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

FORM 10 – Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2005.

or

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

Commission File Number 0-16587

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

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

300 North Main Street

Moorefield, West Virginia	**26836**
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☑ No o

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

Common Stock, $2.50 par value
7,125,820 shares outstanding as of August 3, 2005

Summit Financial Group, Inc. and Subsidiaries

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Summit Financial Group, Inc. and Subsidiaries

Consolidated Balance Sheets (unaudited)

	June 30, 2005 (unaudited)	December 31, 2004 (*)	June 30, 2004 (unaudited)
ASSETS			
Cash and due from banks	$ 16,944,283	$ 19,416,219	$ 17,143,178
Interest bearing deposits with other banks	2,341,860	2,338,698	3,267,577
Federal funds sold	—	48,000	—
Securities available for sale	209,561,053	211,361,504	213,643,589
Loans held for sale	17,073,628	14,273,916	15,607,459
Loans, net	659,792,179	602,727,975	559,869,306
Property held for sale	906,334	593,137	724,014
Premises and equipment, net	20,514,791	20,776,007	20,120,468
Accrued interest receivable	3,940,495	3,651,907	3,592,845
Intangible assets	3,423,248	3,498,824	3,574,401
Other assets	11,989,316	10,802,330	12,012,510
Total assets	$946,487,187	$889,488,517	$849,555,347
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits			
Non interest bearing	$ 63,207,232	$ 55,401,552	$ 55,525,469
Interest bearing	501,960,173	469,212,146	481,063,589
Total deposits	565,167,405	524,613,698	536,589,058
Short-term borrowings	127,973,843	120,629,214	71,350,023
Long-term borrowings	165,455,406	160,860,182	164,906,662
Subordinated debentures owed to unconsolidated subsidiary trusts	11,341,000	11,341,000	11,341,000
Other liabilities	6,711,767	6,336,402	6,393,415
Total liabilities	876,649,421	823,780,496	790,580,158
Commitments and Contingencies			
Shareholders' Equity			
Preferred stock and related surplus, $1.00 par value; authorized 250,000 shares, issued 2004 - 33,400 shares	—	1,158,471	1,158,471
Common stock and related surplus, $2.50 par value; authorized 20,000,000 shares, issued and outstanding 2005 - 7,123,820 shares; issued December 2004 - 7,155,420 shares; issued June 2004 - 7,138,020 shares	18,724,826	18,123,492	17,892,589
Retained earnings	51,639,709	47,108,898	42,575,541
Less cost of shares acquired for the treasury - 2004 - 115,880 shares	—	(627,659)	(627,659)
Accumulated other comprehensive income	(526,769)	(55,181)	(2,023,753)
Total shareholders' equity	69,837,766	65,708,021	58,975,189
Total liabilities and shareholders' equity	$946,487,187	$889,488,517	$849,555,347

(*) — December 31, 2004 financial information has been extracted from audited consolidated financial statements

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Interest income				
Interest and fees on loans				
Taxable	$11,097,070	$ 8,634,445	$20,998,414	$16,851,331
Tax-exempt	108,117	109,394	216,513	206,686
Interest and dividends on securities				
Taxable	1,748,650	1,763,333	3,478,365	3,738,272
Tax-exempt	542,397	552,564	1,070,999	1,104,126
Interest on interest bearing deposits with other banks	22,970	31,615	45,538	62,795
Interest on Federal funds sold	4,843	382	7,276	1,303
Total interest income	13,524,047	11,091,733	25,817,105	21,964,513
Interest expense				
Interest on deposits	2,926,400	2,389,607	5,443,073	4,803,700
Interest on short-term borrowings	1,055,296	202,891	1,809,323	374,800
Interest on long-term borrowings and subordinated debentures	1,938,679	1,701,207	3,806,009	3,386,627
Total interest expense	5,920,375	4,293,705	11,058,405	8,565,127
Net interest income	7,603,672	6,798,028	14,758,700	13,399,386
Provision for loan losses	425,000	232,500	755,000	465,000
Net interest income after provision for loan losses	7,178,672	6,565,528	14,003,700	12,934,386
Other income				
Insurance commissions	235,126	137,464	383,165	160,560
Service fees	651,148	562,136	1,197,707	1,071,545
Mortgage origination revenue	7,112,749	6,613,961	12,968,898	10,933,319
Securities gains (losses)	5,351	17,132	5,351	37,060
Gain (loss) on sale of assets	1,250	(10,566)	(1,075)	(12,181)
Other	209,645	111,558	328,677	183,813
Total other income	8,215,269	7,431,685	14,882,723	12,374,116
Other expense				
Salaries and employee benefits	5,394,241	4,739,787	9,936,451	8,425,746
Net occupancy expense	462,805	386,555	891,958	690,443
Equipment expense	483,172	441,417	976,194	870,444
Supplies	114,299	155,300	206,289	295,662
Professional fees	241,757	210,940	468,683	381,586
Postage	1,458,091	1,434,795	3,025,215	2,787,768
Advertising	1,221,812	1,303,690	2,546,852	2,265,326
Amortization of intangibles	37,788	37,788	75,576	75,576
Other	1,461,110	1,458,178	2,802,954	2,214,757
Total other expense	10,875,075	10,168,450	20,930,172	18,007,308
Income before income taxes	4,518,866	3,828,763	7,956,251	7,301,194
Income tax expense	1,402,627	1,154,700	2,429,107	2,175,950
Net income	$ 3,116,239	$ 2,674,063	$ 5,527,144	$ 5,125,244
Basic earnings per common share	$ 0.44	$ 0.38	$ 0.78	$ 0.73
Diluted earnings per common share	$ 0.43	$ 0.38	$ 0.77	$ 0.72
Average common shares outstanding				
Basic	7,081,044	7,021,567	7,060,529	7,020,847
Diluted	7,205,377	7,126,817	7,206,181	7,105,583
Dividends per common share	$ 0.14	$ 0.13	$ 0.14	$ 0.13

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity (unaudited)

