covenants made in this Amended and Restated Agreement, the parties agree as follows:

1 . **Employment.** The Company hereby employs Employee and Employee hereby accepts employment with the Company as President and Chief Executive Officer of the Company and member of the Board of Directors of the Company upon the terms and conditions set forth herein effective July 1, 2004, or such earlier date as the parties may mutually agree, and as Executive Officer of the Company and Co-Chairman of the Board of Directors of the Company effective June 20, 2007.

2 . **Term.** The term of this Amended and Restated Agreement shall be for five (5) years from the original effective date of July 1, 2004, unless one of the parties terminates this Amended and Restated Agreement as provided herein. Upon termination of the original term of the Agreement, the Board of Directors of the Company shall review the Agreement at least annually, and may, with the consent of the Employee, extend this term of employment for additional one (1) year term(s), in which case such term shall end one (1) year from the date on which it is last renewed.

3 . **Duties.** Employee shall perform and have all of the duties and responsibilities that may be assigned to him from time to time by the Board of Directors of the Company. Employee shall devote his best efforts on a full-time basis to the performance of such duties.

4 . **Compensation and Benefits.** During the term of employment, the Company agrees to pay Employee a base salary and to provide benefits as set forth in Exhibit A, which is attached hereto and incorporated herein by reference.

5 . **Termination by the Company or Employee.** The employment of Employee with the Company may be terminated by any one of the following means, in which case Employee shall be entitled to such compensation as is described below:

A . Mutual Agreement. The Employee's employment may be terminated by mutual agreement of the parties upon such terms and conditions as they may agree; *provided*, that if such mutual agreement provides for any payments or in-kind benefits to be paid or granted to Employee it shall be in writing, and *provided further*, that such written mutual agreement, if required to be aggregated for Code Section 409A purposes with this Agreement or any other agreement between Employee and Summit, Company, or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder.

B. For Cause.

(1) The Employee's employment may be terminated by the Company for cause consisting of one or more of the reasons specified in Paragraph 5(B)(2)(a) - (e) below; provided, however, that if the cause of termination is for a reason specified in Paragraph 5(B)(2)(a) below, and if in the reasonable judgment of the Board of Directors of the Company the damage incurred by the Company as a result of Employee's conduct constituting cause is damage of a type that is capable of being substantially reversed and corrected, the Company shall give Employee thirty (30) days advance notice of the Company's intention to terminate his employment for cause and a reasonable opportunity to cure the cause of the possible termination to the satisfaction of the Company.

(2) For purposes of this Amended and Restated Agreement, the term "cause" shall be defined as follows:

(a) Employee's negligence, malfeasance or misfeasance in the performance of Employee's duties that can reasonably be expected to have an adverse impact upon the business and affairs of the Company, including but not limited to (i) failure of Employee to ensure the overall quality of the

Company's loan portfolio is maintained at a level which is satisfactory to the Board of Directors of the Company, and (ii) failure of the Employee to ensure that the Company's loan loss experience remains at a level which is satisfactory to the Company's Board of Directors;

(b) Employee's commission of any act constituting theft, intentional wrongdoing or fraud;

(c) The conviction of the Employee of a felony criminal offense in either state or federal court;

(d) Any single act by Employee constituting gross negligence or which causes material harm to the reputation, financial condition or property of the Company; or

(e) The death of Employee during the term of this Amended and Restated Agreement, in which event the Company shall pay to the estate of the Employee any compensation for services rendered but unpaid prior to the Employee's date of death. Such payment shall be made in a lump sum on the first day of the second month following Employee's date of death.

(3) The Board of Directors of the Company shall determine, in its sole discretion, whether any acts and/or omissions on the part of Employee constitute "cause" as defined above. Notwithstanding the foregoing, Employee shall be entitled to arbitrate a finding of the Board of Directors of "cause" in accordance with Paragraph 9 hereof.

(4) In the event that Company terminates Employee's employment for cause (other than death) as defined above, which results in Employee's Separation from Service, Employee shall be entitled to

be paid his regular salary and benefits up to the date of Separation from Service, but not any additional compensation. Any payment to Employee pursuant to this Paragraph 5(B)(4) shall be paid in a lump sum on the date of Employee's Separation from Service, subject to the provisions of Paragraph 7(D) to the extent applicable.

C. Not for Cause. Employee's employment may be terminated by the Company for any reason not specified in Paragraph 5(B) above so long as Employee is given thirty (30) days advance written notice (or payment in lieu thereof). In the event of a termination pursuant to this Paragraph 5(C) which results in Employee's Separation from Service, Employee shall be entitled to payment from the Company equivalent to the base salary compensation set forth in this Amended and Restated Agreement for the remaining term of the Agreement or severance pay equal to six (6) months of base salary payments, whichever is greater. Any payment to Employee pursuant to this Paragraph 5(C) shall be paid in a lump sum on the date of Employee's Separation from Service, subject to the provisions of Paragraph 7(D) to the extent applicable.

D. Change in Control. Exhibit B hereto sets forth the rights and responsibilities of the parties in the event of a change in control, as defined therein, and is incorporated herein by reference. *Provided,* that if Employee is entitled to payments upon Separation from Service under this Agreement and also under Exhibit B hereto, the provisions of Exhibit B shall apply in lieu of the provisions of this Agreement.

6 . **Noncompetition and Nonsolicitation.** In consideration of the covenants set forth herein, including but not limited to the severance pay set forth in Paragraph 5 and Exhibit A, Employee agrees as follows:

A. For a period of three (3) years after Employee's employment with the Company is terminated by Employee for any reason other than

Employee's disability or Good Reason (as that term is defined in Exhibit B hereto), Employee shall not, directly or indirectly, engage in the business of banking in the City of Charleston or the Counties of Kanawha and Greenbrier, West Virginia, or in any other county in which the Company has operating offices at the time of the termination. For purposes of this Paragraph 6(A), being engaged in the business of banking shall mean Employee's presence or work in a bank office in the specified geographic area or Employee's solicitation of business from clients with a primary or principle office in the specified geographic area.

B. During Employee's employment by the Company and for three (3) years after Employee's employment with the Company is terminated by Employee for any reason other than Employee's disability, Employee shall not, on his own behalf or on behalf of any other person, corporation or entity, either directly or indirectly, solicit, induce, recruit or cause another person in the employ of the Company or its affiliates to terminate his or her employment for the purpose of joining, associating or becoming an employee with any business which is in competition with any business or activity engaged in by the Company or its affiliates.

C. Employee further recognizes and acknowledges that in the event of the termination of Employee's employment with the Company for any reason other than Employee's disability, (1) a breach of the obligations and conditions set forth herein will irreparably harm and damage the Company; (2) an award of money damages may not be adequate to remedy such harm; and (3) considering Employee's relevant background, education and experience, Employee believes that he will be able to earn a livelihood without violating the foregoing restrictions. Consequently, Employee agrees that, in the event that Employee breaches any of the covenants set forth in this Paragraph 6, the Company and/or its affiliates shall be entitled to both a preliminary and permanent injunction in order to prevent the continuation of such harm and to recover money damages, insofar as they can be determined, including, without limitation, all costs and attorneys' fees incurred by the Company in enforcing the provisions of this Paragraph 6. Such relief may be sought notwithstanding the arbitration provision set forth in Paragraph 10 below.

7 . **Definitions and Special Rules.** For purposes of this Agreement and its Exhibits, including the Change in Control Agreement attached hereto as Exhibit B, the following definitions and special rules shall apply:

A. "Disability" shall mean a physical or mental condition rendering Employee substantially and permanently unable to perform the duties of an officer and director of a banking organization.

B. "Separation from Service" means the severance of Employee's employment with Summit, Company, or any other affiliate for any reason. Employee separates from service with Summit, Company or any other affiliate if he dies, retires, separates from service because of Employee's Disability, or otherwise has a termination of employment with Summit, Company or any other affiliate. However, the employment relationship is treated as continuing intact while Employee is on military leave, sick leave, or other *bona fide* leave of absence if the period of such leave does not exceed six months, or if longer, so long as Employee's right to reemployment with Summit, Company or any other affiliate is provided either by statute or by contract. If the period of leave exceeds six months and Employee's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes Employee to be unable to perform the duties of his position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A including, but not limited to:

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported Separation from Service,

(ii) in any instance in which Employee is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Agreement and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance Employee shall only be considered to meet the requirements of a Separation from Service hereunder if Employee meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Agreement which would otherwise apply,

(iii) in any instance in which Employee is an employee and an independent contractor of Summit, Company or any other affiliate or any combination thereof, Employee must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if Employee provides services both as an employee and a member of the Board of Directors of Summit, Company or any other affiliate or any combination thereof, the services provided as a director are not taken into account in determining whether Employee has had a Separation from Service as an employee under this Agreement, provided that no plan in which Employee participates or has participated in his capacity as a director is an Aggregated Plan, and

(iv) a determination of whether a Separation from Service has occurred shall be made in accordance with Treasury Regulations Section 1.409A-1(h)(4) or any similar or successor law, regulation or guidance of like import, in the event of an asset purchase transaction as described therein.

C. Date Payments Deemed Made. In accordance with Code Section 409A and to the extent permitted by said Code Section 409A and the regulations and guidance issued thereunder, any payment to or on behalf of Employee under this Agreement or its Exhibits A and B shall be treated as having been made on a date specified in this Agreement or in Exhibit A or B if it is made on a later date within Employee's same taxable year as the designated date, or, if later, if made no later than the fifteenth day of the third month after such designated date provided that, in any event, Employee is not permitted, directly or indirectly, to designate the taxable year of any payment.

D. Six-Month Delay. Notwithstanding any other provisions of this Agreement or its Exhibits, including the Change in Control Agreement attached hereto as Exhibit B, if Employee is a Specified Employee (within the meaning of Code Section 409A) on Employee's date of Separation from Service, then if any payment of deferred compensation (within the meaning of Code Section 409A) is to be made upon or based upon Employee's Separation from Service other than by death, under any provision of this Agreement or of said Change in Control Agreement, and such payment of deferred compensation is to be made within six months after Employee's date of Separation from Service, other than by death, then such payment shall instead be made on the date which is six months after such Separation from Service of Employee (other than by death,) provided further, however, that in the case of any payment of deferred compensation which is to be made in installments, with the first such installment to be paid on or within six months after the date of Separation from Service other than by death, then in such event all such installments which would have otherwise been paid within the date which is six months after such Separation from Service of Employee (other than by death) shall be delayed, aggregated, and paid, notwithstanding any other provision of this Agreement or any other provision of said Change in Control Agreement, on the date which is six months after such Separation from Service of Employee (other than by death), with the remaining installments to continue thereafter until fully paid hereunder or under said Change in Control Agreement, as the case may be. Notwithstanding any of the foregoing, or any other provision of this Agreement or of said Change in Control Agreement, no payment of deferred compensation upon or based upon Separation from Service may be made under this Agreement or under said Change in Control Agreement before the date that is six months after the date of Separation from Service or, if earlier, the date of death, if Employee is a Specified Employee on Employee's date of Separation from Service. This Paragraph 7(D) shall only apply to delay the payment of deferred compensation to Specified Employees as required by Code Section 409A and the regulations and guidance issued thereunder.

8 . **Notices.** Any notice required or permitted to be given under this Amended and Restated Agreement shall be sufficient if in writing and sent by registered or certified mail listed herein; in the case of Employee, to the following address: 206 Georgetown Place, Charleston, West Virginia 25314; in the case of Summit and the Company, addressed to H. Charles Maddy, III, in care of Summit Financial Group, Inc., 300 North Main Street, Moorefield, WV 26836. Any notice sent pursuant to this paragraph shall be effective when deposited in the mail.

9. **Confidential Information.** Employee shall not, during the term of this Amended and Restated Agreement or at any time thereafter, directly or indirectly, publish or disclose to any person or entity any confidential information concerning the assets, business or affairs of the Company, including but not limited to any trade secrets, financial data, employee or customer/client information or organizational structure.

10. **Arbitration.** Any dispute between the parties arising out of or with respect to this Amended and Restated Agreement or any of its provisions or Employee's employment with the Company shall be resolved by the sole and exclusive remedy of binding arbitration. Arbitration shall be conducted in Charleston, West Virginia in accordance with the rules of the American Arbitration Association ("AAA"). The parties agree to select one arbitrator from an AAA employment panel. The arbitration shall be conducted in accordance with the West Virginia Rules of Evidence and all discovery issues shall be decided by the arbitrator. The arbitrator shall supply a written opinion and analysis of the matter submitted for arbitration along with the decision. The arbitration decision shall be final and subject to enforcement in the local circuit court.

11. **Entire Agreement.** This Amended and Restated Agreement constitutes the entire Agreement between the parties and shall supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and may not be changed or amended except by an instrument in writing to be executed by each of the parties hereto.

12. **Severability.** If any provision hereof, or any portion of any provision hereof, is held to be invalid, illegal or unenforceable, all other provisions shall remain in force and effect as if such invalid, illegal or unenforceable provision or portion thereof had not been included herein. If any provision or portion of any provision of this Amended and Restated Agreement is so broad as to be unenforceable, such provision or a portion thereof shall be interpreted to be only so broad as is enforceable.

13. **Headings.** The headings contained in this Amended and Restated Agreement are included for convenience or reference only and shall have no effect on the construction, meaning or interpretation of this Amended and Restated Agreement.

14. **Governing Law.** The laws of the State of West Virginia shall govern the interpretation and enforcement of this Amended and Restated Agreement.

15. **Amendments.** Any amendments to the Agreement must be in writing and signed by all parties hereto except that extensions of the term of this Agreement under Paragraph 2 above, may be evidenced by minutes of a meeting of the Board of Directors, *provided* that (i) no amendment to this Agreement shall be effective if it would, if effective, cause this Agreement to violate Code Section 409A and the regulations and guidance thereunder or cause any amount of compensation or payment hereunder to be subject to a penalty tax under Code Section 409A and the regulations and guidance issued thereunder, which amount of compensation or payment would not have been subject to a penalty tax under Code Section 409A and the regulations and guidance thereunder in the absence of such amendment and (ii) the provisions of this Paragraph 15 are irrevocable.

16. **Wavier of Breach.** No requirement of this Amended and Restated Agreement may be waived except by a written document signed by the party adversely affected. A waiver of a breach of any provision of the Agreement by any party shall not be construed as a waiver of subsequent breaches of that provision.

17. **Counterparts.** This Amended and Restated Agreement may be executed in counterparts, all of which shall be considered one and the same Agreement and each of which shall be deemed an original.

IN WITNESS WHEREOF, the Company and Summit have each caused this Amended and Restated Agreement to be executed in its corporate name by its corporate officer thereunto duly authorized, and Employee has hereunto set his hand and seal, as of the day and year first above written:

SUMMIT FINANCIAL GROUP, INC.

By: /s/ H. Charles Maddy, III

Its: President

SUMMIT COMMUNITY BANK, INC.

By: /s/ H. Charles Maddy, III

Its: Co-Chairman

/s/ C. David Robertson
C. David Robertson

Exhibit A
Compensation and Benefits

A. Base Salary. Employee's base salary shall be $142,700. Upon consummation of the proposed consolidation of Capital State Bank, Inc. and Summit Community Bank, Inc., Employee's base salary shall be increased to $170,000. Thereafter, Employee's base salary shall be as mutually agreed upon by Employee and Company. Employee shall be considered for salary increases on the basis of cost of living increases and increases in responsibility. In consideration of Employee's waiver of future merit raises, Summit has established a Supplemental Executive Benefit Plan for the benefit of Employee.

B. Bonus. In addition to the base salary provided for herein, Employee shall be eligible for incentive bonuses subject to goals and criteria to be determined by the Board of Directors of the Company; *provided*, however, that any such plans, if required to be aggregated for Code Section 409A purposes with this Agreement or any other agreement between Employee and Summit, Company, or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder.

C. Other Compensation. The Company shall provide the following other compensation to Employee, up to a maximum of $13,000 per year:

(1) An amount equal to Employee's monthly country club dues.

(2) An amount equal to the premiums on the life insurance policy held by Employee as of the effective date of this Amended and Restated Agreement.

Employee shall be subject to taxation on such other compensation as required by the Internal Revenue Code. Thebenefits provided under this Exhibit A Paragraph C during Employee's taxable year shall not affect the benefits to be provided in any other taxable year. The right to benefits under this Exhibit A Paragraph C is not subject to liquidation or exchange for another benefit. In addition, the right to benefits under this Exhibit A Paragraph C is subject to the provisions of Paragraph 7(D) of the Employment Agreement, to the extent applicable. The benefits under this Exhibit A Paragraph C shall cease upon Separation from Service of Employee.

D. Vacation. Employee shall be entitled to all paid vacation and holidays and other paid leave as provided by the Company to other employees.

E. Fringe Benefits. The Company shall afford to Employee the benefit of retirement plans afforded to all other Company officers, subject to the terms and conditions thereof. In the event that Employee's health insurance coverage is discontinued or becomes unavailable to him for some reason outside the control of Employee, Employee shall be afforded the opportunity to enroll in the Company's health insurance plan; *provided, however,* that the Company may adjust the Other Compensation set forth above in Paragraph C in an amount equivalent to the cost of Employee's participation in the Company's health insurance plan. *Provided, further,* that any such plans, if required to be aggregated for

Code Section 409A purposes with this Agreement or any other agreement between Employee and Summit, Company, or any affiliate, shall not cause this Agreement to violate Code Section 409A or the regulations and guidance issued thereunder.

F. Business Expenses. The Company shall reimburse Employee for all reasonable expenses incurred by Employee in carrying out his duties and responsibilities, all provided such expense is incurred by Employee prior to Separation from Service, including but not limited to reimbursing civic club organization dues and reasonable expenses for customer entertainment. The reimbursement of an eligible expense shall be made by Company no later than the last day of Employee's taxable year during which the expense was incurred, or if later, the fifteenth day of the third month after such expense was incurred, and Employee is required to request reimbursement and substantiate any such expense no later than ten days prior to the last date on which Company is required to provide reimbursement for such expense hereunder. The amount of expenses eligible for reimbursement under this Exhibit A Paragraph F during Employee's taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. The right to reimbursement under this Exhibit A Paragraph F is not subject to liquidation or exchange for another benefit. In addition, the right to reimbursement of eligible expenses under this Exhibit A Paragraph F is subject to the provisions of Paragraph 7(D) of the Employment Agreement, to the extent applicable.

G. Automobile. The Company shall provide Employee with the use of an automobile for the employee's business and personal use. The Company shall be responsible for expenses associated with the vehicle including but not limited to taxes, gasoline, licenses, maintenance, repair, insurance and reasonable cellular phone charges. Employee shall be subject to tax for his personal use of the vehicle in accordance with the Internal Revenue Code and any applicable state law. Upon approval of the Company, appropriate replacement vehicles may be provided in the future. The benefits provided under this Exhibit A Paragraph G during Employee's taxable year shall not affect the benefits to be provided in any other taxable year. The right to benefits under this Exhibit A Paragraph G is not subject to liquidation or exchange for another benefit. In addition, the right to benefits under this Exhibit A Paragraph G is subject to the provisions of Paragraph 7(D) of the Employment Agreement, to the extent applicable. The benefits under this Exhibit A Paragraph G shall cease upon Separation from Service of Employee.

H. Director's Fees. The Company shall pay Employee the same director's fees as are provided to other inside officer members of the Board of Directors.

Exhibit B
Change in Control Agreement

A. Definitions. For purposes of this Exhibit B, the following definitions shall apply:

(1) "Change of Control" means with respect to (i) the Company or any Affiliate for whom Employee is performing services at the time of the Change in Control Event; (ii) the Company or any Affiliate that is liable for the payment to Employee hereunder (or all corporations liable for the payment if more than one corporation is liable) but only if either the compensation payable hereunder is attributable to the performance of service by Employee for such corporation (or corporations) or there is a bona fide business purpose for such corporation or corporations to be liable for such payment and, in either case, no significant purpose of making such corporation or corporations liable for such payment is the avoidance of Federal Income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in paragraph (i) or (ii) of this section, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in paragraph (i) or (ii) of this section, a Change in Ownership or Effective Control or a Change in the Ownership of a Substantial Portion of the Assets of a Corporation as defined in Section 409A of the Code, and the regulations or guidance issued thereunder, meeting the requirements of a "Change in Control Event" thereunder.