	Preferred Stock and Related Surplus	Common Stock and Related Surplus	Retained Earnings	Treasury Stock	Accumulated Other Compre-hensive Income	Total Share-holders' Equity
Balance, December 31, 2004	$ 1,158,471	$18,123,492	$47,108,898	$(627,659)	$ (55,181)	$65,708,021
Six Months Ended June 30, 2005						
Comprehensive income:						
Net income	—	—	5,527,144	—	—	5,527,144
Other comprehensive income, net of deferred tax benefit of ($289,038):						
Net unrealized (loss) on securities of ($474,906), net of reclassification adjustment for gains included in net income of $3,318	—	—	—	—	(471,588)	(471,588)
Total comprehensive income						5,055,556
Exercise of stock options	—	70,522	—	—	—	70,522
Conversion of preferred shares	(1,158,471)	1,158,471	—	—	—	—
Retirement of treasury shares		(627,659)		627,659		—
Cash dividends declared ($.14 per share)	—	—	(996,333)	—	—	(996,333)
Balance, June 30, 2005	$ —	$18,724,826	$51,639,709	$ —	$ (526,769)	$69,837,766
Balance, December 31, 2003	$ —	$17,862,255	$38,328,051	$(627,659)	$ 1,624,896	$57,187,543
Six Months Ended June 30, 2004						
Comprehensive income:						
Net income	—	—	5,125,244	—	—	5,125,244
Other comprehensive income, net of deferred tax benefit of ($2,236,269):						
Net unrealized (loss) on securities of ($3,659,271), net of reclassification adjustment for gains included in net income of $10,622	—	—	—	—	(3,648,649)	(3,648,649)
Total comprehensive income						1,476,595
Exercise of stock options	—	30,334	—	—	—	30,334
Issuance of preferred shares	1,158,471	—	—	—	—	1,158,471
Cash dividends declared ($.125 per share)	—	—	(877,754)	—	—	(877,754)
Balance, June 30, 2004	$ 1,158,471	$17,892,589	$42,575,541	$(627,659)	$(2,023,753)	$58,975,189

See Notes to Consolidated Financial Statements

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Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

	Six Months Ended	
	June 30, 2005	June 30, 2004
Cash Flows from Operating Activities		
Net income	$ 5,527,144	$ 5,125,244
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	836,948	709,921
Provision for loan losses	755,000	465,000
Deferred income tax (benefit)	(204,943)	(344,550)
Loans originated for sale	(152,552,850)	(118,974,272)
Proceeds from loans sold	155,121,968	113,916,895
(Gain) on sales of loans held for sale	(5,368,830)	(4,197,246)
Securities (gains)	(5,350)	(37,060)
Loss on disposal of other assets	2,325	12,181
Amortization of securities premiums, net	367,041	417,177
Amortization of goodwill and purchase accounting adjustments, net	81,342	92,166
Increase (decrease) in accrued interest receivable	(288,589)	185,294
(Increase) in other assets	(830,845)	(876,689)
Increase in other liabilities	451,055	629,321
Net cash provided by (used in) operating activities	3,891,416	(2,876,618)
Cash Flows from Investing Activities		
Net (increase) in interest bearing deposits with other banks	(3,162)	(126,485)
Proceeds from maturities and calls of securities available for sale	6,612,889	14,732,885
Proceeds from maturities and calls of securities held to maturity	—	—
Proceeds from sales of securities available for sale	6,150,328	37,642,019
Principal payments received on securities available for sale	16,928,228	22,408,545
Purchases of securities available for sale	(28,991,673)	(59,189,844)
Net decrease in Federal funds sold	48,000	244,000
Net loans made to customers	(58,165,343)	(62,022,637)
Purchases of premises and equipment	(575,734)	(2,997,647)
Proceeds from sales of other assets	61,700	34,200
Net cash paid in acquisition of Sager Insurance Agency	—	(850,000)
Net cash provided by (used in) investing activities	(57,934,767)	(50,124,964)
Cash Flows from Financing Activities		
Net increase in demand deposit, NOW and savings accounts	28,055,605	18,246,500
Net increase in time deposits	12,405,833	6,541,137
Net increase in short-term borrowings	7,344,629	21,635,777
Proceeds from long-term borrowings	26,718,000	13,660,000
Repayment of long-term borrowings	(22,026,841)	(12,068,075)
Exercise of stock options	70,522	30,334
Dividends paid	(996,333)	(877,754)
Purchase of treasury stock	—	—
Net proceeds from issuance of trust preferred securities	—	7,406,250
Net proceeds from issuance of preferred stock	—	1,158,471
Net cash provided by financing activities	51,571,415	55,732,640
Increase (decrease) in cash and due from banks	(2,471,936)	2,731,058
Cash and due from banks:		
Beginning	19,416,219	14,412,120
Ending	$ 16,944,283	$ 17,143,178

(Continued)

See Notes to Consolidated Financial Statements

Summit Financial Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

	Six Months Ended	
	June 30, 2005	June 30, 2004
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$10,447,430	$8,681,611
Income taxes	$ 1,600,000	$2,350,000
Supplemental Schedule of Noncash Investing and Financing Activities		
Other assets acquired in settlement of loans	$ 346,139	$ 20,550
Acquisition of Sager Insurance Agency:		
Net cash and cash equivalents paid in acquisition of Sager Insurance Agency	$ —	$ 850,000
Fair value of assets acquired (principally building and land)	$ —	$ 250,000
Goodwill	—	600,000
	$ —	$ 850,000
Noncash investment in unconsolidated subsidiary trust	$ —	$ 232,000

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements (unaudited)

Note 1. Basis of Presentation

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

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

The results of operations for the six months ended June 30, 2005 are not necessarily indicative of the results to be expected for the full year. The consolidated financial statements and notes included herein should be read in conjunction with our 2004 audited financial statements and Annual Report on Form 10-K. Certain accounts in the consolidated financial statements for December 31, 2004 and June 30, 2004, as previously presented, have been reclassified to conform to current year classifications.

Note 2. Significant New Accounting Pronouncements

Stock-based compensation: In December 2004, the Financial Accounting Standards Board (FASB) issued revised statement 123, *Share-Based Payment (Revised 2004).* SFAS 123R establishes accounting requirements for share-based compensation to employees. SFAS 123R eliminates our ability to account for stock-based compensation using APB 25 effective July 1, 2005 for all equity awards granted after the effective date. SFAS 123R requires us to recognize compensation expense based on the estimated number of stock awards expected to actually vest, exclusive of the awards expected to be forfeited. On April 14, 2005, the SEC announced an amendment to the compliance dates of SFAS 123R, delaying our required implementation until January 1, 2006. The adoption of this standard is not expected to have a material impact on our financial condition, results of operations, or liquidity.

Other than temporary impairment: In March 2004, the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) released Issue 03-01, *Meaning of Other Than Temporary Impairment*, which addressed other-than-temporary impairment for certain debt and equity investments. The recognition and measurement requirements of Issue 03-01, and other disclosure requirements not already implemented, were effective for periods beginning after June 15, 2004. In September 2004, the FASB staff issued FASB Staff Position (FSP) EITF 03-1-1, which delayed the effective date for certain measurement and recognition guidance contained in Issue 03-01. The FSP requires the application of pre-existing other-than-temporary guidance during the period of delay until a final consensus is reached. In June 2005, FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment, but directed the staff to issue proposed FSP EITF 03-1-a, “Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1,” as final. The final FSP, retitled FSP FAS 115-1, will supersede EITF Issue No. 03-1. FSP FAS 115-1 will be effective for other-than-temporary impairment analysis conducted in periods beginning after September 15, 2005.

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Note 3. Earnings per Share
The computations of basic and diluted earnings per share follow:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Numerator:				
Net Income	$3,116,239	$2,674,063	$5,527,144	$5,125,244
Denominator:				
Denominator for basic earnings per share — weighted average common shares outstanding	7,081,044	7,021,567	7,060,529	7,020,847
Effect of dilutive securities:				
Convertible preferred stock	37,144	37,316	56,872	18,658
Stock options	87,189	67,934	88,780	66,078
	124,333	105,250	145,652	84,736
Denominator for diluted earnings per share — weighted average common shares outstanding and assumed conversions	7,205,377	7,126,817	7,206,181	7,105,583
Basic earnings per share	$ 0.44	$ 0.38	$ 0.78	$ 0.73
Diluted earnings per share	$ 0.43	$ 0.38	$ 0.77	$ 0.72

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Note 4. Securities

The amortized cost, unrealized gains, unrealized losses and estimated fair values of securities at June 30, 2005 and December 31, 2004, and June 30, 2004 are summarized as follows:

	June 30, 2005			
		Unrealized		
	Amortized Cost	Gains	Losses	Estimated Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies and corporations	$ 23,671,763	$ 103,167	$ 79,949	$ 23,694,981
Mortgage-backed securities	115,010,307	329,697	1,128,262	114,211,742
State and political subdivisions	3,743,273	3,507	—	3,746,780
Corporate debt securities	4,048,118	89,976	—	4,138,094
Federal Reserve Bank stock	451,500	—	—	451,500
Federal Home Loan Bank stock	15,551,400	—	—	15,551,400
Other equity securities	175,535	—	—	175,535
Total taxable	162,651,896	526,347	1,208,211	161,970,032
Tax-exempt:				
State and political subdivisions	40,266,955	1,559,877	15,344	41,811,488
Other equity securities	7,480,557	—	1,701,024	5,779,533
Total tax-exempt	47,747,512	1,559,877	1,716,368	47,591,021
Total	$210,399,408	$2,086,224	$2,924,579	$209,561,053

Notes to Consolidated Financial Statements (unaudited)

	December 31, 2004			
		Unrealized		
	Amortized Cost	Gains	Losses	Estimated Fair Value
Available for Sale				
Taxable:				
U. S. Government agencies and corporations	$ 21,429,728	$ 154,012	$ 37,242	$ 21,546,498
Mortgage-backed securities	118,872,576	513,765	1,029,288	118,357,053
State and political subdivisions	3,745,196	8,954	—	3,754,150
Corporate debt securities	5,000,328	180,939	—	5,181,267
Federal Reserve Bank stock	436,500	—	—	436,500
Federal Home Loan Bank stock	13,843,100	—	—	13,843,100
Other equity securities	175,535	—	—	175,535
Total taxable	163,502,963	857,670	1,066,530	163,294,103
Tax-exempt:				
State and political subdivisions	40,475,405	1,508,540	24,043	41,959,902
Other equity securities	7,482,503	—	1,375,004	6,107,499
Total tax-exempt	47,957,908	1,508,540	1,399,047	48,067,401
Total	$211,460,871	$2,366,210	$2,465,577	$211,361,504

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

Notes to Consolidated Financial Statements (unaudited)

The maturities, amortized cost and estimated fair values of securities at June 30, 2005, are summarized as follows:

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 44,997,430	$ 44,826,611
Due from one to five years	90,462,757	89,990,413
Due from five to ten years	25,209,828	25,640,174
Due after ten years	26,070,401	27,145,887
Equity securities	23,658,992	21,957,968
	$210,399,408	$209,561,053

Note 5. Loans

Loans are summarized as follows:

	June 30, 2005	December 31, 2004	June 30, 2004
Commerical	$ 59,067,370	$ 53,225,840	$ 49,294,033
Commercial real estate	328,071,405	279,631,237	250,562,417
Real estate — construction	3,814,622	3,916,361	2,665,044
Real estate — mortgage	229,768,990	223,689,617	212,370,641
Consumer	36,993,483	38,947,775	41,787,194
Other	9,233,041	9,604,693	9,315,822
Total loans	666,948,911	609,015,523	565,995,151
Less unearned fees and interest	1,459,440	1,214,262	1,173,214
Total loans net of unearned fees and interest	665,489,471	607,801,261	564,821,937
Less allowance for loan losses	5,697,292	5,073,286	4,952,631
Loans, net	$659,792,179	$602,727,975	$559,869,306

Note 6. Allowance for Loan Losses

An analysis of the allowance for loan losses for the six month periods ended June 30, 2005 and 2004, and for the year ended December 31, 2004 is as follows:

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	Year Ended December 31, 2004
Balance, beginning of period	$5,073,286	$4,680,625	$4,680,625
Losses:			
Commercial	19,759	136,765	141,815
Commercial real estate	—	6,862	335,777
Real estate — mortgage	50,200	—	5,199
Consumer	89,123	76,396	208,391
Other	123,350	111,971	285,671
Total	282,432	331,994	976,853
Recoveries:			
Commercial	—	18,314	18,702
Commercial real estate	12,577	15,301	27,302
Real estate — mortgage	—	9,413	9,413
Consumer	32,793	59,927	109,211
Other	106,068	36,045	154,886
Total	151,438	139,000	319,514
Net losses	130,994	192,994	657,339
Provision for loan losses	755,000	465,000	1,050,000
Balance, end of period	$5,697,292	$4,952,631	$5,073,286

Note 7. Goodwill and Other Intangible Assets

The following tables present our goodwill at June 30, 2005 and other intangible assets at June 30, 2005, December 31, 2004, and June 30, 2004.

	Goodwill Activity by Operating Segment			
	Community Banking	Mortgage Banking	Parent and Other	Total
Balance, January 1, 2005	$1,488,030	$—	$600,000	$2,088,030
Acquired goodwill, net	—	—	—	—
Balance, June 30, 2005	$1,488,030	$—	$600,000	$2,088,030

Notes to Consolidated Financial Statements (unaudited)

	Unidentifiable Intangible Assets		
	June 30, 2005	December 31, 2004	June 30, 2004
Unidentifiable intangible assets			
Gross carrying amount	$2,267,323	$2,267,323	$2,267,323
Less: accumulated amortization	932,105	856,529	780,952
Net carrying amount	$1,335,218	$1,410,794	$1,486,371

We recorded amortization expense of approximately $76,000 for the six months ended June 30, 2005 relative to our unidentifiable intangible assets. Annual amortization is expected to be approximately $151,000 for each of the years ending 2005 through 2009.