(2) "Company" shall mean Summit Financial Group, Inc.

(3) "Salary" means the greater of the initial base salary or the average of Employee's full earnings reported on IRS Form W-2 for the two full year periods immediately prior to the date of the consummation of the Change of Control or for the two full year periods immediately preceding the date of Separation from Service, whichever is greater.

(4) For purposes of this Exhibit B, "Good Cause" has the same meaning as the term "cause" set forth in Paragraph 5(B)(2) of the foregoing Employment Agreement.

(5) "Disability" means a physical or mental condition rendering Employee substantially unable to perform the duties of an officer and director of a banking organization.

(6) "Retirement" means Separation from Service by Employee in accordance with Company's (or its successor's) retirement plan, including early retirement as approved by the Board of Directors.

(7) "Good Reason" means

(a) A Change of Control in the Company (as defined above) followed by:

(i) a material decrease in Employee's Salary below its level in effect immediately prior to the date of consummation of the Change of Control, without Employee's prior written consent; or

(ii) a material reduction in the importance of Employee's job responsibilities, or assignment of job responsibilities inconsistent with employee's responsibilities prior to the Change in Control without Employee's prior written consent; or

(iii) a material geographical relocation of Employee without Employee's prior written consent, which shall be deemed to mean relocation to an office more than 20 miles from Employee's location at the time of the Change of Control, or the imposition of travel requirements materially inconsistent with those existing prior to the Change in Control without Employee's prior written consent; or

(b) Failure of the Company to obtain assumption of this Change in Control Agreement by its successor as required by Paragraph E(1) below; or

(c) Any material reduction in the Employee's authority, duties, or responsibilities, which shall be deemed to include removal of Employee from, or failure to re-elect Employee to, any of Employee's position with Company immediately prior to a Change in Control (except in connection with the termination of Employee's employment for Good Cause, death, Disability or Retirement) without Employee's prior consent.

Provided, that Employee provides notice to the Company of the existence of the occurring condition described in this Paragraph A(7) no later than ninety (90) days after the initial occurrence thereof, and the Company fails to correct or remedy the condition within thirty (30) days of receipt of such notice.

(8) "Wrongful Termination" means termination of Employee's employment by the Company or its affiliates for any reason other than at Employee's option, Good Cause or the death, Disability or Retirement of Employee prior to the expiration of eighteen (18) months after consummation of the Change of Control.

(9) "Separation from Service" means the severance of Employee's employment with Company or any affiliate for any reason. Employee separates from service with Company or any affiliate if he dies, retires, separates from service because of Employee's Disability, or otherwise has a termination of employment with Company or any affiliate. However, the employment relationship is treated as continuing intact while Employee is on military leave, sick leave, or other *bona fide* leave of absence if the period of such leave does not exceed six months, or if longer, so long as Employee's right to reemployment with Company or any affiliate is provided either by statute or by contract. If the period of leave exceeds six months and Employee's right to reemployment is not provided either by

statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes Employee to be unable to perform the duties of his position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A including, but not limited to:

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported Separation from Service,

(ii) in any instance in which Employee is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Agreement and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance Employee shall only be considered to meet the requirements of a Separation from Service hereunder if Employee meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Agreement which would otherwise apply,

(iii) in any instance in which Employee is an employee and an independent contractor of Company or any affiliate or any combination thereof, Employee must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if Employee provides services both as an employee and a member of the Board of Directors of Company or any affiliate or any combination thereof, the services provided as a director are not taken into account in determining whether Employee has had a Separation from Service as an employee under this Agreement, provided that no plan in which Employee participates or has participated in his capacity as a director is an Aggregated Plan, and

(iv) a determination of whether a Separation from Service has occurred shall be made in accordance with Treasury Regulations Section 1.409A-1(h)(4) or any similar or successor law, regulation or guidance of like import, in the event of an asset purchase transaction as described therein.

B. Compensation of Employee Upon Separation from Service Due to Good Reason or Wrongful Termination within Eighteen (18) Months of a Change in Control. Except as hereinafter provided, if Employee terminates his employment with the Company for Good Reason within eighteen (18) months after a Change in Control, resulting in Employee's Separation from Service, or the Company terminates Employee's employment within eighteen (18) months after a Change in Control in a manner constituting Wrongful Termination, resulting in Employee's Separation from Service, the Company agrees as follows:

(1) The Company shall pay Employee a cash payment equal to Employee's Salary, on a monthly basis, multiplied by the number of months between the date of Separation from Service and the date that is eighteen (18) months after the date of consummation of the Change of Control. Such payment shall be made in a lump sum on the date of Separation from Service, subject to the provisions of Paragraph 7(D) of the foregoing Employment Agreement to the extent applicable.

(2) For the year in which Separation from Service occurs, Employee will be entitled to receive his reasonable share of the Company's cash bonuses, if any, allocated in accordance with existing principles and authorized by the Board of Directors. The amount of Employee's cash incentive award shall not be reduced due to Employee not being actively employed for the full year. Said cash bonuses, if any, will be paid to Employee in a lump sum on the date of Separation from Service, taking into account the provisions of Paragraph 7(C) of the foregoing Employment Agreement relating to when payments are deemed to be made, and subject to the provisions of Paragraph 7(D) of the foregoing Employment Agreement to the extent applicable.

(3) Employee will continue to participate, without discrimination, for the number of months between the date of Separation from Service and the date that is eighteen (18) months after the date of the consummation of the Change of Control in benefit plans (such as retirement, disability and medical insurance) maintained after any Change of Control for employees, in general, of the Company, or any successor organization, provided Employee's continued participation is possible under the general terms and conditions of such plans. In the event Employee's participation in any such plan is barred, the Company shall arrange to provide Employee with benefits substantially similar to those to which Employee would have been entitled had his participation not been barred, but only for the period of time specified in the preceding sentence. However, in no event will Employee receive from the Company the employee benefits contemplated by this subparagraph if Employee receives comparable benefits from any other source. With respect to any benefits Employee receives under this Paragraph B(3), the following provisions will apply: (i) in-kind benefits provided under this Paragraph B(3) during any taxable year of Employee shall not affect the in-kind benefits to be provided under this Paragraph B(3) in any other taxable year; (ii) if the provision of benefits under this Paragraph B(3) is to be done by means of reimbursement, the reimbursement of an eligible benefit expense under this Paragraph B(3) must be made on or before the last day of Employee's taxable

year following the taxable year in which the expense was incurred, (iii) no rights to reimbursement or in-kind benefits under this Paragraph B(3) shall be subject to liquidation or exchange for any other benefit, and (iv) benefits provided under this Paragraph B(3) shall be subject to the provisions of Paragraph 7(D) of the foregoing Employment Agreement to the extent applicable.

(4) Paragraph 6 (Noncompetition and Nonsolicitation) of the foregoing Employment Agreement shall not apply.

C. Other Employment. Employee shall not be required to mitigate the amount of any payment provided for in this Change in Control Agreement by seeking other employment. The amount of any payment provided for in this Change in Control Agreement shall not be reduced by any compensation earned or benefits provided (except as set forth in Paragraph B(3) above) as the result of employment by another employer after the date of Separation from Service.

D. Rights of Company Prior to the Change of Control. This Change in Control Agreement shall not affect the right of the Company or Employee to terminate the foregoing Employment Agreement or the employment of Employee in accordance therewith; provided, however, that any termination or reduction in salary or benefits that takes place after discussions have commenced that result in a Change in Control shall be presumed (without clear and convincing evidence to the contrary) to be a violation of this Change in Control Agreement entitling Employee to the benefits hereof, so that any such termination by Company resulting in Employee's Separation from Service either before or within eighteen (18) months after a Change in Control shall be deemed to be a Wrongful Termination, and all references in this Change in Control Agreement to Salary shall be deemed to mean the Salary, as defined herein, based on the earnings Employee would have had prior to any reduction thereof.

E. Successors; Binding Agreement.

(1) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Employee, to expressly assume and agree to perform this Change in Control Agreement. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a material breach of this Change in Control Agreement and shall entitle Employee to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if he terminated his employment for Good Reason hereunder, *provided* that Employee incurs a Separation from Service within eighteen (18) months after a Change in Control, and *provided further* that the notice and time to correct provisions of Paragraph A(7) herein are satisfied.

(2) This Change in Control Agreement and all rights of Employee hereunder shall inure to the benefit of and be enforceable by Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If Employee should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's devisee, legatee, or other designee or, if there be no such designee, to Employee's estate.

Exhibit 10.9

FORM OF EXECUTIVE SALARY CONTINUATION AGREEMENT THAT SUPERSEDES AND REPLACES THE EXECUTIVE SALARY CONTINUATION AGREEMENT EFFECTIVE JANUARY 1, 2006

THIS AGREEMENT, made and entered into as of the 1st day of January, 2008, provided, however, that all provisions applicable to compliance under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") shall be effective as of January 1, 2005, by and between Summit Community Bank, a bank, organized and existing under the laws of the State of West Virginia (hereinafter referred to as the "Bank"), and _________________________, an Executive of the Bank (hereinafter referred to as the "Executive").

WHEREAS, the Bank and the Executive are currently parties to an Executive Salary Continuation Agreement signed on July 19, 2007 and effective January 1, 2006 (which superseded and replaced the original Agreement, an Executive Supplemental Retirement Plan effective the 13th day of June, 2000, and a subsequent amendment thereto), that provides for the payment of certain benefits. This Executive Salary Continuation Agreement and the benefits provided hereunder shall supersede and replace the existing Executive Salary Continuation Agreement and the benefits provided thereby;

WHEREAS, the Executive has been and continues to be a valued Executive of the Bank who is a member of a select group of management or a highly-compensated employee of the Bank;

WHEREAS, the purpose of this Agreement is to further the growth and development of the Bank by providing the Executive with supplemental retirement income, and thereby encourage the Executive's productive efforts on behalf of the Bank and the Bank's shareholders, and to align the interests of the Executive and those shareholders;

WHEREAS, it is the desire of the Bank and the Executive to enter into this Agreement under which the Bank will agree to make certain payments to the Executive at retirement or the Executive's Beneficiary in the event of the Executive's death pursuant to this Agreement; and

WHEREAS, the Bank intends this Agreement to comply with Final Regulations and Transition Relief promulgated by the Internal Revenue Service pursuant to Code Section 409A, and accordingly, notwithstanding any other provisions of this Agreement, this amendment applies only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, and (iii) an amount to be paid in 2008 that would not otherwise be payable in such year, and to the extent necessary to qualify under such Transition Relief to not be treated as a change in the form and timing of a payment under Code Section 409A(a)(4) or an acceleration of a payment under Code Section 409A(a)(3), the Executive, by executing this Agreement, shall be deemed to have elected the form and timing of distribution provisions of this Agreement, on or before December 31, 2008.

ACCORDINGLY, it is intended that the Agreement be "unfunded" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and not be construed to provide income to the participant or beneficiary under the Code, particularly Section 409A of the Code and guidance or regulations issued thereunder, prior to actual receipt of benefits; and

THEREFORE, it is agreed as follows:

I. EFFECTIVE DATE

Except as otherwise provided herein, the Effective Date of this Agreement shall be January 1, 2008, provided, however, that all provisions applicable to compliance under Code Section 409A shall be effective as of January 1, 2005.

II. FRINGE BENEFITS

The salary continuation benefits provided by this Agreement are granted by the Bank as a fringe benefit to the Executive and are not part of any salary reduction plan or an arrangement deferring a bonus or a salary increase. The Executive has no option to take any current payment or bonus in lieu of these salary continuation benefits except as set forth hereinafter.

III. DEFINITIONS

A. Retirement Date:
If the Executive remains in the continuous employ of the Bank until at least the Executive's Normal Retirement Age, (except as otherwise set forth in Paragraph IX,) and provided that no determination of Disability of Executive, at any time prior to Executive's Normal Retirement Age, has been made, (regardless of any return to active service of Executive subsequent to any such determination of Disability,) the Executive's Retirement Date shall be the date on which the Executive attains the age of sixty-seven (67) years or has a Separation from Service, whichever is later.

B. Normal Retirement Age:
Normal Retirement Age shall mean the date on which the Executive attains age sixty-seven (67).

C. Plan Year:

Any reference to "Plan Year" shall mean a calendar year from January 1 to December 31. In the year of implementation, the term "Plan Year" shall mean the period from the effective date to December 31 of the year of the effective date.

D. Termination of Employment:

Termination of Employment shall mean voluntary resignation of employment by the Executive, or the Bank's discharge of the Executive without cause (*i.e.,* a discharge of the Executive by the Bank that does not satisfy the definition of discharge "for cause" set forth in Subparagraph III [F]).

E. Separation from Service:

"Separation from Service" shall mean that the Executive has experienced a Termination of Employment from the Bank. However, the employment relationship is treated as continuing intact while the Executive is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the Executive's right to reemployment with the Bank or any Affiliate is provided either by statute or by contract. If the period of leave exceeds six months and the Executive's right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Executive to be unable to perform the duties of his position of employment or any substantially similar position of employment, a 29-month period of absence may be substituted for such six-month period. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A including, but not limited to:

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported Termination of Employment or Separation from Service,

(ii) in any instance in which the Executive is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Agreement and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance Executive shall only be considered to meet the requirements of a Separation from Service hereunder if such Executive meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Agreement which would otherwise apply,

(iii) in any instance in which Executive is an employee and an independent contractor of the Bank or any Affiliate or both, the Executive must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if Executive provides services both as an employee and a member of the Board of Directors of the Bank or any Affiliate or both or any combination thereof, the services provided as a director are not taken into account in determining whether the Executive has had a Separation from Service as an employee under this Agreement, provided that no plan in which Executive participates or has participated in his capacity as a director is an Aggregated Plan, and

(iv) a determination of whether a Separation from Service has occurred shall be made in accordance with Treasury Regulations Section 1.409A-1(h)(4) or any similar or successor law, regulation or guidance of like import, in the event of an asset purchase transaction as described therein.

F. Discharge for Cause:

The term "for cause" shall mean for the conviction of Executive for commission of a felony against the Bank or any Affiliate. If a dispute arises as to discharge "for cause," such dispute shall be resolved by arbitration as set forth in this Executive Plan. In the alternative, if the Executive is permitted to resign due to conviction of a felony as described above, the Board of Directors may vote to deny all benefits. A majority decision by the Board of Directors is required for forfeiture of the Executive's benefits under the preceding sentence.

G. Change of Control:

"Change of Control" shall mean with respect to (i) the Bank or an Affiliate for whom the Executive is performing services at the time of the Change in Control Event; (ii) the Bank or any Affiliate that is liable for the payment to the Executive hereunder (or all corporations liable for the payment if more than one corporation is liable) but only if either the deferred compensation is attributable to the performance of service by the Executive for Bank or such corporation (or corporations) or there is a bona fide business purpose for Bank or such corporation or corporations to be liable for such payment and, in either case, no significant purpose of making Bank or such corporation or corporations liable for such payment is the avoidance of Federal Income tax; or (iii) a corporation that is a majority shareholder of a corporation identified in paragraph (i) or (ii) of this section, or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in paragraph (i) or (ii) of this section, a Change in Ownership or Effective Control or a Change in the Ownership of a Substantial Portion of the Assets of a Corporation as defined in Section 409A of the Code, and the regulations or guidance issued by the Internal Revenue Service thereunder, meeting the requirements of a "Change in Control Event" thereunder.

H. Restriction on Timing of Distribution:

Notwithstanding any provision of this Agreement to the contrary, distributions of deferred compensation (within the meaning of Code Section 409A) under this Plan to the Executive may not commence earlier than six (6) months after the date of a Separation from Service if, pursuant to Code Section 409A and the regulations and guidance thereunder, the Executive is considered a "specified employee" of the Bank if any stock of the Bank or any parent thereof is publicly traded on an established securities market or otherwise. In the event a distribution of deferred compensation under this Plan is delayed pursuant to this paragraph, the originally scheduled payment shall be delayed until six months after the date of Separation from Service and shall commence instead on the first day of the seventh month following Separation from Service, as follows: if payments are scheduled under this Plan to be made in installments, all such installment payments which would have otherwise been paid within six (6) months after the date of a Separation from Service shall be delayed, aggregated, and paid instead on the first day of the seventh month after Separation from Service, after which all installment payments shall be made on their regular schedule; if payment is scheduled under this Plan to be made in a lump sum, the lump payment shall be delayed until six months after the date of Separation from Service and instead be made on the first day of the seventh month after the date of Separation from Service. This Subparagraph III [H] shall only apply to delay the payment of deferred compensation to specified employees as required by Code Section 409A and the regulations and guidance issued thereunder.

I. Beneficiary:

The Executive shall have the right to name a Beneficiary of any benefit payable under this Agreement on the Executive's death. The Executive shall have the right to name such Beneficiary at any time prior to the Executive's death and submit it to the Plan Administrator (or Plan Administrator's representative) on the form provided. Once received and acknowledged by the Plan Administrator, the form shall be effective. The Executive may change a Beneficiary designation at any time by submitting a new form to the Plan Administrator. Any such change shall follow the same rules as for the original Beneficiary designation and shall automatically supersede the existing Beneficiary form on file with the Plan Administrator.

If the Executive dies without a valid Beneficiary designation on file with the Plan Administrator, death benefits shall be paid to the Executive's estate.

If the Plan Administrator determines in its discretion that a benefit is to be paid to a minor, to a person declared incompetent, or to a person incapable of handling the disposition of that person's property, the Plan Administrator may direct distribution of such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship as it may deem appropriate prior to distribution of the benefit. Any distribution of a benefit shall be a distribution for the account of the Executive and the Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Agreement for such distribution amount.

J. Disability:

"Disability" shall mean the Executive: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Bank. Medical determination of Disability may be made by either the Social Security Administration or by the provider of an accident or health plan covering employees of the Bank. Upon the request of the Plan Administrator, the Executive must submit proof to the Plan Administrator of Social Security Administration's or the provider's determination. Notwithstanding any of the foregoing, the term "Disability" shall be interpreted under this Agreement in a manner consistent with the requirements of Code Section 409A and the regulations and guidance thereunder.

IV. RETIREMENT BENEFIT AND POST-RETIREMENT DEATH BENEFIT

Upon attainment of the Retirement Date, (as set forth in Subparagraph III [A,] subject to the provisions of Paragraph IX,) the Bank shall pay the Executive an annual benefit equal to Fifty Thousand ($50,000), the "Retirement Benefit." Said Retirement Benefit shall be paid in equal monthly installments (1/12th of the annual benefit) until the death of the Executive. Said payment shall commence the first day of the month following (i) the date of such Separation from Service, or (ii) if applicable, in accordance with the Restriction on Timing of Distribution, whichever is later. Upon the death of the Executive after attainment of the Retirement Date, (as set forth in III [A,] subject to the provisions of Paragraph IX,) if there is a balance in the accrued liability retirement account, an amount equal to such balance shall be paid in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death.

V. DEATH BENEFIT PRIOR TO RETIREMENT

In the event the Executive should die while actively employed by the Bank at any time after the date of this Agreement but prior to the Executive's Separation from Service, and prior to any determination of Disability (as provided in Paragraph X) the Bank will pay an amount equal to the accrued balance on the date of death of the Executive's accrued liability retirement account in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death.