Note 8. Deposits

The following is a summary of interest bearing deposits by type as of June 30, 2005 and 2004 and December 31, 2004:

	June 30, 2005	December 31, 2004	June 30, 2004
Interest bearing demand deposits	$145,625,507	$122,355,331	$122,414,880
Savings deposits	47,407,305	50,427,556	51,378,404
Certificates of deposit	282,914,987	271,130,829	281,125,705
Individual retirement accounts	26,012,374	25,298,430	26,144,600
Total	$501,960,173	$469,212,146	$481,063,589

Included in certificates of deposit are brokered certificates of deposit, which totaled $77,282,000, $53,268,000, and $43,639,000 at June 30, 2005, December 31, 2004, and June 30, 2004, 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 Individual Retirement Accounts in denominations of $100,000 or more as of June 30, 2005:

	Amount	Percent
Three months or less	$ 17,329,206	12.2%
Three through six months	22,925,447	16.1%
Six through twelve months	34,852,785	24.5%
Over twelve months	67,287,979	47.2%
Total	$142,395,417	100.0%

A summary of the scheduled maturities for all time deposits as of June 30, 2005 is as follows:

Six month period ending December 31, 2005	$ 82,842,966
Year Ending December 31, 2006	120,665,771
Year Ending December 31, 2007	62,465,567
Year Ending December 31, 2008	21,340,898
Year Ending December 31, 2009	14,619,524
Thereafter	6,992,635
	$308,927,361

Note 9. Borrowed Funds

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

	Six Months Ended June 30, 2005		
	Short-term FHLB Advances	Repurchase Agreements	Federal Funds Purchased and Lines of Credit
Balance at June 30	$115,906,600	$ 8,671,743	$3,395,500
Average balance outstanding for the period	114,955,701	10,248,299	802,124
Maximum balance outstanding at any month end during period	126,336,000	10,881,188	3,395,500
Weighted average interest rate for the period	2.93%	2.07%	4.50%
Weighted average interest rate for balances outstanding at June 30	3.52%	2.42%	4.08%

	Year Ended December 31, 2004		
	Short-term FHLB Advances	Repurchase Agreements	Federal Funds Purchased and Lines of Credit
Balance at December 31	$109,798,900	$10,830,314	$ —
Average balance outstanding for the year	59,498,008	9,739,367	1,076,402
Maximum balance outstanding at any month end during year	109,798,900	11,098,557	1,173,000
Weighted average interest rate for the year	1.72%	1.59%	2.11%
Weighted average interest rate for balances outstanding at December 31	2.31%	1.85%	—

Notes to Consolidated Financial Statements (unaudited)

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

Long-term borrowings: Our long-term borrowings of $165,455,406, $160,860,182 and $164,906,662 at June 30, 2005, December 31, 2004, and June 30, 2004 respectively, consisted primarily of advances from the Federal Home Loan Bank ("FHLB").

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

The average interest rate paid on long-term borrowings for the six month period ended June 30, 2005 was 4.41% compared to 4.02% for the first six months of 2004.

Subordinated Debentures: We have two statutory business trusts that were formed for the purpose of issuing mandatorily redeemable securities (the "capital securities") for which we are obligated to third party investors and investing the proceeds from the sale of the capital securities in our junior subordinated debentures (the "debentures"). The debentures held by the trusts are their sole assets. Our subordinated debentures totaled $11,341,000 at June 30, 2005, December 31, 2004 and June 30, 2004.

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

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

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

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

Year Ending December 31,	Amount
2005	$ 16,725,356
2006	21,967,468
2007	15,272,204
2008	16,085,851
2009	2,110,094
Thereafter	104,635,433
	$176,796,406

Note 10. Stock Option Plan

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

The Officer Stock Option Plan, which provides for the granting of stock options for up to 960,000 shares of common stock to our key officers, was adopted in 1998 and expires in 2008. Each option granted under the plan vests according to a schedule designated at the grant date and shall have a term of no more than 10 years following the vesting date. Also, the option price per share shall not be less than the fair market value of our common stock on the date of grant. Accordingly, no compensation expense is recognized for options granted under the Plan.

The following pro forma disclosures present for the quarters ended and six months ended June 30, 2005 and 2004, our reported net income and basic and diluted earnings per share had we recognized compensation expense for our Officer Stock Option Plan based on the grant date fair values of the options (the fair value method described in Statement of Financial Accounting Standards No. 123).

Notes to Consolidated Financial Statements (unaudited)

(in thousands, except per share data)	Quarter Ended June 30, 2005	Quarter Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Net income:				
As reported	$3,116	$2,674	$5,527	$5,125
Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(36)	(23)	(76)	(57)
Pro forma	$3,080	$2,651	$5,451	$5,068
Basic earnings per share:				
As reported	$ 0.44	$ 0.38	$ 0.78	$ 0.73
Pro forma	$ 0.43	$ 0.38	$ 0.77	$ 0.72
Diluted earnings per share:				
As reported	$ 0.43	$ 0.38	$ 0.77	$ 0.72
Pro forma	$ 0.43	$ 0.37	$ 0.76	$ 0.71

For purposes of computing the above pro forma amounts, we estimated the fair value of the options at the date of grant using a Black-Scholes option pricing model. There were no option grants during the first six months of 2005 or 2004. For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

Note 11. Off-Balance Sheet Arrangements

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:

	June 30, 2005
Commitments to extend credit:	
Revolving home equity and credit card lines	$ 28,530,194
Construction loans	110,877,354
Other loans	41,726,524
Standby letters of credit	6,737,035
Total	$187,871,107

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.

Note 12. Issuance and Conversion of Preferred Stock

On April 23, 2004, the Board of Directors approved an amendment to our Articles of Incorporation establishing the Rockingham National Bank Series Convertible Preferred Stock ("Preferred Stock") and authorizing up to 40,000 shares of its issuance. On May 17, 2004, we completed the sale of 33,400 shares of Preferred Stock in a private placement. The Preferred Stock was sold to potential investors that we believed would be beneficial to the development and support of the Rockingham National Bank, a division of Summit's subsidiary, Shenandoah Valley National Bank, and to the outside directors of Shenandoah Valley National Bank. The offering price for each share of the Preferred Stock was the mean of the closing prices of Summit's common stock reported on the last five (5) business days on which the stock traded prior to and inclusive of May 10, 2004, which was $35.28 per share, and aggregate offering proceeds were $1,158,471, net of related issuance costs. The shares of Preferred Stock converted automatically into 76,820 shares of our common stock on May 15, 2005. The conversion was effected for the December 2004 two-for-one stock split, and was based on the total loans and deposits of the Rockingham National Bank division of Shenandoah Valley National Bank on May 15, 2005.

Note 13. Restrictions on Capital

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

Quantitative measures established by regulation to ensure capital adequacy require us and each of our subsidiaries to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). We believe, as of June 30, 2005, that we and each of our subsidiaries met all capital adequacy requirements to which they were subject.

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

Our actual capital amounts and ratios as well as our subsidiaries', Summit Community Bank's ("Summit Community"), and Shenandoah Valley National Bank's ("Shenandoah") are presented in the following table.