VI. BENEFIT ACCOUNTING/ACCRUED LIABILITY RETIREMENT ACCOUNT

Notwithstanding any provision herein to the contrary, the provisions of this Paragraph VI, shall be effective beginning January 1, 2006. Prior to the date on which Executive attains Executive's Normal Retirement Age, and during the time that Executive continues in the employment of Bank, (or after Separation from Service but before Executive has attained Normal Retirement Age if a Change in Control has occurred and Executive has thereafter had a Separation from Service as set forth in Paragraph IX,) and provided this Agreement is in effect, the Bank shall account for this benefit using Generally Accepted Accounting Principles ("GAAP"). Prior to the date on which Executive attains Executive's Normal Retirement Age and during the time that Executive continues in the employment of Bank, and prior to any determination of Disability of Executive prior to Executive attaining Normal Retirement Age, (or after Separation from Service but before Executive has attained Executive's Normal Retirement Age if a Change in Control has occurred and Executive has had a Separation from Service as set forth in Paragraph IX) and provided this Agreement is in effect, the Bank shall establish an accrued liability retirement account for the Executive into which appropriate reserves shall be accrued sufficient so that if the account were increased ratably each year prior to Executive attaining Normal Retirement Age and during which Executive continued in the employment of Bank (or after Separation from Service but before Executive has attained Executive's Normal Retirement Age if a Change in Control has occurred and Executive has had a Separation from Service as set forth in Paragraph IX) and using a compound interest rate as set forth in Schedule A attached hereto and incorporated herein by reference (provided, however, that such interest rate set forth on Schedule A may be changed, for purposes of the calculation of the accrued liability retirement account hereunder, by the Compensation Committee of Bank at any time and from time to time but only in good faith and in a manner that the Compensation Committee of the Bank reasonably determines to be consistent with industry standards at the time of such change of interest rate herein), sufficient funds would be available to pay the Retirement Benefit to Executive, still assuming a compound interest rate as set forth on Schedule A (again provided, however, as stated above, that such interest rate may be changed, for purposes of the calculation of the accrued liability retirement account hereunder, by the Compensation Committee of the Bank at any time and from time to time but only in good faith and in a manner that the Compensation Committee of the Bank reasonably determines to be consistent with industry standards at the time of such change of interest rate herein,) for the life expectancy of Executive, based upon the United States Life Insurance Company mortality tables (or tables of a reasonably comparable life insurance company if such mortality tables are no longer available) in effect from time to time as such accruals are made.

The accrued liability retirement account established hereunder shall be for accounting and bookkeeping purposes only, and is not, nor shall be construed to be, an account or trust for the benefit of the Executive. Once payments to Executive commence pursuant to Paragraphs IV, VIII, or IX, such payments shall be applied so as to reduce the balance in the accrued liability retirement account for purposes of any payout of an amount equal to the remaining balance thereof under said Paragraphs.

VII. VESTING

The Executive shall be fully vested in the Retirement Benefit for purposes of any payments to Executive pursuant to Paragraphs IV or IX hereunder. For all other purposes, the Executive shall vest in the Retirement Benefit in accordance with the following schedule from the Effective Date of the original Agreement.

Total Years of Employment with the Bank from Effective Date of Original Agreement (6/13/00)	*Vested (to a maximum of 100%)*
1	0%
2	0%
3	0%
4	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

VIII. BENEFIT UPON SEPARATION FROM SERVICE PRIOR TO RETIREMENT

A. Resignation of Employee or Discharge Without Cause:

Subject to the provisions of Paragraph IX, (and no payment shall be made under this Paragraph VIII if the provisions of Paragraph IX are applicable,) in the event that the Executive shall incur a Separation from Service prior to Normal Retirement Age, and prior to any determination of Disability, then the Bank shall pay to the Executive an annual benefit equal to the vested percentage of the Retirement Benefit, as provided in Paragraph IV (the “Vested Benefit”). Said Vested Benefit shall be paid in equal monthly installments (1/12th of the annual Vested Benefit) commencing the first day of the month following (i) the date of attainment of Normal Retirement Age or (ii) if applicable, in accordance with the Restriction on Timing of Distribution, whichever is later, until the death of the Executive.

Upon the death of the Executive after commencement of payments provided for in this paragraph, if there is a balance remaining in the accrued liability retirement account, an amount equal to such balance shall be paid in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death.

In the event the Executive's death should occur after Separation from Service under this Section VIII but prior to the commencement of payments provided for in this paragraph, an amount equal to the balance in the accrued liability retirement account shall be paid in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the decease of the Executive.

B. Discharge For Cause or Upon Vote to Deny All Benefits:

In the event the Executive shall be discharged for cause at any time, or should the Board vote to deny all benefits following a discharge for cause as set forth in Subparagraph III [F], this Agreement shall terminate and all benefits provided herein shall be forfeited.

IX. CHANGE OF CONTROL

If the Executive suffers a Separation from Service prior to attaining Normal Retirement Age and within two years after a Change of Control (provided that there has been no determination of Disability prior to such Separation from Service), then the Executive shall receive the Retirement Benefit described in Paragraph IV as if the Executive had been continuously employed by the Bank until the Executive's Normal Retirement Age, except that payments under this Paragraph IX shall be paid in equal monthly installments commencing the first day of the month following (i) the date of attainment of Normal Retirement Age or (ii) if applicable, in accordance with the Restriction on Timing of Distribution, whichever is later, until the death of the Executive. The Executive will also remain eligible for all promised death benefits in this Agreement. In addition, no sale, merger or consolidation of the Bank shall take place unless the new or surviving entity expressly acknowledges the obligations under this Agreement and agrees to abide by its terms.

X. DISABILITY

In the event that a determination of Disability is made respecting the Executive, during any period of employment prior to Executive attaining Normal Retirement Age (and the Executive, notwithstanding any other provision of this Agreement, including but not limited to any provision of Subparagraph III [J,] shall not be considered disabled for purposes of this Paragraph X if the Executive has had a Separation from Service prior to such Disability, without returning to active employment with the Bank and being actively employed with the Bank at the time of such Disability, even if such Separation of Service has taken place after a Change in Control and Executive, although no longer employed by

Bank, may be eligible for a Retirement Benefit pursuant to Paragraph IX or otherwise), the Bank shall establish an account (hereinafter sometimes referred to as the "Disability Account") in an amount equal to the balance as of the date of Disability of Executive of the accrued liability retirement account established on the Executive's behalf pursuant to this Agreement, (provided that the Bank shall be required to do so only once for each Executive, and with respect to an Executive who has a determination of Disability prior to Normal Retirement Age and who returns to active employment with the Bank and a subsequent determination of Disability, also prior to Normal Retirement Age, is made respecting the Executive, the Bank shall not be required to establish a Disability Account other than any Disability Account established upon the first determination of Disability of the Executive.) Interest at a rate equivalent to the Moody's Seasoned Baa Corporate Bond Yield per annum then in effect (or if no such rate is then published or in effect, then at the rate equivalent to the yield of reasonably comparable instruments selected by the Compensation Committee of the Bank) shall be accrued and added to the Disability Account and distributions subtracted therefrom until complete distribution hereunder. Upon Executive attaining Normal Retirement Age after a determination of Disability, the Bank shall distribute to the Executive, (commencing on the first day of the month following the date the Executive attains the Executive's Normal Retirement Age, and subject to the 'Restriction on Timing of Distribution' as defined in this Agreement,) an amount equal to the balance in the Disability Account of Executive in One Hundred Twenty (120) equal monthly installments. In the event of the death of Executive after a determination of Disability and regardless of whether Executive has attained Normal Retirement Age, any portion of any Disability Account of Executive not yet distributed to Executive hereunder shall be distributed in a lump sum to the Beneficiary. Said payment due hereunder shall be made the first day of the second month following the Executive's death. After a determination of Disability prior to Executive's Normal Retirement Age, no other benefits than those set forth in this Paragraph X will be owed or payable to the Executive or any Beneficiary under this Agreement under any circumstances, including but not limited to, during the period of Disability, upon death, upon attaining Normal Retirement Age or Retirement Date, or in the event of any subsequent return to active service or subsequent period of Disability. The Disability Account established hereunder shall be for accounting and bookkeeping purposes only, and is not, nor shall be construed to be, an account or trust for the benefit of the Executive. Once payments to Executive commence pursuant to this Paragraph X, such payments shall be applied so as to reduce the balance in the Disability Account for purposes of any payout of an amount equal to the remaining balance thereof.

XI. RESTRICTION UPON FUNDING

The Bank shall have no obligation to set aside, earmark or entrust any fund or money with which to pay its obligations under this Executive Plan. The Executive, their beneficiary(ies), or any successor in interest shall be and remain simply a general creditor of the Bank in the same manner as any other creditor having a general claim for matured and unpaid compensation.

The Bank reserves the absolute right, at its sole discretion, to either fund the obligations undertaken by this Executive Plan or to refrain from funding the same and to determine the extent, nature and method of such funding. Should the Bank elect to fund this Executive Plan, in whole or in part, through the purchase of life insurance, mutual funds, disability policies or annuities, the Bank reserves the absolute right, in its sole discretion, to terminate such funding at any time, in whole or in part. At no time shall any Executive be deemed to have any lien, right, title or interest in any specific funding investment or assets of the Bank.

If the Bank elects to invest in a life insurance, disability or annuity policy on the life of the Executive, then the Executive shall assist the Bank by freely submitting to a physical exam and supplying such additional information necessary to obtain such insurance or annuities.

XII. MISCELLANEOUS

A. Alienability and Assignment Prohibition:

Neither the Executive, nor the Executive's surviving spouse, nor any other beneficiary(ies) under this Executive Plan shall have any power or right to transfer, assign, anticipate, hypothecate, mortgage, commute, modify or otherwise encumber in advance any of the benefits payable hereunder nor shall any of said benefits be subject to seizure for the payment of any debts, judgments, alimony or separate maintenance owed by the Executive or the Executive's beneficiary(ies), nor be transferable by operation of law in the event of bankruptcy, insolvency or otherwise. In the event the Executive or any beneficiary attempts assignment, commutation, hypothecation, transfer or disposal of the benefits hereunder, the Bank's liabilities shall forthwith cease and terminate.

B. Binding Obligation of the Bank and any Successor in Interest:

The Bank shall not merge or consolidate into or with another bank or sell substantially all of its assets to another bank, firm or person until such bank, firm or person expressly agree, in writing, to assume and discharge the duties and obligations of the Bank under this Executive Plan. This Executive Plan shall be binding upon the parties hereto, their successors, beneficiaries, heirs and personal representatives.

C. Amendment or Revocation:

It is agreed by and between the parties hereto that, during the lifetime of the Executive, this Agreement may be amended or revoked at any time or times, in whole or in part, by the mutual written consent of the Executive and the Bank. Any such amendment shall not be effective to decrease or restrict any Executive's accrued benefit under this Agreement, determined as of the date of amendment, unless agreed to in writing by the Executive, and provided further, no amendment shall be made, or if made, shall be effective, if such amendment would cause the

Agreement to violate Code Section 409A. In the event this Agreement is terminated, such termination shall not cause acceleration of a distribution of benefits, except under limited circumstances as permitted under Code Section 409A and the regulations and guidance issued thereunder (*e.g.,* 30 days before or 12 months after a Change of Control event, upon termination of all arrangements of the same type, or upon corporate dissolution or bankruptcy).

D. Gender:

Whenever in this Executive Plan words are used in the masculine or neuter gender, they shall be read and construed as in the masculine, feminine or neuter gender, whenever they should so apply.

E. Headings:

Headings and subheadings in this Executive Plan are inserted for reference and convenience only and shall not be deemed a part of this Executive Plan.

F. Applicable Law:

The laws of the State of West Virginia shall govern the validity and interpretation of this Agreement.

G. Partial Invalidity:

If any term, provision, covenant, or condition of this Executive Plan is determined by an arbitrator or a court, as the case may be, to be invalid, void, or unenforceable, such determination shall not render any other term, provision, covenant, or condition invalid, void, or unenforceable, and the Executive Plan shall remain in full force and effect notwithstanding such partial invalidity.

H. Not a Contract of Employment:

This Agreement shall not be deemed to constitute a contract of employment between the parties hereto, nor shall any provision hereof restrict the right of the Bank to discharge the Executive, or restrict the right of the Executive to terminate employment.

I. Tax Withholding:

The Bank shall withhold any taxes that are required to be withheld, under federal, state or local tax laws, including without limitation under Section 409A of the Code and regulations thereunder, from the benefits provided under this Agreement. The Executive acknowledges that the Bank's sole liability regarding taxes is to forward any amounts withheld to the appropriate taxing authority(ies).

J. Opportunity to Consult with Independent Advisors:

The Executive acknowledges that he has been afforded the opportunity to consult with independent advisors of his choosing including, without limitation, accountants or tax advisors and counsel regarding both the benefits granted to him under the terms of this Agreement and the: (i) terms and conditions which may affect the Executive's right to these benefits; and (ii) personal tax effects of such benefits including, without limitation, the effects of any federal or state taxes, Section 280G of the Code, Section 409A of the Code and guidance or regulations thereunder, and any other taxes, costs, expenses or liabilities whatsoever related to such benefits, which in any of the foregoing instances the Executive acknowledges and agrees shall be the sole responsibility of the Executive notwithstanding any other term or provision of this Agreement. The Executive further acknowledges and agrees that the Bank shall have no liability whatsoever related to any such personal tax effects or other personal costs, expenses, or liabilities applicable to the Executive and further specifically waives any right for himself or herself, and his or her heirs, beneficiaries, legal representative, agents, successor and assign to claim or assert liability on the part of the Bank related to the matters described above in this paragraph. The Executive further acknowledges that he has read, understands and consents to all of the terms and conditions of this Agreement, and that he enters into this Agreement with a full understanding of its terms and conditions.

K. Permissible Acceleration Provision:

Under Code Section 409A(a)(3), a payment of deferred compensation may not be accelerated except as provided in regulations by the Code. Certain permissible payment accelerations include payments necessary to comply with a domestic relations order, payments necessary to comply with certain conflict of interest rules, payments intended to pay employment taxes, and certain de minimis payments related to the Executive's termination of the Executive's interest in the plan. Any permissible payment accelerations under this Agreement shall be at the discretion of Bank and shall be consistent with the requirements of Code Section 409A and the regulations and guidance issued thereunder.

L. Supersede and Replace Entire Agreement:

This Agreement shall supersede the Executive Salary Continuation Agreement signed on July 19, 2007 and effective January 1, 2006 (which superseded and replaced the original Agreement, an Executive Supplemental Retirement Plan effective June 13, 2000), and shall replace the entire Agreement of the parties pertaining to this particular Executive Salary Continuation Agreement.

XIII. ADMINISTRATIVE AND CLAIMS PROVISION

A. Plan Administrator:

The "Plan Administrator" of this Executive Plan shall be Summit Financial Group. As Plan Administrator, the Bank shall be responsible for the management, control and administration of the Executive Plan. The Plan Administrator may delegate to others certain aspects of the management and operation responsibilities of the Executive Plan including the employment of advisors and the delegation of ministerial duties to qualified individuals.

B. Claims Procedure:

a. Filing a Claim for Benefits:

Any insured, beneficiary, or other individual, ("Claimant") entitled to benefits under this Executive Plan will file a claim request with the Plan Administrator. The Plan Administrator will, upon written request of a Claimant, make available copies of all forms and instructions necessary to file a claim for benefits or advise the Claimant where such forms and instructions may be obtained. If the claim relates to disability benefits, then the Plan Administrator shall designate a sub-committee to conduct the initial review of the claim (and applicable references below to the Plan Administrator shall mean such sub-committee).

b. Denial of Claim:

A claim for benefits under this Executive Plan will be denied if the Bank determines that the Claimant is not entitled to receive benefits under the Executive Plan. Notice of a denial shall be furnished the Claimant within a reasonable period of time after receipt of the claim for benefits by the Plan Administrator. This time period shall not exceed more than ninety (90) days after the receipt of the properly submitted claim. In the event that the claim for benefits pertains to disability, the Plan Administrator shall provide written notice within forty-five (45) days. However, if the Plan Administrator determines, in its discretion, that an extension of time for processing the claim is required, such extension shall not exceed an additional ninety (90) days. In the case of a claim for disability benefits, the forty-five (45) day review period may be extended for up to thirty (30) days if necessary due to circumstances beyond the Plan Administrator's control, and for an additional thirty (30) days, if necessary. Any extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

c. Content of Notice:

The Plan Administrator shall provide written notice to every Claimant who is denied a claim for benefits which notice shall set forth the following:

(i.) The specific reason or reasons for the denial;

(ii.) Specific reference to pertinent Executive Plan provisions on which the denial is based;

(iii.) A description of any additional material or information necessary for the Claimant to perfect the claim, and any explanation of why such material or information is necessary; and

(iv.) Any other information required by applicable regulations, including with respect to disability benefits.

d. Review Procedure:

The purpose of the Review Procedure is to provide a method by which a Claimant may have a reasonable opportunity to appeal a denial of a claim to the Plan Administrator for a full and fair review. The Claimant, or his duly authorized representative, may:

(i.) Request a review upon written application to the Plan Administrator. Application for review must be made within sixty (60) days of receipt of written notice of denial of claim. If the denial of claim pertains to disability, application for review must be made within one hundred eighty (180) days of receipt of written notice of the denial of claim;

(ii.) Review and copy (free of charge) pertinent Executive Plan documents, records and other information relevant to the Claimant's claim for benefits;

(iii.) Submit issues and concerns in writing, as well as documents, records, and other information relating to the claim.

e. Decision on Review:

A decision on review of a denied claim shall be made in thefollowing manner:

(i.) The Plan Administrator may, in its sole discretion, hold a hearing on the denied claim. If the Claimant's initial claim is for disability benefits, any review of a denied claim shall be made by members of the Plan Administrator other than the original decision maker(s) and such person(s) shall not be a subordinate of the original decision maker(s). The decision on review shall be made promptly, but generally not later than sixty (60) days after receipt of the application for review. In the event that the denied claim pertains to disability, such decision shall not be made later than forty-five (45) days after receipt of the application for review. If the Plan Administrator determines that an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial sixty (60) day period. In no event shall the extension exceed a period of sixty (60) days from the end of the initial period. In the event the denied claim pertains to disability, written notice of such extension shall be furnished to the Claimant prior to the termination of the initial forty-five (45) day period. In no event shall the extension exceed a period of thirty (30) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan Administrator expects to render the determination on review.

(ii.) The decision on review shall be in writing and shall include specific reasons for the decision written in an understandable manner with specific references to the pertinent Executive Plan provisions upon which the decision is based.

(iii.) The review will take into account all comments, documents, records and other information submitted by the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination. Additional considerations shall be required in the case of a claim for disability benefits. For example, the claim will be reviewed without deference to the initial adverse benefits determination and, if the initial adverse benefit determination was based in whole or in part on a medical judgment, the Plan Administrator will consult with a health care professional with appropriate training and experience in the field of medicine involving the medical judgment. The health care professional who is consulted on appeal will not be the same individual who was consulted during the initial determination or the subordinate of such individual. If the Plan Administrator obtained the advice of medical or vocational experts in making the initial adverse benefits determination (regardless of whether the advice was relied upon), the Plan Administrator will identify such experts.

(iv.) The decision on review will include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records or other information relevant to the Claimant's claim for benefits.

f. Exhaustion of Remedies:

A Claimant must follow the claims review procedures under this Executive Plan and exhaust his or her administrative remedies before taking any further action with respect to a claim for benefits.

C. Arbitration:

If claimants continue to dispute the benefit denial based upon completed performance of this Executive Plan or the meaning and effect of the terms and conditions thereof, then claimants may submit the dispute to an Arbitrator in West Virginia for final arbitration. The Arbitrator shall be selected by mutual agreement of the Bank and the claimants. The Arbitrator shall operate under the rules then in effect of the American Arbitration Association. The parties hereto agree that they and their heirs, personal representatives, successors and assigns shall be bound by the decision of such Arbitrator with respect to any controversy properly submitted to it for determination.

Where a dispute arises as to the Bank's discharge of the Executive "for cause," such dispute shall likewise be submitted to arbitration as above described and the parties hereto agree to be bound by the decision thereunder.

XIV. TERMINATION OR MODIFICATION OF AGREEMENT BY REASON OFCHANGES IN THE LAW, RULES OR REGULATIONS

The Bank is entering into this Agreement upon the assumption that certain existing tax laws, rules and regulations will continue in effect in their current form. If any said assumptions should change and said change has a detrimental effect on this Executive Plan, then the Bank reserves the right to terminate or modify this Agreement accordingly, but only to the extent necessary to conform this Agreement to the provisions and requirements of any applicable law (including ERISA and the Code, including, but not limited to Section 409A of the Code and regulations thereunder).

Upon a Change of Control, the provisions of Paragraph IX respecting assumption of the obligations of this Agreement by the successor entity shall apply.

IN WITNESS WHEREOF, the parties hereto acknowledge that each has carefully read this Agreement and executed the original thereof on the first day set forth hereinabove, and that, upon execution, each has received a conforming copy.