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(Dollars in thousands)

	Actual		Minimum Required Regulatory Capital		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2005						
Total Capital (to risk weighted assets)						
Summit	$81,937	11.4%	$57,611	8.0%	$72,014	10.0%
Summit Community	48,222	10.6%	36,494	8.0%	45,618	10.0%
Shenandoah	27,194	10.6%	20,463	8.0%	25,579	10.0%
Tier I Capital (to risk weighted assets)						
Summit	76,240	10.6%	28,806	4.0%	43,208	6.0%
Summit Community	44,421	9.7%	18,247	4.0%	27,371	6.0%
Shenandoah	25,298	9.9%	10,231	4.0%	15,347	6.0%
Tier I Capital (to average assets)						
Summit	76,240	8.2%	27,851	3.0%	46,418	5.0%
Summit Community	44,421	7.2%	18,501	3.0%	30,835	5.0%
Shenandoah	25,298	8.4%	9,077	3.0%	15,129	5.0%
As of December 31, 2004						
Total Capital (to risk weighted assets)						
Summit	$77,301	11.9%	51,863	8.0%	64,829	10.0%
Summit Community	45,672	10.8%	33,817	8.0%	42,271	10.0%
Shenandoah	23,253	10.7%	17,440	8.0%	21,800	10.0%
Tier I Capital (to risk weighted assets)						
Summit	72,228	11.1%	25,932	4.0%	38,897	6.0%
Summit Community	42,165	10.0%	16,908	4.0%	25,363	6.0%
Shenandoah	21,687	9.9%	8,720	4.0%	13,080	6.0%
Tier I Capital (to average assets)						
Summit	72,228	8.3%	26,256	3.0%	43,761	5.0%
Summit Community	42,165	7.1%	17,739	3.0%	29,565	5.0%
Shenandoah	21,687	8.0%	8,128	3.0%	13,546	5.0%

Note 14. Segment Information

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

Notes to Consolidated Financial Statements (unaudited)

Dollars in thousands	Community Banking	Mortgage Banking	Insurance Services	Parent and Other	Eliminations	Total
	For the Quarter Ended June 30, 2005					
Condensed Statements of Income						
Interest income	$ 13,328	$ 485	$ —	$ 6	$ (295)	$ 13,524
Interest expense	5,725	294	—	196	(295)	5,920
Net interest income	7,603	191	—	(190)	—	7,604
Provision for loan losses	345	80	—	—	—	425
Net interest income after provision for loan losses	7,258	111	—	(190)	—	7,179
Noninterest income	905	7,113	197	1,183	(1,183)	8,215
Noninterest expense	4,374	6,055	135	1,494	(1,183)	10,875
Income before income taxes	3,789	1,169	62	(501)	—	4,519
Income taxes	1,221	414	26	(258)	—	1,403
Net income	$ 2,568	$ 755	$ 36	$ (243)	$ —	$ 3,116
Intersegment revenue (expense)	$ (820)	$ (355)	$ (8)	$ 1,183	$ —	$ —
Average assets	$921,770	$23,838	$1,008	$81,095	$(95,937)	$931,774

Dollars in thousands	Community Banking	Mortgage Banking	Insurance Services	Parent and Other	Eliminations	Total
	For the Quarter Ended June 30, 2004					
Condensed Statements of Income						
Interest income	$ 10,941	$ 301	$ —	$ 3	$ (153)	$ 11,092
Interest expense	4,185	153	—	109	(153)	4,294
Net interest income	6,756	148	—	(106)	—	6,798
Provision for loan losses	233	—	—	—	—	233
Net interest income after provision for loan losses	6,523	148	—	(106)	—	6,565
Noninterest income	743	6,614	85	910	(920)	7,432
Noninterest expense	3,824	5,953	96	1,215	(920)	10,168
Income before income taxes	3,442	809	(11)	(411)	—	3,829
Income taxes	1,050	277	(4)	(168)	—	1,155
Net income	$ 2,392	$ 532	$ (7)	$ (243)	$ —	$ 2,674
Intersegment revenue (expense)	$ (715)	$ (198)	$ (7)	$ 920	$ —	$ —
Average assets	$820,144	$16,512	$940	$72,281	$(79,150)	$830,727

Notes to Consolidated Financial Statements (unaudited)

Dollars in thousands	Community Banking	Mortgage Banking	Insurance Services	Parent and Other	Eliminations	Total
	For the Six Months Ended June 30, 2005					
Condensed Statements of Income						
Interest income	$ 25,532	$ 788	$ —	$ 12	$ (515)	$ 25,817
Interest expense	10,695	513	—	365	(515)	11,058
Net interest income	14,837	275	—	(353)	—	14,759
Provision for loan losses	675	80	—	—	—	755
Net interest income after provision for loan losses	14,162	195	—	(353)	—	14,004
Noninterest income	1,593	12,969	319	2,360	(2,359)	14,882
Noninterest expense	8,571	11,652	269	2,797	(2,359)	20,930
Income before income taxes	7,184	1,512	50	(790)	—	7,956
Income taxes	2,250	530	21	(372)	—	2,429
Net income	$ 4,934	$ 982	$ 29	$ (418)	$ —	$ 5,527
Intersegment revenue (expense)	$ (1,726)	$ (618)	$ (15)	$ 2,359	$ —	$ —
Average assets	$902,753	$21,625	$996	$79,703	$(92,887)	$912,190

Dollars in thousands	Community Banking	Mortgage Banking	Insurance Services	Parent and Other	Eliminations	Total
	For the Six Months Ended June 30, 2004					
Condensed Statements of Income						
Interest income	$ 21,696	$ 508	$ —	$ 6	$ (246)	$ 21,964
Interest expense	8,355	242	—	214	(246)	8,565
Net interest income	13,341	266	—	(208)	—	13,399
Provision for loan losses	465	—	—	—	—	465
Net interest income after provision for loan losses	12,876	266	—	(208)	—	12,934
Noninterest income	1,366	10,932	86	1,799	(1,809)	12,374
Noninterest expense	7,418	10,015	103	2,280	(1,809)	18,007
Income before income taxes	6,824	1,183	(17)	(689)	—	7,301
Income taxes	2,049	407	(7)	(273)	—	2,176
Net income	$ 4,775	$ 776	$ (10)	$ (416)	$ —	$ 5,125
Intersegment revenue (expense)	$ (1,474)	$ (327)	$ (8)	$ 1,809	$ —	$ —
Average assets	$792,605	$12,946	$618	$70,494	$(62,591)	$814,072

INTRODUCTION

The following discussion and analysis focuses on significant changes in our financial condition and results of operations of Summit Financial Group, Inc. ("Company" or "Summit") and our wholly owned subsidiaries, Summit Community Bank ("Summit Community"), Shenandoah Valley National Bank ("Shenandoah"), Summit Mortgage, and Summit Insurance Services, LLC for the periods indicated. This discussion and analysis should be read in conjunction with our 2004 audited financial statements and Annual Report on Form 10-K.