SUMMIT COMMUNITY BANK
Moorefield, West Virginia

/s/ Teresa D. Ely
Witness

By: /s/ H. Charles Maddy, III Co-Chairman
(Bank Officer other than Insured) Title

____
Witness

____
Employee

SCHEDULE A
to
EXECUTIVE SALARY CONTINUATION AGREEMENT
BETWEEN SUMMIT COMMUNITY BANK
AND _____________________________

This Schedule A to the Executive Salary Continuation Agreement between Summit Community Bank and ___________________________ sets forth the rate of interest under Section VI of the Agreement for purposes of determining the accrued liability reserve and is incorporated as a part of the Agreement. This Schedule A is effective January 1, 2006, and shall remain in effect unless amended or revised according to the provisions set forth in Section VI of the Agreement.

Interest Rate	6.28%

Exhibit 10.14

SUMMIT FINANCIAL GROUP, INC.
AMENDMENT NO. 2 TO DIRECTORS DEFERRAL PLAN

This Amendment No. 2 to The Summit Financial Group, Inc.'s Company Directors Deferral Plan, to be effective as of December 31, 2008, provided, however, that all provisions applicable to compliance under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") shall be effective as of January 1, 2005, by and among the Summit Financial Group, Inc., or any successor corporation (hereinafter referred to as the "Company"), Summit Community Bank, as successor in interest to South Branch Valley National Bank, a banking corporation with its principal place of business in West Virginia, or any successor corporation (hereinafter refereed to as the "Trustee") and the members of the Board of Directors of Summit Financial Group, Inc. (hereinafter referred to both individually and collectively as the "Director" or "Participant").

WHEREAS, the Company established The Summit Financial Group, Inc.'s Company Directors Deferral Plan on April 25, 2000 (the "Benefit Plan");

WHEREAS, Director is a Participant in the Benefit Plan;

WHEREAS, Subsection A of Section XVI of the Benefit Plan allows amendment of the Benefit Plan by the mutual written consent of the Participant, the Company and the Trustee;

WHEREAS, Summit Community Bank, as successor in interest to South Branch Valley National Bank, is the Trustee;

WHEREAS, the parties have previously amended said Benefit Plan by an Amendment No. 1 effective December 30, 2005;

WHEREAS, the Benefit Plan needs to be further modified to comply with provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations and guidance issued thereunder and the parties hereto intend this amendment to comply with Transition Relief promulgated by the Internal Revenue Service pursuant to Code Section 409A, and accordingly, notwithstanding any other provisions of this Amendment No. 2, this amendment applies only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, or (iii) an amount to be paid in 2008 that would not otherwise be payable in such year, and to the extent necessary to qualify under Transition Relief issued under said Code Section 409A, to not be treated as a change in the form and timing of a payment under Section 409A(a)(4) or an acceleration of a payment under Section 409A(a)(3), Director, by executing this Amendment No. 2, shall be deemed to have elected the timing and distribution provisions of this Amendment No. 2, and to have elected the form of distribution or distributions as set forth herein, all prior to December 31, 2008; and

NOW THEREFORE WITNESSETH: in accordance with the provisions of Subsection A of Section XVI of the Benefit Plan and in consideration of the mutual covenants set forth herein, the parties hereto agree as follows:

1. Section III of said Benefit Plan is hereby amended to read in full as follows:

III. ELECTION OF DEFERRED COMPENSATION AND INVESTMENTS

The Director shall, for any calendar year, prior to the beginning of such calendar year, file a written statement with the Company notifying them as to the percent (%) or dollar amount of fees as defined in Paragraph II and to be earned in that calendar year that is to be deferred, and any such election shall be irrevocable as of the last day of the prior calendar year with respect to the year to which the election relates. An election may be changed or revoked respecting any subsequent calendar year, if so changed or revoked by written election delivered to the Company prior to the beginning of such subsequent calendar year, which change or revocation shall also be irrevocable as of the last day of the prior calendar year with respect to the year to which the change or revocation relates.

Notwithstanding the above paragraph, in the case of the first year in which a Director becomes eligible to participate in the Benefit Plan, such election may be made with respect to fees paid for services performed subsequent to the election within 30 days after the date the Director becomes eligible to participate in the Benefit Plan (and if so made during such 30 day period such election shall be irrevocable, as of the last day of such 30 day period, as to such fees paid for services performed subsequent to the election and during the remainder of the same calendar year in which such election has been made), provided however that such Director meets all of the following requirements for “Initial Eligibility”: a Director shall only be considered as meeting the requirements for ‘Initial Eligibility’ hereunder, if, in any instance in which such Director is participating or has at any time participated in this Benefit Plan or any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Benefit Plan and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as the “Aggregated Plans”), (i) he or she has been paid all amounts deferred under this Benefit Plan and he or she has been paid all amounts deferred under any and all such Aggregated Plans, if any, and (ii) on and before the date of the last payment to such Director under this Benefit Plan and any and all of the Aggregated Plans, if any, as the case may be, such Director was not eligible to continue (or to elect to continue) to participate in the Benefit Plan or any of the Aggregated Plans, if any, for periods after such last payment (other than through an election of a different time and form of payment with respect to the amounts paid,) or (iii) such Director ceased being eligible to participate (other than the accrual of earnings), in all of the following plans in which Director has participated: (1) this Benefit Plan and (2) any of the Aggregated Plans, if any, regardless of whether all amounts deferred under this Benefit Plan and any of the Aggregated Plans, if any in which Director has participated, as the case may be, have been paid, and such Director subsequently becomes eligible to participate in this Benefit Plan and the Director has not been eligible to participate (other than the accrual of earnings) in this Benefit Plan or any such Aggregated Plan at any time during the 24-month period ending on the date the Director becomes eligible to participate in this Benefit Plan. Any election made after the thirty (30) day period specified in the preceding sentences and any election made within such period by a Director who does not meet the above requirements for 'Initial Eligibility' shall not be effective until the calendar year following the date of said election.

Notwithstanding any of the foregoing, for deferrals relating all or in part to services performed on or before December 31, 2005, a written statement may be filed on or before March 15, 2005 with the Company by the Director participating in the Benefit Plan, notifying the Company as to the percent (%) or dollar amount of fees as defined in Paragraph II, relating all or in part to services performed after the date of said election and on or before December 31, 2005, that is to be deferred.

Signed written statements, including but not limited to, modifications or revocations, filed under this section, unless modified or revoked in writing, shall be valid for all succeeding years and a written modification or revocation shall only be effective as to deferral of fees beginning in the calendar year after the calendar year in which such written modification or revocation is delivered.

In addition, the Director may file with the Trustee quarterly investment options setting forth the percentage that should hypothetically be invested in each particular investment vehicle. (A copy of said investment election form is attached hereto, marked as Exhibit "A-1" and fully incorporated herein by reference). Said amounts shall not actually be invested in said investments, and said investment options are merely for the purpose of calculating interest and returns on the Deferred Compensation Account as set forth in Paragraph V. The Trustee shall not be under any duty to advise a participant or beneficiary with respect to any said hypothetical investment. Said investment options must be received by the Trustee on or before the 25th day of the month prior to the beginning of the quarter to which such options relate.

2. Section VII of said Benefit Plan is hereby amended to read in full as follows:

VII. PAYMENT OF DIRECTOR'S DEFERRED COMPENSATION

Subject to Subparagraphs VII (A) and (B) hereinbelow, the amounts in the Directors Deferred Compensation Account shall be paid, at the election of the Director, in a lump sum, or five (5), ten (10), fifteen (15), or twenty (20) equal annual installments, plus or minus each year the annual interest gained or market value lost during the year, all provided that the Director has a Separation from Service other than by death after attaining the age of sixty-five years, which may sometimes be referred to in this Benefit Plan or in election or other forms related thereto as 'retirement.' The Director shall make said election no later than the date prior to the first date on which services are performed with respect to which any fees are deferred under this Benefit Plan. In the event the Director fails to make said election by said date, then the Director shall be deemed to have elected, as of said date, to receive the payments in ten (10) equal annual installments. Any such election or deemed election of form of distribution hereunder shall be irrevocable when made or deemed made and may not be revoked or changed at any time The amount payable would be the balance of the Director's Deferred Compensation Account as defined in Section IV, including all interest and returns credited pursuant to Paragraph V. The payments set forth herein shall commence thirty (30) days after the end of the calendar quarter following the Director's Separation from Service.

Notwithstanding the foregoing, only during the period ending December 31, 2008, pursuant to Code Section 409A Transition Relief, Directors are permitted to file elections on or before December 31, 2008 changing any previous election of a lump sum, or five (5), ten (10), fifteen (15), or twenty (20) equal annual installments, and any such Transition Relief election shall be irrevocable as of December 31, 2008, and any such Transition Relief election shall apply only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, or (iii) an amount to be paid in 2008 that would not otherwise be payable in such year.

Notwithstanding any other provisions of this Section VII or this Benefit Plan, in any instance in which the Director is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Benefit Plan and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance the first election made (or deemed made) by such Director under any of the Aggregated Plans shall be deemed to be the Director's election under this Benefit Plan, in accordance with the timing requirements specified herein.

(A) Separation from Service of the Director other than by death and before attaining the age of sixty-five years Subject to Subparagraph VII (B) hereinbelow, if the Director Separates from Service other than by death and prior to attaining the age of sixty-five years, then the Director shall receive the account balance[1] in a lump sum thirty (30) days after the end of the calendar quarter following the Director's Separation from Service.

(B) Six month delay for payment upon Separation from Service other than by death of Director. Notwithstanding any other provision of this Benefit Plan, no payment upon or based upon Separation from Service may be made under this Benefit Plan before the date that is six months after the date of Separation from Service, other than by death, of a Director if the Director is a Specified Employee on the Director's date of Separation from Service. In the event a distribution under this Benefit Plan is delayed pursuant to this paragraph, the originally scheduled payment shall be delayed until six months after the date of Separation from Service as follows: (i) if payments are scheduled under this Benefit Plan to be made in installments, all such installment payments which would have otherwise been paid within six (6) months after the date of a Separation from Service shall be delayed, aggregated, and paid instead on the first day of the seventh month after Separation from Service, after which all installment payments shall be made on their regular schedule; or

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[1] Deferrals plus credited interest and returns

(ii) if payment is scheduled under this Benefit Plan to be made in a lump sum, the lump payment shall be delayed until six months after the date of Separation from Service and instead be made on the first day of the seventh month after the date of Separation from Service.

(C) "Specified Employee" means, in the case of any Director meeting the requirements of Code Section 416(i)(1)(A)(i), (ii) or (iii) (applied in accordance with the regulations thereunder and disregarding section 416(i)(5)) at any time during the 12 month period ending on any Specified Employee Identification Date, which shall be December 31 of each calendar year (or otherwise meeting the requirements applicable to qualification as a 'Specified Employee' under Code Section 409A and the regulations and guidance issued thereunder), that such Director shall, for purposes of this Benefit Plan, thereafter be a Specified Employee under this Benefit Plan for the period of time consisting of the entire 12-month period beginning on the Specified Employee Effective Date, and said Specified Employee Effective Date shall be the first day of the fourth month following the Specified Employee Identification Date.

(D) "Separation from Service" means the good faith, complete expiration and termination of Director's service, as a member of the Board of Directors or otherwise, with all of those of Company and its Affiliates, as the case may be, with respect to which the Director serves on the Board of Directors or otherwise, for any reason. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Benefit Plan in a manner consistent with the requirements of Code Section 409A including, but not limited to (i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported termination or Separation from Service, (ii) in any instance in which such Director is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Benefit Plan and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance the Director shall only be considered to meet the requirements of a Separation from Service hereunder if such Director meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Benefit

Plan which would otherwise apply, (iii) in any instance in which a Director is an employee and an independent contractor of Company or any Affiliate or both the Director must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if a Director provides services both as an employee and a member of the Board of Directors of Company or any Affiliate or both or any combination thereof, the services provided as an employee are not taken into account in determining whether the Director has had a Separation from Service as a Director under this Benefit Plan, provided that no plan in which such Director participates or has participated in his or her capacity as an employee is an Aggregated Plan.

3. Section VIII of said Benefit Plan is hereby amended to read in full as follows:

VIII. DEATH OF DIRECTOR PRIOR TO SEPARATION FROM SERVICE

In the event of the death of the Director prior to Separation from Service, the Director's account balance shall be paid in a lump sum thirty (30) days after the end of the calendar quarter following the Director's death and shall be made to a beneficiary or beneficiaries designated by the Director in writing and delivered to the Company. In the event no designation is made, the Director's account balance shall be paid thirty (30) days after the end of the calendar quarter following the Director's death in a lump sum to the Director's estate. The lump sum payment to be made under this Paragraph shall be the Director's account balance[1] as determined at the quarterly evaluation following the Director's death.

4. Section IX of said Benefit Plan is hereby amended to read in full as follows:

IX. DIRECTOR'S DEATH AFTER SEPARATION FROM SERVICE BUT BEFORE RECEIVING ALL PAYMENTS

In the event of the death of the Director after Separation from Service, but prior to receiving all payments due under this Benefit Plan, the Director's account balance shall be paid in a lump sum thirty (30) days after the end of the calendar quarter following the Director's death and shall be made to a beneficiary or beneficiaries designated by the Director in writing and delivered to the Company. In the event no designation is made, the Director's account balance shall be paid in a lump sum to the Director's estate. The lump sum payment to be made under this Paragraph shall be the Director's account balance[1] as determined at the quarterly evaluation following the Director's death.

5. Section XV of said Benefit Plan is hereby amended to read in full as follows:

XV. CLAIMS PROCEDURE AND ARBITRATION

Any person claiming a benefit under the Benefit Plan (a "Claimant") shall present the claim, in writing, to the Company or the Plan Fiduciary and Administrator and the Company or the Plan Fiduciary and Administrator shall respond in writing. If the claim is denied in whole or in part, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:

(a) The specific reason or reasons for denial, with specific references to the Benefit Plan provisions on which the denial is based;

(b) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary; and

(c) An explanation of the Benefit Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

The written notice denying or granting the Claimant's claim shall be provided to the Claimant within ninety (90) days after the Company or the Plan Fiduciary and Administrator's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Company or the Plan Fiduciary and Administrator to the Claimant within the initial ninety (90) day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Company or the Plan Fiduciary and Administrator expects to render a decision on the claim. Any claim not granted or denied within the period noted above shall be deemed to have been denied on the last day of the applicable period. In the case of any extension hereunder, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the Claimant shall be afforded at least 45 days within which to provide the specified information.

Any Claimant whose claim is denied in whole or in part, or deemed to be denied under the preceding sentences, (or such Claimant's authorized representative,) may, within sixty (60) days after the Claimant's receipt of notice of the denial, or after the date of the deemed denial, request a review of the denial by notice given, in writing, to the Company or the Plan Fiduciary and Administrator. Upon such a request for review, the claim shall be fully and fairly reviewed by the Company or the Plan Fiduciary and Administrator (or its designated representative) which may, but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may, upon request and free of charge, be provided reasonable access to and copies of pertinent documents, records, and information, and may submit documents, records, issues and comments in writing.

The decision on review normally shall be made within sixty (60) days of the Company or the Plan Fiduciary and Administrator's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Company or the Plan Fiduciary and Administrator prior to the end of the sixty (60) day period, and the time limit for the decision on review shall be extended to one hundred twenty (120) days. The decision on review shall be in writing and shall state, in a manner calculated to be understood by the Claimant, the specific reasons for the decision and shall include references to the relevant Benefit Plan provisions on which the decision is based. The written decision on review shall be given to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) time limit discussed above. If the decision on review is not communicated to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above, the claim shall be deemed to have been denied upon review. All decisions on review shall be final and binding with respect to all concerned parties, provided, however, that if Claimants continue to dispute the benefit denial based upon completed performance of this Benefit Plan or the meaning and effect of the terms and conditions thereof, then Claimants may submit the dispute to a Board of Arbitration for final arbitration. Said Board shall consist of one member selected by the Claimant, one member selected by the Company, one member selected by the first two members. The Board shall operate under any generally recognized set of arbitration rules. The parties hereto agree that they and their heirs, personal representatives, successors and assigns shall be bound by the decision of such Board with respect to any controversy properly submitted to it for determination.

All actions permitted in this Section XV to be taken by the Claimant may likewise be taken by a representative of the Claimant duly authorized to act in such matters on the Claimant's behalf. The Company or the Plan Fiduciary and Administrator may require such evidence of the authority to act of any such representative as it may reasonably deem necessary or advisable.

6. Any additions or modifications to the Benefit Plan must be in writing and signed by the parties, all provided that (i) no such amendment shall be effective if it would, if effective, cause this Benefit Plan to violate Code Section 409A and the regulations and guidance thereunder or cause any amount of compensation or payment hereunder to be subject to a penalty tax under Code Section 409A and the regulations and guidance issued thereunder, which amount of compensation or payment would not have been subject to a penalty tax under Code Section 409A and the regulations and guidance thereunder in the absence of such amendment and (ii) the provisions of subparagraph (i) above are irrevocable. This Amendment No. 2 may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one agreement.

IN WITNESS WHEREOF the parties hereto acknowledge that each has carefully read this Amendment No. 2 and executed the original thereof, individually, in the case of Director, or by its respective duly authorized officer in the case of Trustee and Company, all on the _9th___ day of _October__, 2008.

	COMPANY:
/s/ Teresa D. Ely_________________ Witness	/s/ H. Charles Maddy, III_________ **Title: President & CEO**__________
	TRUSTEE:
/s/ Teresa D. Ely_________________ Witness	/s/ H. Charles Maddy, III_________ **Title: President & CEO**__________
/s/ Teresa D. Ely_________________ Witness	/s/ H. Charles Maddy, III_________ **Director**
/s/ Teresa D. Ely_________________ Witness	/s/ Oscar M. Bean_______________ **Director**
/s/ Teresa D. Ely_________________ Witness	/s/ Gary L. Hinkle_______________ **Director**

/s/ Teresa D. Ely_________________ Witness	/s/ Dewey F. Bensenhaver, MD______ **Director**
/s/ Teresa D. Ely_________________ Witness	/s/ James P. Geary, II _ ___________ **Director**
/s/ Teresa D. Ely_________________ Witness	/s/ Gerald Huffman______________ **Director**
/s/ Teresa D. Ely_________________ Witness	/s/ Phoebe Fisher Heishman _______ **Director**
/s/ Teresa D. Ely_________________ Witness	/s/ James M. Cookman ___________ **Director**
/s/ Teresa D. Ely_________________ Witness	/s/ Thomas J. Hawse, III_____________ **Director**
/s/ Teresa D. Ely_________________ Witness	/s/ John W. Crites__________________ **Director**
/s/ Teresa D. Ely_________________ Witness	/s/ Charles S. Piccirillo_______________ **Director**
/s/ Pamela J. Newman____________ Witness	/s/ Frank A. Baer, III_______________ **Director**

Exhibit 10.15

SUMMIT COMMUNITY BANK, INC.

AMENDED AND RESTATED DIRECTORS DEFERRAL PLAN

This AMENDED AND RESTATED DIRECTORS DEFERRAL PLAN ("Benefit Plan") effective as of November 13, 2008, provided, however, that all provisions applicable to compliance under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") shall be effective as of January 1, 2005, is by and among Summit Community Bank, Inc. (successor in interest to Capital State Bank, Inc., Shenandoah Valley National Bank, Inc., and South Branch Valley National Bank), or any successor thereto (hereinafter referred to as "Bank"), the Trust Department of Summit Community Bank, Inc. (successor in interest to South Branch Valley National Bank), or any successor Trust Department (hereinafter refereed to as the "Trustee"), and participating members of the Board of Directors of Bank or any of its predecessors in interest (hereinafter referred to both individually and collectively as the "Director" or "Participant").