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

OVERVIEW

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

Strong growth in our interest earning assets resulted in an increase of 9.61%, or $1,350,000, in our net interest earnings on a tax equivalent basis for the first six months in 2005 compared to the same period of 2004. Further, our mortgage banking segment contributed $981,000 to our first six months 2005 earnings. During the first quarter of 2004, we acquired an insurance agency located in Moorefield, West Virginia. This acquisition had no material impact on our results of operations, financial condition, or liquidity.

CRITICAL ACCOUNTING POLICIES

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

Our most significant accounting policies are presented in Note 1 to the consolidated financial statements of our 2004 Annual Report on Form 10-K. These policies, along with the disclosures presented in the other financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined.

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

The allowance for loan losses represents our estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset type on our consolidated balance sheet. To the extent actual outcomes differ from our estimates, additional provisions for loan losses may be required that would negatively impact earnings in future periods. Note 1 to the consolidated financial statements of our 2004 Annual Report on Form 10-K describes the methodology used to determine the allowance for loan losses and a discussion of the factors driving changes in the amount of the allowance for loan losses is included in the Asset Quality section of the financial review of the 2004 Annual Report on Form 10-K.

With the adoption of SFAS No. 142 on January 1, 2002, we discontinued the amortization of goodwill resulting from acquisitions. Goodwill is now subject to impairment testing at least annually to determine whether write-downs of the recorded balances are necessary. A fair value is determined based on at least one of three various market valuation methodologies. If the fair value equals or exceeds the book value, no write-down of recorded goodwill is necessary. If the fair value is less than the book value, an expense may be required on our books to write down the goodwill to the proper carrying value. During the third quarter, we will complete the required annual impairment test for 2005. We cannot assure you that future goodwill impairment tests will not result in a charge to earnings. See Notes 1 and 7 of the consolidated financial statements of our Annual Report on Form 10-K for further discussion of our intangible assets, which include goodwill.

BUSINESS SEGMENT RESULTS

We are organized and managed along two major business segments, as described in Note 14 of the accompanying consolidated financial statements. The results of each business segment are intended to reflect each segment as if it were a stand alone business. Net income by segment follows:

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
in thousands	**2005**	**2004**	**2005**	**2004**
Community Banking	$2,568	$2,392	$4,934	$4,775
Mortgage Banking	755	532	982	776
Parent and Other	(207)	(250)	(389)	(426)
Consolidated net income	$3,116	$2,674	$5,527	$5,125

RESULTS OF OPERATIONS

Earnings Summary

Net income for the quarter ended June 30, 2005 grew 16.54% to $3,116,000, or $0.43 per diluted share as compared to $2,674,000, or $0.38 per diluted share for the quarter ended June 30, 2004. Returns on average equity and assets for the first six months of 2005 were 16.41% and 1.21%, respectively, compared with 17.31% and 1.26% for the same period of 2004.

Net Interest Income

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

Our net interest income on a fully tax-equivalent basis totaled $15,403,000 for the six months period ended June 30, 2005 compared to $14,053,000 for the same period of 2004, representing an increase of $1,350,000 or 9.61%. This increase resulted from growth in interest earning assets, primarily loans, which served to more than offset the 41 basis points increase in the cost of interest bearing liabilities during the same period. Average interest earning assets grew 12.4% from $768,693,000 during the first six months of 2004 to $863,634,000 for the first six months of 2005. Average interest bearing liabilities grew 11.8% from $698,333,000 at June 30, 2004 to $780,807,000 at June 30, 2005, at an average yield for the first six months of 2005 of 2.86% compared to 2.45% for the same period of 2004.

Our net yield on interest earning assets decreased to 3.60% for the six month period ended June 30, 2005, compared to 3.66% for the same period in 2004. The yields on earning assets increased only 30 basis points, while the cost of our interest bearing funds increased by 41 basis points. Despite the increases in rates by the Fed over the past year, assets that repriced during the first half of 2005 typically repriced downward, while at the same time, our cost of short term borrowings moved more proportionately with the rate increases.

We anticipate modest growth in our net interest income to continue over the near term as the growth in the volume of interest earning assets will more than offset the expected continued decline in our net interest margin. However, if market interest rates remain significantly unchanged, or go lower over the next 12 to 18 months, the spread between interest earning assets and interest bearing liabilities could narrow such that its impact could not be offset by growth in earning assets. See the "Market Risk Management" section for further discussion of the impact changes in market interest rates could have on us. Further analysis of our yields on interest earning assets and interest bearing liabilities are presented in Tables I and II below.

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

	For the Six Months Ended					
	June 30, 2005			June 30,2004		
	Average Balance	Earnings/ Expense	Yield/ Rate	Average Balance	Earnings/ Expense	Yield/ Rate
Interest earning assets						
Loans, net of unearned income						
Taxable	$641,631	$20,998	6.60%	$539,338	$16,852	6.25%
Tax-exempt (1)	9,041	328	7.32%	8,202	313	7.63%
Securities						
Taxable	162,072	3,478	4.33%	169,208	3,738	4.42%
Tax-exempt (1)	48,102	1,604	6.72%	48,454	1,651	6.81%
Federal funds sold and interest bearing deposits with other banks	2,788	53	3.83%	3,491	64	3.67%
Total interest earning assets	863,634	26,461	6.18%	768,693	22,618	5.88%
Noninterest earning assets						
Cash & due from banks	15,294			12,005		
Premises and equipment	20,714			19,432		
Other assets	17,883			18,752		
Allowance for loan losses	(5,335)			(4,810)		
Total assets	$912,190			$814,072		
Interest bearing liabilities						
Interest bearing demand deposits	$134,987	$ 1,025	1.53%	$117,539	$ 531	0.90%
Savings deposits	49,954	158	0.64%	48,390	111	0.46%
Time deposits	302,046	4,260	2.84%	305,785	4,162	2.72%
Short-term borrowings	126,006	1,809	2.90%	58,283	375	1.29%
Long-term borrowings and capital trust securities	167,814	3,806	4.57%	168,336	3,386	4.02%
Total interest bearing liabilities	780,807	11,058	2.86%	698,333	8,565	2.45%
Noninterest bearing liabilities and shareholders' equity						
Demand deposits	57,610			51,059		
Other liabilities	6,393			5,461		
Shareholders' equity	67,380			59,219		
Total liabilities and shareholders' equity	$912,190			$814,072		
Net interest earnings		$15,403			$14,053	
Net yield on interest earning assets			3.60%			3.66%

(1) - Interest income on tax-exempt securities has been adjusted assuming an effective tax rate of 34% for both periods presented. The tax equivalent adjustment resulted in an increase in interest income of $644,000 and $653,000 for the periods ended June 30, 2005 and 2004, respectively.