WHEREAS, the parties have previously entered into one or more Directors Deferral Plans and Agreements, namely:

- that certain Capital State Bank, Inc. (predecessor in interest to Summit Community Bank, Inc.) Directors Deferral Plan dated August 1, 2000;
- that certain Shenandoah Valley National Bank, Inc. (predecessor in interest to Summit Community Bank, Inc.) Directors Deferral Plan dated September 15, 2000; and
- that certain Directors Deferral Plan effective July 1, 1999 and those certain Directors Deferral Plan Agreements dated July 5, 1999 by and between the trust department of the South Branch Valley National Bank (predecessor in interest to Summit Community Bank, Inc.) and members of the Board of Directors of said South Branch Valley National Bank (predecessor in interest to Summit Community Bank, Inc.), and which Directors Deferral Plan Agreements follow from and replace those certain Deferred Compensation Plan for Directors Agreements dated June 17, 1994 (such one or more Directors Deferral Plans and Agreements are sometimes hereinafter referred to as the "Directors Deferral Plans and Agreements");

WHEREAS, the parties have previously amended said Directors Deferral Plans and Agreements by an Amendment No. 1 effective December 30, 2005;

WHEREAS, said Directors Deferral Plans and Agreements need to be further amended to comply with provisions of Section 409A of the Internal Revenue Code, as amended, and regulations thereunder and the parties hereto intend this Amendment and Restatement to comply with Transition Relief promulgated by the Internal Revenue Service pursuant to Code Section 409A, and accordingly, notwithstanding any other provisions of this Amendment and Restatement, this amendment applies only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, or (iii) an amount to be paid in 2008 that would not otherwise be payable in such year, and to the extent necessary to qualify under Transition Relief issued under said Code Section 409A to not be treated as a change in the form and timing of a payment under section 409A(a)(4) or an acceleration of a payment under section 409A(a)(3), Director, by signing this Amendment and Restatement, shall be deemed to have elected the timing and distribution provisions of this Amendment and Restatement, and to have elected the form of distribution or distributions as set forth herein, all prior to December 31, 2008;

WHEREAS, the parties hereto desire to consolidate into one agreement the terms of the various Directors Deferral Plans and Agreements adopted by the predecessors in interest to Summit Community Bank, Inc., for clarity and ease of reference in the future; and

WHEREAS, said Directors Deferral Plans and Agreements permit amendments or modifications in writing and signed by the parties;

NOW THEREFORE WITNESSETH: in accordance with the foregoing and in consideration of the mutual covenants set forth herein, the parties hereto agree as follows:

By a vote of Bank's Board of Directors on November 13, 2008, those certain Directors Deferral Plans and Agreements identified herein and adopted by the predecessors in interest to Summit Community Bank, Inc., are amended, restated, superseded and consolidated into one Benefit Plan, and shall hereafter be known as the SUMMIT COMMUNITY BANK, INC., DIRECTORS DEFERRAL PLAN, which is intended to allow eligible Directors the opportunity to participate in the Benefit Plan and defer all or a portion of their fees in accordance therewith. All account balances of Directors accrued under the previous plans continue in full force and effect, but all rights and responsibilities of the parties hereto shall henceforth be governed by the terms of this Amended and Restated Agreement.

It is the intent of the Bank that this Benefit Plan be considered an unfunded arrangement maintained primarily to provide supplemental retirement benefits, and to be considered a non-qualified benefit plan for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

I. DIRECTOR'S SERVICES

So long as the Director shall continue to be a director of the Bank the Director shall devote best efforts to the performance of duties as a member of the Board of Directors and of any of its committees to which the Director is appointed.

II. FEES

The fees covered under this Benefit Plan shall be any and all amounts paid to the Director for services as a Director, including but not limited to annual fees, meeting fees, and committee fees. The fees covered under this Benefit Plan shall be credited to the Director in the manner and on the terms and conditions specified in Paragraph IV subject to the election requirement of Paragraph III.

III. ELECTION OF DEFERRED COMPENSATION AND INVESTMENTS

The Director shall, for any calendar year, prior to the beginning of such calendar year, file a written statement with the Bank notifying it as to the percent (%) or dollar amount of fees as defined in Paragraph II and to be earned in that calendar year that is to be deferred, and any such election shall be irrevocable as of the last day of the prior calendar year with respect to the year to which the election relates. An election may be changed or revoked respecting any subsequent calendar year, if so changed or revoked by written election delivered to the Bank prior to the beginning of such subsequent calendar year, which change or revocation shall also be irrevocable as of the last day of the prior calendar year with respect to the year to which the change or revocation relates.

Notwithstanding the above paragraph, in the case of the first year in which a Director becomes eligible to participate in the Benefit Plan ("Initial Eligibility"), such election may be made with respect to fees paid for services performed subsequent to the election within 30 days after the date the Director first becomes eligible to participate in the Benefit Plan (and if so made during such 30 day period such election shall be irrevocable, as of the last day of such 30 day period, as to such fees paid for services performed subsequent to the election and during the remainder of the same calendar year in which such election has been made). A Director must meet all of the following requirements for Initial Eligibility:

(A) A Director shall only be considered as meeting the requirements for Initial Eligibility hereunder, if, in any instance in which such Director is participating or has at any time participated in this Benefit Plan or any other plan or agreement which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Benefit Plan and with respect to which amounts deferred hereunder and under such other plan, agreement or plans are treated as deferred under a single plan (hereinafter sometimes referred to as the "Aggregated Plans"),

(i) he or she has been paid all amounts deferred under this Benefit Plan and he or she has been paid all amounts deferred under any and all such Aggregated Plans, if any, and

(ii) on and before the date of the last payment to such Director under this Benefit Plan and any and all of the Aggregated Plans, if any, as the case may be, such Director was not eligible to continue (or to elect to continue) to participate in the Benefit Plan or any of the Aggregated Plans, if any, for periods after such last payment (other than through an election of a different time and form of payment with respect to the amounts paid), or

(iii) such Director ceased being eligible to participate (other than in the accrual of earnings) in all of the following plans or agreements in which Director has participated: (1) this Benefit Plan and (2) any of the Aggregated Plans, if any, regardless of whether all amounts deferred under this Benefit Plan and any of the Aggregated Plans, if any in which Director has participated, as the case may be, have been paid, and such Director subsequently becomes eligible to participate in this Benefit Plan, and the Director has not been eligible to participate (other than in the accrual of earnings) in this Benefit Plan or any such Aggregated Plan at any time during the 24-month period ending on the date the Director subsequently becomes eligible to participate in this Benefit Plan.

(B) Any election made after the thirty (30) day period specified in the preceding sentences and any election made within such period by a Director who does not meet the above requirements for Initial Eligibility shall not be effective until the calendar year following the date of said election.

Notwithstanding any of the foregoing, for deferrals relating all or in part to services performed on or before December 31, 2005, a written statement may be filed on or before March 15, 2005 with the Bank by the Director participating in the Benefit Plan, notifying the Bank as to the percent (%) or dollar amount of fees as defined in Paragraph II, relating all or in part to services performed after the date of said election and on or before December 31, 2005, that is to be deferred.

Signed written statements, including but not limited to, modifications or revocations, filed under this section, unless modified or revoked in writing, shall be valid for all succeeding years and a written modification or revocation shall only be effective as to deferral of fees beginning in the calendar year after the calendar year in which such written modification or revocation is delivered.

In addition, the Director may file with the Trustee quarterly investment options setting forth the percentage that should hypothetically be invested in each particular investment vehicle. (A copy of said investment election form is attached hereto, marked as Exhibit “A-1” and fully incorporated herein by reference.) Said amounts shall not actually be invested in said investments, and said investment options are merely for the purpose of calculating interest and returns on the Deferred Compensation Account as set forth in Paragraph V. The Trustee shall not be under any duty to advise a participant or beneficiary with respect to any said hypothetical investment. Said investment options must be received by the Trustee on or before the 25th day of the month prior to the beginning of the quarter to which such options relate.

IV. RABBI TRUST AND CREDITS TO DEFERRED COMPENSATION ACCOUNT

The Bank shall establish one or more Rabbi Trusts for the Benefit Plan. The Bank shall pay all deferral amounts to the Rabbi Trust or Rabbi Trusts. The Trustee shall establish a bookkeeping account for the Director (hereinafter called the, “Directors Deferred Compensation Account”) which shall be credited on the dates such fees, as defined in Paragraph II, would otherwise have been paid with the percentage or dollar amount that the Director has notified the Bank in writing, pursuant to Paragraph III, that the Director elected to have deferred.

V. INTEREST AND RETURNS ON THE DEFERRED COMPENSATION ACCOUNT

Once each calendar quarter, the Directors Deferred Compensation Account shall be credited with an amount that is in addition to the fees credited under Paragraph IV. Such amount shall be determined by multiplying the balance of the Directors Deferred Compensation Account by a rate of interest equal to the total return for such quarter of the investments chosen by the Director pursuant to Paragraph III. Such amount shall be credited as long as there is a balance in the Directors Deferred Compensation Account and shall be credited on the last day of each calendar quarter.

VI. NATURE OF THE DEFERRED COMPENSATION ACCOUNT

The Directors Deferred Compensation Account shall be utilized solely as a device for the measurement and determination of the amount of deferred compensation to be paid to the Director at the times hereinafter specified. The Directors Deferred Compensation Account shall not constitute or be treated as a trust fund of any kind. On the contrary, it is understood that all amounts credited to the Directors Deferred Compensation Account shall be for the sole purpose of bookkeeping and that the Director shall have no ownership rights of any nature with respect thereto. The Director's rights are limited to the rights to receive payments as hereinafter provided and the Director's position with respect thereto is that of a general unsecured creditor of the Bank.

VII. PAYMENT OF DIRECTOR'S DEFERRED COMPENSATION

Subject to Subparagraphs VII (A) and (B) hereinbelow, the amounts in the Directors Deferred Compensation Account shall be paid, at the election of the Director, in a lump sum, or five (5), ten (10), fifteen (15), or twenty (20) equal annual installments, plus or minus each year the annual interest gained or market value lost during the year, all provided that the Director has a Separation from Service other than by death after attaining the age of sixty-five years, which may sometimes be referred to in this Benefit Plan or in election or other forms related thereto as "retirement." The Director shall make said election no later than the date prior to the first date on which services are performed with respect to which any fees are deferred under this Benefit Plan. In the event the Director fails to make said election by said date, then the Director shall be deemed to have elected, as of said date, to receive the payments in ten (10) equal annual installments. <u>Any such election or deemed election of form of distribution hereunder shall be irrevocable when made or deemed made and may not be revoked or changed at any time</u>. The amount payable would be the balance of the Director's Deferred Compensation Account as defined in Section IV, including all interest and returns credited pursuant to Paragraph V. The payments set forth herein shall commence thirty (30) days after the end of the calendar quarter following the Director's Separation from Service.

Notwithstanding the foregoing, only during the period ending December 31, 2008, pursuant to Code Section 409A Transition Relief, Directors are permitted to file elections on or before December 31, 2008 changing any previous election of a lump sum, or five

(5), ten (10), fifteen (15), or twenty (20) equal annual installments, and any such Transition Relief election shall be irrevocable as of December 31, 2008, and any such Transition Relief election shall apply only to amounts that would not otherwise be payable in 2006, 2007 or 2008 and shall not cause (i) an amount to be paid in 2006 that would not otherwise be payable in such year, (ii) an amount to be paid in 2007 that would not otherwise be payable in such year, or (iii) an amount to be paid in 2008 that would not otherwise be payable in such year.

Notwithstanding any other provisions of this Section VII or this Benefit Plan, in any instance in which the Director is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Benefit Plan and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance the first election made (or deemed made) by such Director under any of the Aggregated Plans shall be deemed to be the Director's election under this Benefit Plan, in accordance with the timing requirements specified herein.

(A) Separation from Service of the Director other than by death and before attaining the age of sixty-five years. Subject to Subparagraph VII (B) hereinbelow, if the Director Separates from Service other than by death and prior to attaining the age of sixty-five years, then the Director shall receive the account balance[2] in a lump sum thirty (30) days after the end of the calendar quarter following the Director's Separation from Service.

(B) Six month delay for payment upon Separation from Service other than by death of Director. Notwithstanding any other provision of this Benefit Plan, no payment upon or based upon Separation from Service may be made under this Benefit Plan before the date that is six months after the date of Separation from Service, other than by death, of a Director if the Director is a Specified Employee on the Director's date of Separation from Service. In the event a distribution under this Benefit Plan is delayed pursuant to this paragraph, the originally scheduled payment shall be delayed until six months after the date of Separation from Service as follows: (i) if payments are scheduled under this Benefit Plan to be made in installments, all such installment payments which would have otherwise been paid within six (6) months after the date of a Separation from Service shall be delayed, aggregated, and paid instead on the first day of the seventh month after Separation from Service, after which all installment payments shall be made on their regular schedule; or (ii) if payment is scheduled under this Benefit Plan to be made in a lump sum, the lump payment shall be delayed until six months after the date of Separation from Service and instead be made on the first day of the seventh month after the date of Separation from Service.

[2]deferrals plus credited interest and returns

(C) "Specified Employee" means, in the case of any Director meeting the requirements of Code Section 416(i)(1)(A)(i), (ii) or (iii) (applied in accordance with the regulations thereunder and disregarding section 416(i)(5)) at any time during the 12 month period ending on any Specified Employee Identification Date, which shall be December 31 of each calendar year (or otherwise meeting the requirements applicable to qualification as a "Specified Employee" under Code Section 409A and the regulations and guidance issued thereunder), that such Director shall, for purposes of this Benefit Plan, thereafter be a Specified Employee under this Benefit Plan for the period of time consisting of the entire 12-month period beginning on the Specified Employee Effective Date, and said Specified Employee Effective Date shall be the first day of the fourth month following the Specified Employee Identification Date.

(D) "Separation from Service" means the good faith, complete expiration and termination of Director's service, as a member of the Board of Directors or otherwise, with all of those of Bank and its Affiliates, as the case may be, with respect to which the Director serves on the Board of Directors or otherwise, for any reason. In addition, notwithstanding any of the foregoing, the term "Separation from Service" shall be interpreted under this Benefit Plan in a manner consistent with the requirements of Code Section 409A including, but not limited to

(i) an examination of the relevant facts and circumstances, as set forth in Code Section 409A and the regulations and guidance thereunder, in the case of any performance of services or availability to perform services after a purported termination or Separation from Service,

(ii) in any instance in which such Director is participating or has at any time participated in any other plan which is, under the aggregation rules of Code Section 409A and the regulations and guidance issued thereunder, aggregated with this Benefit Plan and with respect to which amounts deferred hereunder and under such other plan or plans are treated as deferred under a single plan (hereinafter sometimes referred to as an "Aggregated Plan" or together as the "Aggregated Plans"), then in such instance the Director shall only be considered to meet the requirements of a Separation from Service hereunder if such Director meets (a) the requirements of a Separation from Service under all such Aggregated Plans and (b) the requirements of a Separation from Service under this Benefit Plan which would otherwise apply,

(iii) in any instance in which a Director is an employee and an independent contractor of Bank or any Affiliate or both the Director must have a Separation from Service in all such capacities to meet the requirements of a Separation from Service hereunder, although, notwithstanding the foregoing, if a Director provides services both as an employee and a member of the Board of Directors of Bank or any Affiliate or both or any combination thereof, the services provided as an employee are not taken into account in determining whether the Director has had a Separation from Service as a Director under this Benefit Plan, provided that no plan in which such Director participates or has participated in his or her capacity as an employee is an Aggregated Plan.

VIII. DEATH OF DIRECTOR PRIOR TO SEPARATION FROM SERVICE

In the event of the death of the Director prior to Separation from Service, the Director's account balance shall be paid in a lump sum thirty (30) days after the end of the calendar quarter following the Director's death and shall be made to a beneficiary or beneficiaries designated by the Director in writing and delivered to the Bank. In the event no designation is made, the Director's account balance shall be paid in a lump sum thirty (30) days after the end of the calendar quarter following the Director's death to the Director's estate. The lump sum payment to be made under this Paragraph shall be the Director's account balance[3] as determined at the quarterly evaluation following the Director's death.

IX. DIRECTOR'S DEATH AFTER SEPARATION FROM SERVICE BUT BEFORE RECEIVING ALL PAYMENTS

In the event of the death of the Director after Separation from Service, but prior to receiving all payments due under this Benefit Plan, the Director's account balance remaining at date of death shall be paid in a lump sum thirty (30) days after the end of the calendar quarter following the Director's death and shall be made to a beneficiary or beneficiaries designated by the Director in writing and delivered to the Bank. In the event no designation is made, the Director's account balance shall be paid in a lump sum thirty (30) days after the end of the calendar quarter following the Director's death to the Director's estate. The lump sum payment to be made under this Paragraph shall be the Director's account balance[4] as determined at the quarterly evaluation following the Director's death.

X. FUNDING

The Bank's obligation under this Benefit Plan shall be an unfunded and unsecured promise to pay. The Bank shall not be obligated under any circumstances to fund its obligations, the Bank may, however, at its sole and exclusive option, elect to fund this Benefit Plan in whole or in part.

Should the Bank elect to fund this Benefit Plan informally, in whole or in part, the manner of such informal funding, and the continuance or discontinuance of such informal funding shall be the sole and exclusive decision of the Bank.

Should the Bank determine to informally fund this Benefit Plan, in whole or in part, through the medium of life insurance or annuities, or both, the Bank shall be the owner and beneficiary of the policy. The Bank reserves the absolute right to terminate such life insurance or annuities, as well as any other funding at any time, either in whole or in part.

[3] deferrals plus credited interest and returns

[4] deferrals plus credited interest and returns

Any such life insurance or annuity policy purchased by the Bank shall not in any way be considered to be security for the performance of the obligations for this Benefit Plan. It shall be, and remain, a general, unpledged, unrestricted asset of the Bank and the Director shall have no interest in such policy whatsoever.

XI. EFFECT ON OTHER BANK BENEFIT PLANS

Nothing contained in this Benefit Plan shall affect the right of the Director to participate in or be covered by any qualified or non-qualified pension, profit sharing, group bonus or their supplemental compensation or fringe benefit plans constituting a part of the Bank's existing or future compensation structure.

XII. ASSIGNMENT OR PLEDGE

The Directors Deferred Compensation Account and any payment payable at any time to this Benefit Plan shall not be assignable or subject to pledge or hypothecation nor shall said payments be subject to seizure for the payment of any debts, judgments, alimony or separate maintenance, or be transferable by operation of law in the event of bankruptcy, insolvency or otherwise except to the extent as provided by law.

XIII. CONTINUATION AS DIRECTOR

Neither this Benefit Plan nor the payments of any benefits thereunder shall be construed as giving to the Director any right to be retained as a member of the Board of Directors of the Bank.

XIV. NAMED FIDUCIARY

The Named Fiduciary for this Benefit Plan for purposes of claim procedures under this Benefit Plan is Russ Ratliff, or any other successor Trust Officer at South Branch Valley Bank. The business address and telephone number of the Named Fiduciary under this Benefit Plan is as follows:

Name	Russ Ratliff, Trust Officer
Bank	South Branch Valley National Bank
Main Street	310 North Main Street
City, State	Moorefield, West Virginia
Phone Number	(304) 538-2353

The Named Fiduciary under this Benefit Plan may be changed at any time with the written consent of the Director.

XV. CLAIMS PROCEDURE AND ARBITRATION

Any person claiming a benefit under the Benefit Plan (a "Claimant") shall present the claim, in writing, to the Bank or the Plan Fiduciary and Administrator and the Bank or the Plan Fiduciary and Administrator shall respond in writing. If the claim is denied in whole or in part, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:

(a) The specific reason or reasons for denial, with specific references to the Benefit Plan provisions on which the denial is based;

(b) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary; and

(c) An explanation of the Benefit Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

The written notice denying or granting the Claimant's claim shall be provided to the Claimant within ninety (90) days after the Bank or the Plan Fiduciary and Administrator's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Bank or the Plan Fiduciary and Administrator to the Claimant within the initial ninety (90) day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Bank or the Plan Fiduciary and Administrator expects to render a decision on the claim. Any claim not granted or denied within the period noted above shall be deemed to have been denied on the last day of the applicable period. In the case of any extension hereunder, the notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the Claimant shall be afforded at least 45 days within which to provide the specified information.

Any Claimant whose claim is denied in whole or in part, or deemed to be denied under the preceding sentences, (or such Claimant's authorized representative,) may, within sixty (60) days after the Claimant's receipt of notice of the denial, or after the date of the deemed denial, request a review of the denial by notice given, in writing, to the Bank or the Plan Fiduciary and Administrator. Upon such a request for review, the claim shall be fully and fairly reviewed by the Bank or the Plan Fiduciary and Administrator (or its designated representative) which may, but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may, upon request and free of charge, be provided reasonable access to and copies of pertinent documents, records, and information, and may submit documents, records, issues and comments in writing.