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

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

	For the Six Months Ended June 30, 2005 versus June 30, 2004 Increase (Decrease) Due to Change in:		
	Volume	Rate	Net
Interest earned on:			
Loans			
Taxable	$ 3,201	$ 946	$4,147
Tax-exempt	568	(553)	15
Securities			
Taxable	(175)	(85)	(260)
Tax-exempt	(17)	(30)	(47)
Federal funds sold and interest bearing deposits with other banks	(153)	142	(11)
Total interest earned on interest earning assets	3,424	420	3,844
Interest paid on:			
Interest bearing demand deposits	87	407	494
Savings deposits	3	44	47
Time deposits	(2,391)	2,489	98
Short-term borrowings	691	743	1,434
Long-term borrowings and capital trust securities	(610)	1,030	420
Total interest paid on interest bearing liabilities	(2,220)	4,713	2,493
Net interest income	$ 5,644	$(4,293)	$1,351

Noninterest Income

On the strength of mortgage origination revenue, total noninterest income increased to $8,215,000 for the second quarter of 2005, compared to $7,432,000 for the same period of 2004. Mortgage origination revenue grew to $7,113,000 for the second quarter of 2005, compared to $6,614,000 for the same period of 2004. This revenue includes mortgage loan origination and sales activity conducted through Summit Mortgage. Further detail regarding noninterest income is reflected in the following table. Also, refer to Note 14 of the accompanying consolidated financial statements for our segment information.

Noninterest Income
Dollars in thousands

	For the Quarter Ended June 30, 2005	2004	For the Six Months Ended June 30, 2005	2004
Insurance commissions	$ 235	$ 137	$ 383	$ 160
Service fees	651	562	1,198	1,071
Mortgage origination revenue	7,113	6,614	12,969	10,933
Securities gains (losses)	5	17	5	37
Other	211	102	328	173
Total	$8,215	$7,432	$14,883	$12,374

Insurance commissions: These commissions increased 71.5% for second quarter 2005 over second quarter 2004 and 139.4% for the six months ended June 30, 2005 compared to the same period of 2004 primarily due to Summit Insurance Services, LLC, which offers both commercial and personal lines of insurance.

Service fees: Total service fees increased 15.8% for the second quarter of 2005 compared to the same period of 2004 and 11.9% for the first six months of 2005 compared to the same period of 2004. These increases were primarily attributable to an increase in overdraft and nonsufficient funds (NSF) fees due to increased overdrafts by customers.

Mortgage origination revenue: The following table shows our mortgage origination segment's loan activity:

Dollars in thousands	For the Quarter Ended June 30, 2005	2004	For the Six Months Ended June 30, 2005	2004
Loans originated				
Amount	$83,616	$74,333	$152,545	$119,268
Number	1,578	1,461	2,886	2,392
Loans sold				
Amount	$81,422	$68,013	$148,183	$109,389
Number	1,549	1,364	2,844	2,225

Summit Mortgage originates loans solely for the purpose of selling them. We do not service these loans, therefore there is no servicing intangible associated with this segment. Our mortgage banking revenue consists entirely of two components: 1) fees collected at the time of origination and 2) the gains we receive when selling the loans. The breakout of these fees and gains follows:

Mortgage origination revenue

Dollars in thousands	For the Quarter Ended June 30, 2005	2004	For the Six Months Ended June 30, 2005	2004
Origination fees, net	**$4,050**	$4,096	**$ 7,600**	$ 6,736
Gains	**3,063**	2,518	**5,369**	4,197
Total	**$7,113**	$6,614	**$12,969**	$10,933

Although mortgage origination revenue increased for the first six months of 2005, profitability was impacted by the continued change in mix of loans originated. During the first six months of 2005, 15.0% of the total dollar amount of loan originations were first mortgage loans as compared to 12.5% during the first six months of 2004. During second quarter 2005, 12.5% of the total dollar amount of loan originations were first mortgage loans as compared to 11.5% during the second quarter of 2004. Sales of first mortgage loans typically result in smaller margins than sales of second mortgage loans.

Other: Other income increased 106.9% for the second quarter of 2005 and 89.6% for the six months ended June 30, 2005 compared to the same respective periods of 2004. The two major components of these increases were 1) an increase in financial services revenue and 2) increases in debit card and ATM income due to increased card usage by customers.

Noninterest Expense

Total noninterest expense increased approximately $2,923,000, or 16.2% to $20,930,000 during the first six months of 2005 as compared to the same period in 2004 and $707,000 or 7.0% for second quarter 2005 compared to second quarter 2004. The primary factor contributing to growth in noninterest expense was an increase in salaries and employee benefits expense due to the staffing requirements as a result of our growth. Another major contributor to the increase in total noninterest expense for the six months ended and quarter ended June 30, 2005 was net occupancy expense. This increase was due to expenses related to our new Virginia market offices and the relocation of Summit Mortgage. Table III below shows the breakdown of these increases by segment. Also, refer to Note 14 of the accompanying consolidated financial statements for our segment information.

Table III — Noninterest Expense
Dollars in thousands

	For the Quarter Ended June 30,				For the Six Months Ended June 30,			
		Change				Change		
	2005	$	%	2004	2005	$	%	2004
Community Banking and Other								
Salaries and employee benefits	**$2,730**	**$396**	**17.0%**	$2,334	**$5,244**	**$ 730**	**16.2%**	$4,514
Net occupancy expense	**341**	**39**	**12.9%**	302	**654**	**80**	**13.9%**	574
Equipment expense	**437**	**38**	**9.5%**	399	**884**	**102**	**13.0%**	782
Supplies	**82**	**(54)**	**-39.7%**	136	**155**	**(95)**	**-38.0%**	250
Professional fees	**163**	**24**	**17.3%**	139	**340**	**95**	**38.8%**	245
Postage	**41**	**(21)**	**-33.9%**	62	**105**	**(8)**	**-7.1%**	113
Advertising	**133**	**41**	**44.6%**	92	**205**	**60**	**41.4%**	145
Amortization of intangibles	**38**	**—**	**0.0%**	38	**76**	**—**	**0.0%**	76
Other	**855**	**142**	**19.9%**	713	**1,615**	**322**	**24.9%**	1,293
Total	**$4,820**	**$605**	**14.4%**	$4,215	**$9,278**	**$1,286**	**16.1%**	$7,992

		Change				Change		
	2005	$	%	2004	2005	$	%	2004
Mortgage Banking								
Salaries and employee benefits	**$2,664**	**$ 258**	**10.7%**	$2,406	**$ 4,692**	**$ 780**	**19.9%**	$ 3,912
Net occupancy expense	**122**	**38**	**45.2%**	84	**238**	**122**	**105.2%**	116
Equipment expense	**46**	**4**	**9.5%**	42	**92**	**4**	**4.5%**	88
Supplies	**32**	**13**	**68.4%**	19	**51**	**5**	**10.9%**	46
Professional fees	**79**	**7**	**9.7%**	72	**129**	**(8)**	**-5.8%**	137
Postage	**1,417**	**44**	**3.2%**	1,373	**2,920**	**245**	**9.2%**	2,675
Advertising	**1,089**	**(123)**	**-10.1%**	1,212	**2,342**	**222**	**10.5%**	2,120
Other	**606**	**(139)**	**-18.7%**	745	**1,188**	**267**	**29.0%**	921
Total	**$6,055**	**$ 102**	**1.7%**	$5,953	**$11,652**	**$1,637**	**16.3%**	$10,015