The decision on review normally shall be made within sixty (60) days of the Bank or the Plan Fiduciary and Administrator's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Bank or the Plan Fiduciary and Administrator prior to the end of the sixty (60) day period, and the time limit for the decision on review shall be extended to one hundred twenty (120) days. The decision on review shall be in writing and shall state, in a manner calculated to be understood by the Claimant, the specific reasons for the decision and shall include references to the relevant Benefit Plan provisions on which the decision is based. The written decision on review shall be given to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) time limit discussed above. If the decision on review is not communicated to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above, the claim shall be deemed to have been denied upon review.

All decisions on review shall be final and binding with respect to all concerned parties, provided, however, that if the Claimant continues to dispute the benefit denial based upon completed performance of this Benefit Plan or the meaning and effect of the terms and conditions thereof, then the Claimant may submit the dispute to a Board of Arbitration for final arbitration. Said Board shall consist of one member selected by the Claimant, one member selected by the Bank, one member selected by the first two members. The Board shall operate under any generally recognized set of arbitration rules. The parties hereto agree that they and their heirs, personal representatives, successors and assigns shall be bound by the decision of such Board with respect to any controversy properly submitted to it for determination.

All actions permitted in this Section XV to be taken by the Claimant may likewise be taken by a representative of the Claimant duly authorized to act in such matters on the Claimant's behalf. The Bank or the Plan Fiduciary and Administrator may require such evidence of the authority to act of any such representative as it may reasonably deem necessary or advisable.

XVI. MISCELLANEOUS

A. Amendment or Revocation:

It is understood that this Benefit Plan may be amended or revoked at any time or times, in whole or in part, by the mutual written consent of the Participant, the Bank, and the Trustee*provided* that (i) no such amendment shall be effective if it would, if effective, cause this Benefit Plan to violate Code Section 409A and the regulations and guidance thereunder or cause any amount of compensation or payment hereunder to be subject to a penalty tax under Code Section 409A and the regulations and guidance issued thereunder, which amount of compensation or payment would not have been subject to a penalty tax under Code Section 409A and the regulations and guidance thereunder in the absence of such amendment and (ii) the provisions of subparagraph (i) above are irrevocable.

In the event this Benefit Plan is terminated, such termination shall not cause acceleration of a distribution of benefits, except under limited circumstances as permitted under Code Section 409A and the regulations and guidance issued thereunder (*e.g.,* 30 days before or 12 months after a Change of Control event, upon termination of all arrangements of the same type, or upon corporate dissolution or bankruptcy, but only to the extent permitted under said Code Section 409A and regulations thereunder).

B. Gender:

Whenever in this Benefit Plan words are used in the masculine or neuter gender, they shall be read and construed as in the masculine, feminine or neuter gender, whenever they should so apply.

C. Effect on Other Bank Benefit Plans:

Nothing contained in this Benefit Plan shall affect the right of the Participant to participate in or be covered by any qualified or non-qualified pension, profit-sharing, group, bonus or other supplemental compensation or fringe benefit plan constituting a part of the Bank's existing or future compensation structure.

D. Headings:

Headings and subheadings in this Benefit Plan are inserted for reference and convenience only and shall not be deemed a part of this Benefit Plan.

E. Partial Invalidity:

If any term, provision, covenant, or condition of this Benefit Plan is determined by an arbitrator or a court, as the case may be, to be invalid, void, or unenforceable, such determination shall not render any other term, provision, covenant, or condition invalid, void, or unenforceable, and this Benefit Plan shall remain in full force and effect notwithstanding such partial invalidity.

F. Counterparts:

This Amended and Restated Directors Deferral Plan may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one agreement.

	BANK
/s/ Teresa D. Ely Witness	/s/ H. Charles Maddy, III Title: Co-Chairman
	TRUSTEE
/s/ Teresa D. Ely Witness	/s/ Russell F. Ratliff, Jr. Title: Trust Officer
/s/ Teresa D. Ely Witness	/s/ John W. Crites **Director**
/s/ Teresa D. Ely Witness	/s/ Gary L. Hinkle **Director**
/s/ Teresa D. Ely Witness	/s/ Oscar M. Bean **Director**
/s/ Teresa D. Ely Witness	/s/ Thomas J. Hawse, III **Director**
/s/ Teresa D. Ely Witness	Russell F. Ratliff, Jr. **Director**
/s/ Teresa D. Ely Witness	Scott Bridgeforth **Director**
/s/ Teresa D. Ely Witness	Dave VanMeter **Director**

EXHIBIT 10.16

RABBI TRUST FOR THE

DIRECTORS DEFERRAL PLAN

Benmark, Inc.

1100 Circle 75 Parkway, Suite 320

Atlanta, Georgia 30339

Telephone: (770) 952-1529

Facsimile: (770) 952-8029

RABBI TRUST FOR THE

DIRECTORS DEFERRAL PLAN AGREEMENT

This Trust Agreement effective as of 4th day of April, 2000 by and between Summit Financial Group, Inc., a Company having its principal place of business in Moorefield, West Virginia (hereinafter referred to as the, “Company”), and the trust department of South Branch Valley National Bank, a banking corporation with its principal place of business in West Virginia (hereinafter referred to as the, “Trustee”).

WITNESSETH:

WHEREAS, the Company has adopted a Directors Deferral Plan (hereinafter referred to as the, “Benefit Plan”), and such Benefit Plan constitutes a non-qualified deferred compensation plan. A copy of the Directors Deferral Plan setting forth the specific Benefit Plan terms is attached hereto and marked as Exhibit “A” (hereinafter referred to as the, “Benefit Plan”).

WHEREAS, the Company has incurred, or expects to incur, liability under the terms of the Benefit Plan with respect to the individuals participating in such Benefit Plan;

WHEREAS, the Company wishes to establish a trust (hereinafter referred to as the, “Trust”) and to contribute to the Trust assets that shall be held therein, subject to the claims of Company’s creditors in the event of the Company’s Insolvency, as herein defined, until paid to the Benefit Plan participants, and their beneficiaries as set forth in the Benefit Plan;

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Benefit Plan as an unfunded plan, maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended;

WHEREAS, it is the intention of the Company to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of the its’ liabilities under the Benefit Plan (hereinafter referred to as the “Contributions”);

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

SECTION I

ESTABLISHMENT OF TRUST

(a) This trust is hereby established as the Rabbi Trust for the Directors Deferral Plan.

(b) The Company hereby deposits with Trustee in trust, assets which shall become the principal of the Trust to be held, administered and disposed of by the Trustee as provided in this Trust Agreement.

(c) The Trust hereby established shall be irrevocable, but may be amended as provided under (and only as provided under) Section XII.

(d) The Trust is intended to be a grantor trust, of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

(e) The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes of the Benefit Plan participants and general creditors as herein set forth. The Benefit Plan participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Benefit Plan and this Trust Agreement shall be mere unsecured contractual rights of the Benefit Plan participants and their beneficiaries against the Company. Any assets held by the Trust will be subject to the claims of the Company's general creditors under federal and state law in the event of Insolvency, as defined in Section III (a) herein.

(f) The Trustee shall be accountable for all property and Contributions received, but the Trustee shall have no duty to see that the Contributions received are sufficient to provide for the retirement, disability, or death benefits, nor shall the Trustee be obligated to enforce or collect any Contribution from the Company. Notwithstanding the foregoing, in the event of a Change in Control, the Trustee shall have the right to monitor, enforce and/or collect any Contributions due and owing from the Company or to give notice of any default in making Contributions to any person.

SECTION II

PAYMENTS TO PLAN PARTICIPANTS AND THEIR BENEFICIARIES

(a) The Company shall deliver to Trustee a schedule (the "Payment Schedule") that indicates the amounts payable in respect to each Benefit Plan participant (and his or her beneficiaries), that provides a formula or other instructions acceptable to the Trustee for determining the amounts so payable, the form in which such .amount is to be paid (as provided for or available under the Benefit Plan), and the time for commencement of payment of such amounts. The Company shall be deemed to be in default if it fails to fulfill its payment obligations required under the Benefit Plan and shall fail to cure any such failure within thirty (30) days after receiving written notice of such failure from any affected Benefit Plan participant or beneficiary. Upon the Trustee's receipt of a written certification of such default from the affected Benefit Plan participant or beneficiary, the Trustee shall make payments in accordance with such Payment Schedule and the Trustee shall provide to the Company a copy of such certification and notice or its commencement of such payments. The Trustee shall then continue to make such payments until such time, if any, as it may receive written instructions to the contrary signed by the affected participant or beneficiary.

(b) The Trustee shall, in accordance with the written instructions of the Company, in the event of a Change in Control of the Company, or in accordance with the written instructions of the Benefits Determiner (as defined in Article)(III), withhold and report any federal, state or local taxes that may be required to be withheld and reported with respect to the payment of benefits pursuant to the terms of the Benefit Plan and shall pay amounts withheld to the appropriate taxing authorities. In addition, the Trustee shall be authorized to pay any federal, state or local taxes to any government body that presents a tax deficiency notice to the Trustee with respect to income or assets of the Trust. The Company shall deliver to the Trustee each year a schedule which specifies the amount of taxes to be withheld, if any, with respect to benefit payments to be made hereunder. The Trustee shall be entitled to rely conclusively on the written instructions of the Company, or in the event of a Change of Control, the Benefits Determiner, as to all tax reporting and withholding requirements.

(c) The entitlement of a Benefit Plan participant or his or her beneficiaries to benefits under the Benefit Plan, shall be determined by the Company or such party (other than the Trustee), shall designated under the Benefit Plan, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Benefit Plan.

(d) The Company may make payment of benefits directly to Benefit Plan participants or their beneficiaries if they become so payable under the Benefit Plan to such participants or beneficiaries. The Company shall notify the Trustee of its decision to make payment of benefits directly, prior to the time amounts are payable to participants or their beneficiaries. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Benefit Plan, the Company shall make the balance of each such payment as it falls due. Trustee shall notify the Company if and when such principal and earnings are not sufficient to discharge obligations currently due under the Payment Schedule and shall have no further obligation hereunder to anyone interested in the Trust.

(e) In the event of a Change in Control, Trustee shall rely on the written direction of the Benefits Determiner who shall confirm the accuracy of the Payment Schedule or who shall deliver to the Trustee a new Payment Schedule upon which Trustee may rely.

SECTION III

TRUSTEE RESPONSIBILITY REGARDING PAYMENTS TO

TRUST BENEFICIARY WHEN THE COMPANY IS INSOLVENT

(a) The Trustee shall cease payment of benefits to the Benefit Plan participants and their beneficiaries if the Company is Insolvent. The Company shall be considered “Insolvent” for purposes of this trust Agreement if (i) The Company states to it in writing that it is unable to pay its debts as they become due, or (ii) The Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Section I (e) hereof, the principal and income of the Trust shall be subject to claims of general creditors of the Company under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of the Company shall have the duty to inform the Trustee in writing of the Company's Insolvency. If a person claiming to be a creditor of the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall determine whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payment of benefits to the Benefit Plan participants or their beneficiaries.

(2) Unless the Trustee has actual knowledge of the Company's Insolvency, or has received notice from the Company or a person claiming to be a creditor alleging that the Company is Insolvent, the Trustee shall have no duty to inquire whether the Company is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's solvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning the Company's solvency. The Trustee shall have no liability for any payments to the Benefit Plan participants or their beneficiaries after the occurrence of an Insolvency but prior to its actual knowledge thereof.

(3) If at any time the Trustee has determined that the Company is Insolvent, the Trustee shall discontinue payments to the Benefit Plan participants or their beneficiaries and shall hold the assets of the Trust for the benefit of the Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of the Benefit Plan participants or their beneficiaries to pursue their rights as general creditors.

(4) The Trustee shall resume the payment of benefits to the Benefit Plan participants or their beneficiaries in accordance with Section II of this Agreement only after the Trustee has determined that the Company is not (or is no longer) Insolvent.

(c) Provided that there are sufficient assets, if the Trustee discontinues the payment of benefits from the Trust pursuant to Section III (b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to the Benefit Plan participants or their beneficiaries under the terms of the Benefit Plan Agreement for the period of such discontinuance, less the aggregate amount of any payments made to the Benefit Plan participants or their beneficiaries in lieu of the payments provided for hereunder during any such period of discontinuance.

SECTION IV

PAYMENTS TO COMPANY

Except as provided in Sections III or XII hereof, the Company shall have no right or power to direct the Trustee to return to the Company or to divert to others any of the Trust assets before all payment of benefits have been made to the Benefit Plan participants and their beneficiaries pursuant to the terms of the Benefit Plan.

SECTION V

THE TRUSTEE'S POWERS

(a) All rights associated with assets of the Trust shall be exercised by the Company or the Trustee, as hereinafter set forth, and shall in no event be exercisable by or rest with the Benefit Plan participants. The participant may, however, direct the fictitious investment of the participant's deferred compensation account as set forth in the Benefit Plan Agreement. The Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by the Company in a non-fiduciary capacity without the approval or consent of any person in a fiduciary capacity.

(b) Subject to the foregoing, the Trustee shall have the following powers and authority in the administration of the assets of the Trust, in addition to those vested in it elsewhere in this Trust Agreement or by law:

(i) Subject to investment direction issued by the Company, to invest and reinvest the assets of the Trust, without distinction between principal and income, in any kind of property, real, personal or mixed, tangible or intangible, and in any kind of investment, security or obligation suitable for the investment of the Trust assets, including federal, state and municipal tax-free obligations and other tax-free investment vehicles, insurance policies and annuity contracts, and any common trust fund, group trust, pooled fund, or other commingled investment fund maintained by the Trustee or any other Company or entity for trust investment purposes in which the Trust is eligible to invest and the provisions governing such fund shall be part of the Trust Agreement as though fully restated herein;

(ii) To purchase, and maintain as owner, a life insurance policy or policies with respect to participants; provided; however; that the Trustee shall not be required to purchase or take any action under a life insurance policy or policies with respect to participants unless directed to do so by the Company, which shall designate the face amount of said policy or policies, the terms of the policy or policies and the insurance company.

(iii) To sell for cash or on credit, to grant options, convert, redeem, exchange for other securities or other property, or otherwise to dispose of, any security or other property at any time held except that the Trustee shall have no right or obligation to take any action with respect to any insurance contract or policy unless so directed by the Company, or in the event of a Change in Control, by the Benefits Determiner;

(iv) At the direction of the Company, to settle, compromise or submit to arbitration, any claims, debts or damages, due to or owning to or from the Trust, to commence or defend suits or legal proceedings and to represent the Trust in all suits or legal proceedings provided, however, the Trustee shall not be expected or required to undertake any of the foregoing unless there are sufficient assets in the Trust with which to do so, or the Trustee has received assurances by a party to this Trust, satisfactory to the Trustee, of the payment or reimbursement of the expenses connected therewith;

(v) To exercise any conversion privilege (other than conversion privileges with respect to any insurance policy, which shall be exercised only upon direction of the Company, or in the event of a Change in Control, by the Benefits Determiner) and/or subscription right available in connection with securities or other property at any time held, to oppose or to consent to the reorganization, consolidation, merger or readjustment of the finances of any corporation, Company or association or to the sale, mortgage, pledge or lease of the property of any corporation, Company or association any of the securities of which may at any time be held and to do any act with reference thereto, including the exercise of options, making of agreement or subscription, which may be deemed necessary or advisable in connection therewith, and to hold and retain any securities or other properties so acquired;

(vi) To hold cash uninvested for a reasonable period of time under the circumstances without liability for interest, pending investment thereof or the payment of expenses or making distributions therewith;

(vii) To form corporations and to create trusts to hold title to any securities or other property, all upon such terms and conditions as may be deemed advisable;

(viii) To employ suitable agents and counsel and to pay their reasonable expenses and compensation;

(ix) To register any securities held hereunder in the name of the Trustee or in the name of a nominee with or without the addition of words indicating that such securities are held in a fiduciary capacity and to hold any securities in bearer form and to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary or representative capacities, or to deposit securities in any qualified central depository where such securities may be held in bulk in the name of the nominee of such depository with securities deposited by other depositors, or deposit securities issued by the United States Government, or any agency or instrumentality's thereof, with a Federal Reserve Bank;

(x) To make, execute and deliver, as trustee, any and all conveyances, contracts, waivers, releases or other instruments in writing necessary or proper for the accomplishment of any of the foregoing powers;

(xi) To have any and all other powers or authority, under the laws of the state in which the Trustee's principal executive offices are located, relevant to performance in the capacity as the Trustee; and

(xii) To settle, compromise or submit to arbitration, any claims, debts or damages, due or owing to or from the Trust, to commence or defend suits or legal proceedings and to represent the Trust in all suits or legal proceedings; provided, however, the Trustee shall not be expected or required to undertake any of the foregoing unless there are sufficient assets in the Trust with which to do so, or the Trustee has received assurances by a party to this Trust, satisfactory to the Trustee, of the payment or reimbursement of the expenses connected therewith.

SECTION VI

DISPOSITION OF INCOME

During the term of this Trust, all income received by the Trust, net of distributions, expenses and taxes, shall be accumulated and reinvested.

SECTION VII

ACCOUNTING BY THE TRUSTEE

The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between the Company and the Trustee. Within ninety (90) days following the close of each calendar year and within sixty (60) days after the removal or resignation of the Trustee, the Trustee shall deliver to the Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of each year or as of the date of such removal or resignation, as the case may be.

SECTION VIII

RESPONSIBILITY OF THE TRUSTEE

(a) The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like goals provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by the Company which is contemplated by, and in conformity with, the terms of the Benefit Plan or this Trust and is given in writing by the Company. In the event of a dispute between the Company and a party, the Trustee may apply at the expense of the Trust to a court of competent jurisdiction (located in West Virginia, if possible) to resolve the dispute.

(b) If the Trustee undertakes or defends any litigation arising in connection with this Trust, except where it is finally determined by a court of competent jurisdiction that the Trustee breached its duties under this Agreement, the Company agrees to indemnify the Trustee against the Trustee's costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If the Company does not pay such costs, expenses and liabilities in a reasonably timely manner, then the Trustee may obtain payment from the Trust.

(c) The Trustee may consult with legal counsel (who may also be counsel for the Company generally) with respect to any of its duties or obligations hereunder and charge their fees to the Trust if they are not paid in a timely manner by Company.

(d) The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of the duties or obligations hereunder.

(e) The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law, unless expressly provided otherwise herein, provided, however, that if an insurance policy is acquired or held at the direction of the Company as an asset of the Trust, the Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy other than to a successor trustee, or to loan any person (including the Company) the proceeds of any borrowing against such policy.

(f) Notwithstanding any powers granted to the Trustee pursuant to this Agreement or to applicable law, the Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

(g) The Trustee shall be entitled to conclusively rely upon written notice, direction, instruction, certificate or other communication believed by it to be genuine and to be signed by the proper person or persons.

(h) Nothing contained in this Trust Agreement shall require the Trustee to risk or expend its own funds in the performance of its duties hereunder. In the acceptance and performance of its duties hereunder, the Trustee acts solely as trustee of the Trust and not in its individual capacity, and all persons, other than the Company, having any claim against the Trustee related to this Trust Agreement or the actions or agreements of the Trustee contemplated hereby shall look solely to the Trustee for the payment or satisfaction thereof, except to the extent that the Trustee has engaged in willful misconduct or gross negligence, or the Trustee has willfully breached its obligation under this Trust Agreement.

(i) The Trustee shall not be responsible for determining whether a Change in Control (as hereinafter defined) has occurred. The Company will notify the Trustee of the occurrence of a Change in Control, and the Trustee shall be entitled to rely conclusively upon such notification for all purposes of a Change in Control hereunder without any liability or further duty with respect thereto.

(j) Any amendment or amendments that are or may be made to the Benefit Plan shall not increase the Trustee's duties hereunder without the express written consent of the Trustee.

SECTION IX

COMPENSATION AND EXPENSES OF TRUSTEE

The Company shall pay all administrative and the Trustee's fees and expenses. If not paid by the Company, the fees and expenses shall be paid from the Trust.

SECTION X

RESIGNATION AND REMOVAL OF TRUSTEE

(a) The Trustee may resign at any time by written notice to the Company, which shall be effective thirty (30) days after receipt of such notice unless the Company and the Trustee agree otherwise, whether or not a successor has been appointed and qualifies. The Trustee shall pay or deliver property to the successor trustee or the Company (in further trust, pending the appointment of a successor) as the case may be, at the end of such period.

(b) The Trustee may be removed by the Company on sixty (60) days notice to the Trustee or upon shorter notice accepted by the Trustee. A successor trustee may be removed by Company on ninety (90) days notice to such successor trustee or upon shorter notice accepted by the successor trustee.

(c)(1) If, at the time of a Change in Control (as defined herein) the then acting trustee is an individual or entity not independent of the Company, the Board of Directors of the Company as in existence immediately prior to the Change in Control, shall designate an independent third party with corporate trustee powers to act as successor trustee and upon such appointment, the trustee acting prior to such Change in Control shall resign. The successor trustee appointed by the Board of Directors may not be removed by the Company for two (2) years following the date of such Change in Control.

(2) If, at the time of a Change in Control (as defined herein), the Trustee is, other than serving as Trustee hereunder, an independent party with respect to the Company, the Trustee may not be removed by Company for the two (2) years following the date of such a Change in Control. Such Trustee also may not be removed by the Company in anticipation of a Change in Control.

(d) If the Trustee resigns at any time following a Change in Control, or if the Trustee is removed by the Company at any time following the expiration of the two (2) year period (as described in Subpart (c) above) following a Change in Control, the President of the Company, as in existence immediately prior to a Change in Control, or in the event such person is deceased, the Benefits Determiner, shall select a successor trustee in accordance with the provisions of XI (a) hereof and such selection shall be made on or before the effective date of the Trustee's resignation or removal. In all other instances of resignation or removal, the Company shall select a successor trustee in accordance with the provisions of XI (a) hereof, with such selection being made on or before the effective date of the Trustee's resignation or removal.

(e) Upon resignation or removal of the Trustee and appointment of a successor trustee, all assets shall subsequently be promptly transferred to the successor trustee, in accordance with subsection (a) hereof.

(f) If the Trustee resigns or is removed under paragraph (a), (b), or (d) of this Section X, a successor shall be appointed in accordance with Section XI hereof, with such selection being made on or before the effective date of resignation or removal. If no such appointment has been made, the Company or the Trustee (as applicable) may apply to a court of competent jurisdiction for appointment of a successor or for instructions. Should the Trustee be required to apply to a court of competent jurisdiction for such purpose, all expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

SECTION XI

APPOINTMENT OF SUCCESSOR

(a) If the Trustee resigns or is removed pursuant to the provisions of Section X hereof, the Company may appoint any third party, such as a Company trust department or other party that may be granted corporate trustee powers under state law, to serve as successor trustee hereunder. The appointment of a successor trustee shall be effective when accepted in writing by the new trustee. The new trustee shall have all of the rights and powers of the former trustee, including ownership rights in the Trust assets. The former trustee shall execute any instrument necessary or reasonably requested by the successor trustee to evidence the transfer.

(b) The successor trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Sections VII and VIII hereof. The successor trustee shall not be responsible for and the Company shall indemnify and defend the successor trustee from any claim or liability resulting from any action or inaction of any prior trustee from any other past event, or any condition existing at the time it becomes successor trustee.

SECTION XII

AMENDMENT OR TERMINATION

(a) This Trust Agreement may be amended by a written instrument executed by the Trustee and the Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Benefit Plan or shall make the Trust revocable.

(b) The Trust shall not terminate until Benefit Plan participants and their beneficiaries are no longer entitled to any benefits pursuant to the terms of the Benefit Plan. Upon termination of the Trust, any assets remaining in the trust shall be returned to the Company. Notwithstanding the foregoing, if at any time prior to the termination of the Trust pursuant to the provisions set forth herein, the Trust has distributed its entire corpus, the trust shall terminate unless within sixty (60) days of notification to the Company by trustee that all assets of the Trust have been distributed, the Company makes additional contributions to the Trust for purposes of paying the benefits set forth herein.

(c) Upon written approval of the Benefit Plan participants or beneficiaries entitled to payment of benefits pursuant to the terms of the Benefit Plan, the Company may terminate this Trust prior to the time all benefit payments under the Benefit Plan have been made. All assets in the Trust at termination shall, after payment of all amounts due to the Trustee and all fees, taxes, expenses chargeable to the Trust, be distributed returned to the Company.

(d) Section(s) I (one), II (two), VI (six), X (ten) and XII (twelve) of this trust Agreement may not be amended by the Company (i) in anticipation of or (ii) for two (2) years following a Change of Control, as defined herein.

SECTION XIII

MISCELLANEOUS

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to the Benefit Plan participants and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Trust Agreement shall be governed by and constructed in accordance with the laws of the State of West Virginia. Nothing in this Trust Agreement shall be construed to subject the Trust to the Employee Retirement Security Act of 1974, as amended.

(d) For purposes of this Trust, Change in Control shall mean and include the following with respect to (i) the Company or any successor thereto:

(1) a change in control of a nature that would be required to be reported in response to Item 1(a) of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (hereinafter the “Exchange Act”); or

(2) a change in control of the Company within the meaning of 12 C.F.R. §225.41 of Regulation Y of the Federal Reserve Board; or

(3) at such time as:

(i) any "person" (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing Twenty Five Percent (25%) or more of the combined voting

power of the Company's outstanding securities ordinarily having the right to vote at the elections of directors, except for any stock purchased by the Company's Employee Stock Ownership Plan and/or the trust under such plan; or

(ii) individuals who constitute the board of directors of the Company on the date hereof (hereinafter the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board, or whose nomination for election by the Company's nominating committee which is comprised solely of members of the Incumbent Board, shall be, for purposes of this clause (ii), considered as though he were a member of the Incumbent Board; or

(iii) merger, consolidation, or sale of all substantially all the assets of the Company occurs; or

(iv) a proxy statement is issued soliciting proxies from the stockholders of the Company by someone other than the current management of the Company, seeking stockholder approval of a plan of reorganization, merger, or consolidation of the Company with one or more corporations as a result of which the outstanding shares of the class of the Company's securities are exchanged for or converted into cash or property or not issued by the Company.

(e) The Company shall be required to notify the Trustee of a Change in Control or imminent Change in Control (for these purposes, a Change in Control shall be imminent if it shall occur within sixty (60) days from the date of said notice). The Trustee shall not be charged with actual knowledge of a Change in Control until it has received notice, in writing, of such Change in Control or imminent Change in Control.

(f) Every direction or notice authorized hereunder shall be deemed delivered to the Company or the Trustee as the case may be:

(i) on the date it is personally delivered to the Company or the Trustee at its respective principal executive offices, or

(ii) three (3) business days after it is sent by registered or certified mail, postage prepaid, addressed to the Company, the Trustee or the benefits determiner at such principal executive offices.

(g) The Trustee shall be fully protected in relying upon a certification of an authorized representative of the Company with respect to any instruction, direction or approval of the Company required or permitted hereunder, and protected also in relying upon the certification until a subsequent certification is filed with the Trustee. The Trustee shall be fully protected in acting upon any instrument, certificate, or paper believed by it to be genuine and to be signed or presented by the proper person or persons, and the Trustee shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing, but may accept the same as conclusive evidence of the trust and accuracy contained therein.

(h) The Company has appointed Benmark, Inc. as the “Benefits Determiner” to determine the manner and amount of payments to be made to the participant and/or the beneficiary under the Agreement. The Company may remove the Benefits Determiner at any time by giving at least thirty (30) days prior written notice to the Benefits Determiner. In the event that the Benefits Determiner fails to act or resigns, a successor benefits determiner shall be:

(i) selected by the Company, if no Change in Control has occurred at the Company, or,

(ii) selected jointly by the participant (or beneficiary, if the participant is deceased) and the Trustee, if a Change in Control has occurred at the Company.

(i) Communications under this Agreement shall be in writing and shall be sent to the following addresses:

Trustee: Russ Ratliff, Trust Officer

The Trust Department of South Branch Valley Bank
310 North Main Street
Moorefield, West Virginia 26836

Company: Summit Financial Group, Inc.

310 North Main Street
Moorefield, West Virginia 26836

Benefits Determiner: Benmark, Inc.

1100 Circle 75 Parkway, Suite 320
Atlanta, Georgia 30339

(j) This Trust Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one agreement.

SECTION XIV

EFFECTIVE DATE

The effective date of this Trust Agreement shall be the 4th day of April, 2000.

IN WITNESS WHEREOF, this instrument has been executed as of the day and year first above written.

ATTEST:	**SUMMIT FINANCIAL GROUP, INC.**
/s/ Scott C. Jennings	By: /s/ Robert S. Tissue
______________________ (Title)	Vice President & CFO
ATTEST:	**TRUSTEE**
/s/ Lori A. Whetzel (Trustee)	By: /s/ Russell F. Ratliff Jr.

EXHIBIT "A"

THE SUMMIT FINANCIAL GROUP, INC.

DIRECTORS DEFERRAL PLAN

By a vote of the Summit Financial Group, Inc.'s Board of Directors, (hereinafter referred to as the, "Company") on the 25th day of April, 2000, the Company has established The Summit Financial Group, Inc.'s Company Directors Deferral Plan (hereinafter referred to as the, "Benefit Plan") to allow eligible Directors the opportunity to participate in the Plan and defer all or a portion of their fees in accordance therewith;

It is the intent of the Company that this Benefit Plan be considered an unfunded arrangement maintained primarily to provide supplemental retirement benefits, and to be considered a non-qualified benefit plan for purposes of the Employee Retirement Security Act of 1974, as amended ("ERISA").

I. DIRECTOR'S SERVICES

So long as the Director shall continue to be a director of the Company the Director shall devote bestefforts to the performance of duties as a member of the Board of Directors and of any of its committees to which the Director is appointed.

II. FEES

The fees covered under this Benefit Plan shall be any and all amounts paid to the Director for services as a Director, including but not limited to annual fees, meeting fees, and committee fees. The feescovered under this Benefit Plan shall be credited to the Director in the manner and on the terms and conditions specified in Paragraph IV subject to the election requirement of Paragraph M.

III. ELECTION OF DEFERRED COMPENSATION AND INVESTMENTS

The Director shall at the same time as entering into this Benefit Plan file a written statement with the Company notifying them as to the percent (%) or dollar amount of fees as defined in Paragraph II that is to be deferred. The election to defer fees may only be made for fees not yet earned as of the date of said election. Signed written statements filed under this section, unless modified or revoked in writing, shall be valid for all succeeding years. In addition, the Director may file with the Company quarterly investment elections setting forth the percentage that should hypothetically be invested in each particular investment vehicle. (A copy of said investment election form is attached hereto, marked as Exhibit "A-1" and fully incorporated herein by reference). Said amounts shall not actually be invested in said investments, and said investment elections are merely for the purpose of calculating interest and returns on the Deferred Compensation Account as set forth in Paragraph V. The Company shall not be under any duty to advise a participant or beneficiary with respect to any said hypothetical investment. Said investment elections must be received by the Company on or before the 25th day of the month prior to the end of the quarter.

IV. RABBI TRUST AND CREDITS TO DEFERRED COMPENSATION ACCOUNT

The Company shall establish a Rabbi Trust for the Benefit Plan. The Company shall pay all deferral amounts to the Rabbi Trust. The Trustee shall establish a bookkeeping account for the Director (hereinafter called the, "Directors Deferred Compensation Account") which shall be credited on the dates such fees, as defined in Paragraph II, would otherwise have been paid with the percentage or dollar amount that the Director has notified the Company in writing, pursuant to Paragraph III, that the Director elected to have deferred.

V. INTEREST AND RETURNS ON THE DEFERRED COMPENSATION ACCOUNT

Once each calendar quarter, the Directors Deferred Compensation Account shall be credited with an amount that is in addition to the fees credited under Paragraph W. Such amount shall be determined by multiplying the balance of the Directors Deferred Compensation Account by a rate of interest equal to the total return for such quarter of the investments chosen by the Director pursuant to Paragraph III. Such amount shall be credited as long as there is a balance in the Directors Deferred Compensation Account and shall be credited on the last day of each calendar quarter.

VI. NATURE OF THE DEFERRED COMPENSATION ACCOUNT

The Directors Deferred Compensation Account shall be utilized solely as a device for the measurement and determination of the amount of deferred compensation to be paid to the Director at the times hereinafter specified. On the contrary, it is understood that all amounts credited to the Directors Deferred Compensation Account shall be for the sole purpose of bookkeeping and that the Director shall have no ownership rights of any nature with respect thereto. The Director's rights are limited to the rights to receive payments as hereinafter provided and the Director's position with respect thereto is that of a general unsecured creditor of the Company.

VII. PAYMENT OF DIRECTOR'S DEFERRED COMPENSATION

Subject to Subparagraphs VII (A) and (B) hereinbelow, the amounts in the Directors Deferred Compensation Account shall be paid, at the election of the Director, in a lump sum, or five (5), ten (10), fifteen (15), or twenty (20) equal annual installments, plus or minus each year the annual interest gained or market value lost during the year. The Director shall make said election no later than one (1) year prior to receiving the first payment. In the event the Director fails to make said election, then the Director shall receive the payments in ten (10) equal annual installments. The amount payable would be the balance of the Director's Deferred Compensation Account as defined in Section IV, including all interest and returns credited pursuant to Paragraph V. The payments set forth herein shall commence thirty (30) days after the end of the calendar quarter following the Director's retirement.

(A) The end of the Director's term of office other than retirement: Subject to Subparagraph VII (B) hereinbelow, if the Director's term of office ends due to resignation, removal, or failure to be elected to the Board prior to retirement, then the Director shall receive the account balance' in a lump sum within thirty (30) days after the end of the calendar quarter following the Director's end of term of office.

(B)   The end of the Director's term of office or the Director's termination of the Plan within three (3) years of the Director's participation in the Plan: Notwithstanding the provisions set forth in Paragraph VII hereinabove, if the Director's office ends due to resignation, removal, or failure to be re-elected to the Board, prior to retirement, or the Director terminates the Plan within the first three (3) years of the Director's participation in the Plan, then the Directors account balance[1] shall be paid in two (2) equal installments on the first and last day of the calendar year following the year in which the Director would have participated in the Plan for three (3) full years.

VIII. DEATH OF DIRECTOR PRIOR TO TERMINATION OF SERVICE OR COMMENCEMENT OF PAYMENTS

In the event of the death of the Director prior to termination of service or commencement of payments, the Director's account balance shall be paid in a lump sum within thirty (30) days after the end of the calendar quarter following the Director's death and shall be made to a beneficiary or beneficiaries designated by the Director in writing and delivered to the Company. In the event no designation is made, the Director's account balance shall be paid in a lump sum to the Director's estate. The lump sum payment to be made under this Paragraph shall be the Director's account balance[1] as determined at the quarterly evaluation following the Director's death.

IX. DIRECTOR'S DEATH

In the event of the death of the Director after commencement of payments, but prior to receiving all payments due under this Benefit Plan, the Directors's account balance shall be paid in a lump sum within thirty (30) days after the end of the calendar quarter following the Director's death and shall be made to a beneficiary or beneficiaries designated by the Director in writing and delivered to the Company. In the event no designation is made, the Director's account balance shall be paid in a lump sum to the Director's estate. The lump sum payment to be made under this Paragraph shall be the Director's account balance[1] as determined at the quarterly evaluation following the Director's death.

X. FUNDING

The Company's obligation under this Benefit Plan shall be an unfunded and unsecured promise to pay. The Company shall not be obligated under any circumstances to fund itsobligations, the Company may, however, at its sole and exclusive option, elect to fund this Benefit Plan in whole or in part.

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[1] Deferrals plus credited interest and returns

Should the Company elect to fund this Benefit Plan informally, in whole or in part, the manner ofsuch informal funding, and the continuance or discontinuance of such informal funding shall be the sole and exclusive decision of the Company.

Should the Company determine to informally fund this Benefit Plan, in whole or in part, through themedium of life insurance or annuities, or both, the Company shall be the owner and beneficiary of the policy. The Company reserves the absolute right to terminate such life insurance or annuities, as well as any other funding at any time, either in whole or in part.

Any such life insurance or annuity policy purchased by the Company shall not in any way beconsidered to be security for the performance of the obligations for this Benefit Plan. It shall be, and remain, a general, unpledged, unrestricted asset of the Company and the Director shall have no interest in such policy whatsoever.

XI. EFFECT ON OTHER COMPANY BENEFIT PLANS

Nothing contained in this Benefit Plan shall affect the right of the Director to participate in or be covered by any qualified or non-qualified pension, profit sharing, group bonus or their supplemental compensation or fringe benefit plans constituting a part of the Company's existing or future compensation structure.

XII. ASSIGNMENT OR PLEDGE

The Directors Deferred Compensation Account and any payment payable at any time to this Benefit Plan shall not be assignable or subject to pledge or hypothecation nor shall said payments be subject to seizure for the payment of any debts, judgments, alimony or separate maintenance, or be transferable by operation of law in the event of bankruptcy, insolvency or otherwise except to the extent as provided by law.

XIII. CONTINUATION AS DIRECTOR

Neither this Benefit Plan nor the payments of any benefits thereunder shall be construed as giving to the Director any right to be retained as a member of the Board of Directors of the Company.

XIV. NAMED FIDUCIARY

The Named Fiduciary for this Benefit Plan for purposes of claim procedures under this Benefit Plan is Russ Ratliff, or any other successor Trust Officer at South Branch Valley Bank. The business address and telephone number of the Named Fiduciary under this Benefit Plan is as follows:

Name	Russ Ratliff, Trust Officer
Bank	South Branch Valley National Bank
Main Street	310 North Main Street
City, State	Moorefield, West Virginia
Phone Number	(304) 538-2353

The Named Fiduciary under this Benefit Plan may be changed at any time with the written consent of the Director.

XV. CLAIMS PROCEDURE AND ARBITRATION

In the event that benefits under this Benefit Plan are not paid to the Director (or to hisbeneficiary in the case of the Director's death) and such claimants feel they are entitled to receive such benefits, then a written claim must be made to the Plan Fiduciary and Administrator named above within sixty (60) days from the date payments are refused. The Plan Fiduciary and Administrator and the Company shall review the written claim and if the claim is denied, in whole or in part, they shall provide in writing within ninety (90) days of receipt of such claim provisions of this Benefit Plan upon which the denial is based and any additional material or information necessary to perfect the claim. Such written notice shall further indicate the additional steps to be taken by claimants if a further review of the claim denial is desired. A claim shall be deemed denied if the Plan Fiduciary and Administrator fails to take any action within the aforesaid ninety-day period.

If claimants desire a second review, they shall notify the Plan Fiduciary and Administrator in writing within sixty (60) days of the first claim denial. Claimants may review this Benefit Plan or any other documents relating thereto and submit any written issues and comments they may feel appropriate. In its sole discretion the Plan Fiduciary and Administrator shall then review the second claim and provide a written decision within sixty (60) days of receipt of such claim. This decision shall likewise state the specific reasons for the decision and shall include reference to specific provisions of this Benefit Plan upon which the decision is based.

If claimants continue to dispute the benefit denial based upon completed performance of this Benefit Plan or the meaning and effect of the terms and conditions thereof, then claimants may submit the dispute to a Board of Arbitration for final arbitration. Said Board shall consist of one member selected by the claimant, one member selected by the Company, one member selected by the first two members. The Board shall operate under any generally recognized set of arbitration rules. The parties hereto agree that they and their heirs, personal representatives, successors and assigns shall be bound by the decision of such Board with respect to any controversy properly submitted to it for determination.

XVI. MISCELLANEOUS

A. Amendment or Revocation:

It is understood that, during the lifetime of the Participant, this Benefit Plan may be amended or revoked at any time or times, in whole or in part, by the mutual written consent of the Participant, the Company, and the Trustee.

B. Gender:

Whenever in this Benefit Plan words are used in the masculine or neuter gender, they shall be read and construed as in the masculine, feminine or neuter gender, whenever they should so apply.

C. Effect on Other Company Benefit Plans:

Nothing contained in this Benefit Plan shall affect the right of the Participant to participate in or be covered by any qualified or non-qualified pension, profit-sharing, group, bonus or other supplemental compensation or fringe benefit plan constituting a part of the Company's existing or future compensation structure.

D. Headings:

Headings and subheadings in this Benefit Plan are inserted for reference and convenience only and shall not be deemed a part of this Benefit Plan.

E. Partial Invalidity:

If any term, provision, covenant, or condition of this Benefit Plan is determined by an arbitrator or a court, as the case may be, to be invalid, void, or unenforceable, such determination shall not render any other term, provision, covenant, or condition invalid, void, or unenforceable, and this Benefit Plan shall remain in full force and effect notwithstanding such partial invalidity.

SUMMIT FINANCIAL GROUP, INC.

By:_______________
Chairman of the Board

EXHIBIT "A-1"

SUMMIT FINANCIAL GROUP, INC.
DEFERRAL AND DISTRIBUTION ELECTION FORM

PERSONAL DATA

Last Name | First Name | M.I. | Social Security Number

Permanent Mailing Address

Hire Date | Birth Date | Single | Married

DEFERRAL ELECTION

A. I elect to defer ____% or $______ of my Director's fees earned after the date below to the Plan.

B. I do not wish to participate in the Plan.

CREDITING OPTIONS

All funds are to be allocated among the following Crediting Options. Said options are hypothetical and not actual, and are used merely for purposes of calculating interest and returns on the Deferred Compensation Account pursuant to paragraph V of the Directors Deferral Plan.

		FUND	TYPE
%	Option 1	Fidelity VIP Fund II Contrafund	Capital Appreciation
%	Option 2	Fidelity VIP Fund Growth Port.	Long-Term Growth
%	Option 3	Fidelity VIP Fund III Growth Opportunities	Capital Appreciation
%	Option 4	NSAT Total Return Fund	Growth & Income/tocks & Bonds
%	Option 5	Dreyfus Stock Index Fund	Specialty
%	Option 6	American Century Income & Growth	Growth & Income
%	Option 7	Janus Global Technology Portfolio	Specialty
%	Option 8	Fidelity VIP High Income	High Current Income
%	Option 9	American Century VP	International Stock
%	Option 10	Salomon Brothers Asset Management	Balanced Fund
%	Option 11	Nationwide Separate Account Trust (NSAT)	Government Bond
%	Option 12	NSAT Money Market	Money Market
%	Option 13	Nationwide Fixed Account	Fixed Interest

NOTE: Total of percentages MUST equal 100%

REMEMBER

1. On a quarterly basis, you may change the contribution percentage to these Crediting Options for future contributions.
2. On a quarterly basis, you may also reallocate the distribution of your existing funds between these Crediting Options.
3. The deadline for receipt of the above changes by Corporate Compensation is 10 calendar days before a quarter end.

DISTRIBUTION ELECTION - TIMING AND FORM

Distribute the amounts deferred or credited to my account after the date of this deferral election as follows:

Upon retirement, I want the payments to last for the following number of years:

Lump sum *5 years* *10 years* 15 *years* *20 years*

BENEFICIARY DESIGNATION

The following beneficiary shall receive any payments from this account in the event of my death:

Beneficiary: ________________________________ Soc. Sec. #: ____ - ____
Primary

Beneficiary: ________________________________ Soc. Sec. #: ____ - ____
Contingent

AUTHORIZATION & ACKNOWLEDGMENT

I authorize the Company to effect the elections specified on this Deferral and Payment Election Form. I have read the instructions attached to this Form, and I understand that my Deferral Election to this Plan is irrevocable for the entire Plan Year. I also understand that my Payment Election will remain in effect until I submit a change according to the provisions of the Plan.

I acknowledge that I have received sufficient information on the Investment Crediting Options to make an informed election and that I have had answered to my satisfaction those questions that I may have had. I further understand that each of these choices involves differing levels of risk and that neither Summit Financial Group, Inc., nor any of its employees, is providing any assurances of returns or of preservation of principle.

________________________ ______________________________
Date Participant Signature

You must sign the Deferral and Payment Election Form. The Company will not effect your elections without your authorization. Your elections on this form will remain in effect until you make a change according to the provisions of the Plan.

Exhibit 10.17

AMENDMENT NO. ONE TO RABBI TRUST FOR
SUMMIT FINANCIAL GROUP, INC. DIRECTORS DEFERRAL PLAN

THIS AMENDMENT NO. ONE TO RABBI TRUST FOR THE SUMMIT FINANCIAL GROUP, INC. DIRECTORS DEFERRAL PLAN, is made and entered into this _9th____ day of _October___, 2008, effective January 1, 2005, by and between Summit Financial Group, Inc., a company having its principal place of business in West Virginia, or any successor thereto (hereinafter referred to as "Company"), and the trust department of Summit Community Bank, as successor in interest to South Branch Valley National Bank, a banking corporation with its principal place of business in West Virginia, or any successor corporation (hereinafter refereed to as the "Trustee").

WHEREAS, Company and the Trustee entered into that certain Rabbi Trust for the Directors Deferral Plan effective as of April 4, 2000, (the "Trust Agreement") to hold, manage, invest, reinvest and dispose of the Trust Estate in accordance with the terms thereof and with the terms and conditions of the Company's Directors Deferral Plan dated April 25, 2000, as such Directors Deferral Plan was amended December 30, 2005, further amended in 2008 and as it may be amended from time to time thereafter; and

WHEREAS, the Trust Agreement may be amended pursuant to Section XII thereof by a written instrument executed by the Trustee and the Company; and

WHEREAS, Company and the Trustee wish to amend the Trust Agreement as set forth herein to bring the terms of the Trust Agreement into compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), said Section 409A having been enacted pursuant to the American Jobs Creation Act of 2004 and generally effective for the purposes herein as of January 1, 2005;

NOW THEREFORE WITNESSETH:

1. Section V(b)(i) of the Trust Agreement is hereby amended, effective as of January 1, 2005, by adding the following phrase to the end of said Section V(b)(i) as follows:

provided, that in no event shall the Trustee transfer or locate any Trust assets outside of the United States.

2. The right to further amendment is retained by Company and Trustee, but notwithstanding the foregoing, no such amendment shall conflict with the terms of the Director's Deferral Plan or shall make the Trust Agreement revocable. This Amendment No. One may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one agreement.

IN WITNESS WHEREOF, this Amendment No. One has been duly signed by an authorized officer of Company and an authorized officer of the Trustee, respectively, all as of this _9th__ day of __October___, 2008.

SUMMIT FINANCIAL GROUP, INC.

By: _/s/ H. Charles Maddy, III______________

Its: __President and CEO__________________

[SEAL]

SUMMIT COMMUNITY BANK, Trustee

By: _/s/ H. Charles Maddy, III___________

Its: _Co-Chairman____________________

[SEAL]

Exhibit 10.18

AMENDMENT NO. ONE TO RABBI TRUST FOR SUMMIT COMMUNITY BANK, INC. (SUCCESSOR IN INTEREST TO CAPITAL STATE BANK, INC.) DIRECTORS DEFERRAL PLAN

THIS AMENDMENT NO. ONE TO RABBI TRUST FOR THE DIRECTORS DEFERRAL PLAN, is made and entered into this _13th_ day of _November___, 2008, effective January 1, 2005, by and between Summit Community Bank, Inc., as successor in interest to Capital State Bank, Inc., or any successor thereto (hereinafter referred to as "Bank"), and the trust department of Summit Community Bank, Inc., as successor in interest to South Branch Valley National Bank, or any successor trust department (hereinafter refereed to as the "Trustee").

WHEREAS, Bank and the Trustee entered into that certain Trust Agreement effective as of April 17, 2000 (the "Trust Agreement"), to hold, manage, invest, reinvest and dispose of the Trust Estate in accordance with the terms and conditions of the Bank's Director's Deferral Plan dated August 1, 2000, as amended December 30, 2005, and as further amended in 2008 and as it may be amended from time to time thereafter;

WHEREAS, the Trust Agreement may be amended pursuant to Section XII thereof by a written instrument executed by the Trustee and the Bank;

WHEREAS, Bank and the Trustee wish to amend the Trust Agreement as set forth herein to bring the terms of the Trust Agreement into compliance with the requirements of Section 409A of the Internal Revenue Code, as amended (the "Code"), said Section 409A having been enacted pursuant to the American Jobs Creation Act of 2004 and generally effective for the purposes herein as of January 1, 2005;

NOW THEREFORE WITNESSETH:

1. Section V(b)(i) of the Trust Agreement is hereby amended, effective as of January 1, 2005, by adding the following phrase to the end of said Section V(b)(i) as follows:

provided, that in no event shall the Trustee transfer or locate any Trust assets outside of the United States.

2. The right to further amendment is retained by Bank and Trustee, but notwithstanding the foregoing, no such amendment shall conflict with the terms of the Director's Deferral Plan or shall make the trust revocable.

3. This Amendment No. One may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one agreement.

IN WITNESS WHEREOF, this Amendment No. One has been duly signed by an authorized officer of Bank and an authorized officer of the Trustee, respectively, all as of this _13th__ day of _November___, 2008.

SUMMIT COMMUNITY BANK, INC.

By: /s/ H. Charles Maddy, III

Its: Co-Chairman

[SEAL]

SUMMIT COMMUNITY BANK, INC., Trustee

By: /s/ H. Charles Maddy, III

Its: Co-Chairman

[SEAL]

Exhibit 10.19

AMENDMENT NO. ONE TO RABBI TRUST FOR SUMMIT COMMUNITY BANK, INC. (SUCCESSOR IN INTEREST TO SHENANDOAH VALLEY NATIONAL BANK, INC.) DIRECTORS DEFERRAL PLAN

THIS AMENDMENT NO. ONE TO RABBI TRUST FOR THE DIRECTORS DEFERRAL PLAN, is made and entered into this _13th____ day of _November___, 2008, effective January 1, 2005, by and between Summit Community Bank, Inc., as successor in interest to Shenandoah Valley National Bank, Inc., or any successor thereto (hereinafter referred to as "Bank"), and the trust department of Summit Community Bank, Inc., as successor in interest to South Branch Valley National Bank, or any successor trust department (hereinafter refereed to as the "Trustee").

WHEREAS, Bank and the Trustee entered into that certain Trust Agreement (the "Trust Agreement"), to hold, manage, invest, reinvest and dispose of the Trust Estates in accordance with the terms and conditions of the Bank's Director's Deferral Plan dated September 15, 2000, as amended December 30, 2005, and as further amended in 2008 and as it may be amended from time to time thereafter;

WHEREAS, the Trust Agreement may be amended pursuant to Section XII thereof by a written instrument executed by the Trustee and the Bank;

WHEREAS, Bank and the Trustee wish to amend the Trust Agreement as set forth herein to bring the terms of the Trust Agreement into compliance with the requirements of Section 409A of the Internal Revenue Code, as amended (the "Code"), said Section 409A having been enacted pursuant to the American Jobs Creation Act of 2004 and generally effective for the purposes herein as of January 1, 2005;

NOW THEREFORE WITNESSETH:

1. Section V(b)(i) of the Trust Agreement is hereby amended, effective as of January 1, 2005, by adding the following phrase to the end of said Section V(b)(i) as follows:

provided, that in no event shall the Trustee transfer or locate any Trust assets outside of the United States.

2. The right to further amendment is retained by Bank and Trustee, but notwithstanding the foregoing, no such amendment shall conflict with the terms of the Director's Deferral Plan or shall make the trust revocable.

3. This Amendment No. One may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one agreement.

IN WITNESS WHEREOF, this Amendment No. One has been duly signed by an authorized officer of Bank and an authorized officer of the Trustee, respectively, all as of this _13th__ day of _November_, 2008.

SUMMIT COMMUNITY BANK, INC.

By: /s/ H. Charles Maddy, III____________

Its: _President________________________

[SEAL]

SUMMIT COMMUNITY BANK, INC., Trustee

By: /s/ H. Charles Maddy, III____________

Its: _Co-Chairman____________________

[SEAL]

Exhibit 10.20

AMENDMENT NO. ONE TO RABBI TRUST FOR SUMMIT COMMUNITY BANK, INC. (SUCCESSOR IN INTEREST TO SOUTH BRANCH VALLEY NATIONAL BANK) DIRECTORS DEFERRAL PLAN

THIS AMENDMENT NO. ONE TO RABBI TRUST FOR THE DIRECTORS DEFERRAL PLAN is made and entered into this 13th day of November , 2008, effective January 1, 2005, by and between Summit Community Bank, Inc., as successor in interest to South Branch Valley National Bank, or any successor thereto (hereinafter referred to as "Bank"), and the trust department of Summit Community Bank, Inc., as successor in interest to South Branch Valley National Bank, or any successor trust department (hereinafter refereed to as the "Trustee").

WHEREAS, Bank and the Trustee entered into that certain Trust Agreement

effective as of June 25, 1999, (the "Trust Agreement") to hold, manage, invest, reinvest and dispose of the Trust Estates in accordance with the terms and conditions of the Bank's Director's Deferral Plan effective July 1, 1999, and the Bank's Director's Deferral Plan Agreements dated July 5, 1999, by and between the trust department of the South Branch Valley National Bank, predecessor in interest to Summit Community Bank, Inc., and members of the Board of Directors of said South Branch Valley National Bank, predecessor in interest to Summit Community Bank, Inc., and which Directors Deferral Plan Agreements follow from and replace those certain Deferred Compensation Plan for Directors Agreements dated June 17, 1994, as amended

December 30, 2005, and as further amended in 2008 and as they may be amended from time to time thereafter;

WHEREAS, the Trust Agreement may be amended pursuant to Section XII thereof by a written instrument executed by the Trustee and the Bank;

WHEREAS, Bank and the Trustee wish to amend the Trust Agreement as set forth herein to bring the terms of the Trust Agreement into compliance with the requirements of Section 409A of the Internal Revenue Code, as amended (the "Code"), said Section 409A having been enacted pursuant to the American Jobs Creation Act of 2004 and generally effective for the purposes herein as of January 1, 2005;

NOW THEREFORE WITNESSETH:

1. Section V(b)(i) of the Trust Agreement is hereby amended, effective as of January 1, 2005, by adding the following phrase to the end of said Section V(b)(i) as follows:

provided, that in no event shall the Trustee transfer or locate any Trust assets outside of the United States.

2. The right to further amendment is retained by Bank and Trustee, but notwithstanding the foregoing, no such amendment shall conflict with the terms of the Director's Deferral Plan or Director's Deferral Plan Agreements or shall make the trust revocable.

3. This Amendment No. One may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute only one agreement.

IN WITNESS WHEREOF, this Amendment No. One has been duly signed by an authorized officer of Bank and an authorized officer of the Trustee, respectively, all as of this 13th day of November, 2008.

SUMMIT COMMUNITY BANK, INC.

By: /s/ H. Charles Maddy, III

Its: Co-Chairman

[SEAL]

SUMMIT COMMUNITY BANK, INC., Trustee

By: /s/ H. Charles Maddy, III

Its: Co-Chairman

[SEAL]

Exhibit 12

STATEMENTS RE: COMPUTATION OF RATIOS

Net Income Per Share	=	Net Income/Average Common Shares Outstanding
Cash Dividends Per Share	=	Dividends Paid/Actual Common Shares Outstanding
Book Value Per Share	=	Total Shareholders' Equity/Actual Common Shares Outstanding
Return on Average Assets	=	Net Income/Average Assets
Return on Average Shareholders' Equity	=	Net Income/Average Shareholders' Equity
Net Interest Margin	=	Net Interest Income/Average Earning Assets
Noninterest Expense to Average Assets	=	Noninterest Expense/Average Assets
Dividend Payout	=	Dividends Declared/Net Income
Average Shareholders' Equity to Average Assets	=	Average Shareholders' Equity/Average Assets
Tier I Capital Ratio	=	Shareholders' Equity – Net Unrealized Gains on Available for Sale Securities-Intangible Assets +Qualifying Capital Securities (Tier I Capital)/Risk Weighted Assets
Total Capital Ratio	=	(Tier I Capital +Qualifying Tier II Capital Securities +Allowance for Loan Losses +Qualifying Portion of Unrealized Gains on Available for Sale Marketable Equity Securities)/Risk Weighted Assets
Tier I Leverage Ratio	=	Tier I Capital/Average Assets
Net Charge-offs to Average Loans	=	(Gross Charge-offs – Recoveries)/ Average Net Loans
Non-performing Loans to Total Loans	=	(Nonaccrual Loans + Accruing Loans Past Due 90 Days or More)/ Loans Net of Unearned Income
Non-performing Assets to Period End Assets	=	(Nonaccrual Loans + Accruing Loans Past Due 90 Days or More + Other Real Estate Owned + Other Repossessed Assets + Nonaccrual Securities)/Total Assets
Allowance for Loan Losses to Period End Loans	=	Loan Loss Reserve/Loans Net of Unearned Income
Allowance for Loan Losses to Non-Performing Loans	=	Loan Loss Reserve/(Nonaccrual Loans + Accruing Loans Past Due 90 Days or More)

Exhibit 21

SUBSIDIARIES OF REGISTRANT

The following lists the subsidiaries of Summit Financial Group, Inc., a West Virginia Corporation.

SFG II, Inc., a second tier bank holding company
organized under the laws of the State of West Virginia

Summit Community Bank, Inc., a state banking corporation
organized under the laws of the State of West Virginia

Summit Insurance Services, LLC, a full lines insurance agency
organized under the laws of the State of West Virginia

SFG Capital Trust I, a statutory business trust
organized under the laws of the State of Delaware

SFG Capital Trust II, a statutory business trust
organized under the laws of the State of Delaware

SFG Capital Trust III, a statutory business trust
organized under the laws of the State of Delaware

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report to Shareholders (Form 10-K) of Summit Financial Group, Inc. and subsidiaries of our reports, dated March 13, 2009, with respect to our audits of the consolidated financial statements and internal control over financial reporting of Summit Financial Group, Inc. and subsidiaries included in the 2008 Annual Report to Shareholders for the year ended December 31, 2008.

We also consent to the incorporation by reference in the Registration Statement (Form S-8, No. 333-99291) pertaining to the 1998 Officer Stock Option Plan of Summit Financial Group, Inc. and subsidiaries of our reports, dated March 13, 2009, with respect to our audits of the consolidated financial statements and internal control over financial reporting of Summit Financial Group, Inc. and subsidiaries included in the 2008 Annual Report to Shareholders for the year ended December 31, 2008.

/s/ Arnett & Foster, P.L.L.C.

Charleston, West Virginia
March 13, 2009

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below, constitutes and appoints Robert S. Tissue and Julie R. Cook or either of them his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Summit Financial Group, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, and all amendments thereto, and file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Oscar M. Bean Oscar M. Bean	/s/ Gary L. Hinkle Gary L. Hinkle
/s/ Frank A. Baer, III Frank A. Baer, III	s/ Gerald W. Huffman Gerald W. Huffman
/s/ Dewey F. Bensenhaver, M.D. Dewey F. Bensenhaver, M.D.	/s/ H. Charles Maddy, III H. Charles Maddy, III
/s/ James M. Cookman James M. Cookman	/s/ Duke A. McDaniel Duke A. McDaniel
/s/ John W. Crites John W. Crites	/s/ Ronald F. Miller Ronald F. Miller
/s/ Patrick N. Frye Patrick N. Frye	/s/ G. R. Ours, Jr. G. R. Ours, Jr.
/s/ James P. Geary, II James P. Geary, II	/s/ Phoebe Fisher Heishman Phoebe Fisher Heishman
/s/ Thomas J. Hawse, III Thomas J. Hawse, III	/s/ Charles S. Piccirillo Charles S. Piccirillo

Exhibit 31.1

SARBANES-OXLEY ACT SECTION 302
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

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

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

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

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

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in registrant’s internal control over financial reporting.

Date: March 13 , 2009

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

Exhibit 31.2

SARBANES-OXLEY ACT SECTION 302
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert S. Tissue, certify that:

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

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

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

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

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report)that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in registrant's internal control over financial reporting.

Date: March 13 , 2009

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

Exhibit 32.1

SARBANES-OXLEY ACT SECTION 906
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Annual Report of Summit Financial Group, Inc. ("Summit ") on Form 10-K for the year ending December 31, 2008 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. § 1350, as adopted pursuant to § 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: March 13 , 2009

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

Exhibit 32.2

SARBANES-OXLEY ACT SECTION 906
CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Annual Report of Summit Financial Group, Inc. ("Summit “) on Form 10-K for the year ending December 31, 2008 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. § 1350, as adopted pursuant to § 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: March 13 , 2009

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