		Change				Change		
	2005	$	%	2004	2005	$	%	2004
Consolidated								
Salaries and employee benefits	**$ 5,394**	**$654**	**13.8%**	$ 4,740	**$ 9,936**	**$1,510**	**17.9%**	$ 8,426
Net occupancy expense	**463**	**77**	**19.9%**	386	**892**	**202**	**29.3%**	690
Equipment expense	**483**	**42**	**9.5%**	441	**976**	**106**	**12.2%**	870
Supplies	**114**	**(41)**	**-26.5%**	155	**206**	**(90)**	**-30.4%**	296
Professional fees	**242**	**31**	**14.7%**	211	**469**	**87**	**22.8%**	382
Postage	**1,458**	**23**	**1.6%**	1,435	**3,025**	**237**	**8.5%**	2,788
Advertising	**1,222**	**(82)**	**-6.3%**	1,304	**2,547**	**282**	**12.5%**	2,265
Amortization of intangibles	**38**	**—**	**0.0%**	38	**76**	**—**	**0.0%**	76
Other	**1,461**	**3**	**0.2%**	1,458	**2,803**	**589**	**26.6%**	2,214
Total	**$10,875**	**$707**	**7.0%**	$10,168	**$20,930**	**$2,923**	**16.2%**	$18,007

Community Banking, Parent and Other Segments

Total noninterest expense for our community banking segment, parent, and other increased $605,000, or 14.4% for the first quarter of 2005, compared to the same period of 2004 and $1,286,000, or 16.1% for the six months ended June 30, 2005 versus the same period of 2004. The major factors contributing to these increases follow.

Salaries and employee benefits: Salaries and employee benefits expense increased 17.0% and 16.2% for the quarter ended June 30, 2005 and the six months ended June 30, 2005, respectively, due to additional staffing requirements needed as a result of our growth, including opening a new community banking office in Harrisonburg, Virginia in late 2004 and the mid-2005 anticipated opening of a new community banking office in Warrenton, Virginia, and staffing Summit Insurance Services, LLC. In the December-January timeframe, we added three seasoned lenders who will become increasingly productive over the remainder of the year. Also included in this increase are general merit raises.

Advertising: Both the quarterly increase and six month period increase in advertising is attributed to more aggressive advertising of our recently opened branched in the Virginia markets.

Other: Other expenses increased 14.4% for second quarter 2005 compared to second quarter 2004, and 16.1% for the six months ended June 30, 2005 compared to the same period of 2004. These increases include the initial listing fee for NASDAQ.

Mortgage Banking Segment

Total noninterest expense for our mortgage banking segment increased 1.7% for the second quarter of 2005 over the same period of 2004. These expenses increased $1,637,000 or 16.3% for the six months ended June 30, 2005 compared to the same period of 2004.

Salaries and employee benefits: The increase of $258,000 in salaries and employee benefits for the quarter ended June 30, 2005 and $780,000 for the six months ended June 30, 2005 is comprised primarily of 1) higher loan officer commissions paid due to increased loan production and 2) an increase in profitability based incentive compensation paid to Summit Mortgage management.

Net occupancy expense: Net occupancy expense increased $122,000 or 105.2% for the first six months of 2005 compared to the same period of 2004 and 45.2% for the second quarter 2005 compared to the second quarter 2004 due to the relocation of our Summit Mortgage headquarters in mid-2004, to support our growth in staffing needs.

Credit Experience

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

We recorded a $755,000 provision for loan losses for the first six months of 2005, compared to $465,000 for the same period in 2004. Net loan charge offs for the first six months of 2005 were $131,000, as compared to $193,000 over the same period of 2004. At June 30, 2005, the allowance for loan losses totaled $5,697,000 or 0.83% of loans, net of unearned income, compared to $5,073,000 or 0.82% of loans, net of unearned income at December 31, 2004. Our asset quality remains sound. As illustrated in Table III below, our non-performing assets and loans past due 90 days or more and still accruing interest have decreased during the past 12 months, and still remain at a historically moderate level.

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

	June 30, 2005	June 30, 2004	December 31, 2004
Accruing loans past due 90 days or more	$ 536	$ 593	$ 140
Nonperforming assets:			
Nonaccrual loans	375	984	532
Nonaccrual securities	326	384	349
Foreclosed properties	906	475	593
Repossessed assets	43	7	53
Total	$2,186	$2,443	$1,667
Total nonperforming loans as a percentage of total loans	0.13%	0.27%	0.11%
Total nonperforming assets as a percentage of total assets	0.23%	0.29%	0.19%

FINANCIAL CONDITION

Our total assets were $946,487,000 at June 30, 2005, compared to $889,489,000 at December 31, 2004, representing a 6.4% increase. Table IV below serves to illustrate significant changes in our financial position between December 31, 2004 and June 30, 2005.

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

	Balance December 31, 2004	Increase (Decrease) Amount	Increase (Decrease) Percentage	Balance June 30, 2005
Assets				
Securities available for sale	$211,362	(1,801)	-0.9%	$209,561
Loans, net of unearned income	607,801	57,688	9.5%	665,489
Liabilities				
Interest bearing deposits	$469,212	$32,748	7.0%	$501,960
Short-term borrowings	120,629	7,345	6.1%	127,974
Long-term borrowings and subordinated debentures	172,201	4,595	2.7%	176,796

Loan growth during the first six months of 2005, occurring principally in the commercial and real estate portfolios, was funded both by borrowings from the FHLB and deposits, including brokered certificates of deposit.

Refer to Notes 4, 5, 8, and 9 of the notes to the accompanying consolidated financial statements for additional information with regard to changes in the composition of our securities, loans, deposits and borrowings between June 30, 2005 and December 31, 2004.

LIQUIDITY

Liquidity reflects our ability to ensure the availability of adequate funds to meet loan commitments and deposit withdrawals, as well as provide for other transactional requirements. Liquidity is provided primarily by funds invested in cash and due from banks, Federal funds sold, non-pledged securities, and available lines of credit with the FHLB, the total of which approximated $126 million, or 13.3% of total assets at June 30, 2005 versus $88 million, or 9.9% of total assets at December 31, 2004.

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

CAPITAL RESOURCES

One of our continuous goals is maintenance of a strong capital position. Through management of our capital resources, we seek to provide an attractive financial return to our shareholders while retaining sufficient capital to support future growth. Shareholders' equity at June 30, 2005 totaled $69,838,000 compared to $65,708,000 at December 31, 2004.

Refer to Note 13 of the notes to the accompanying consolidated financial statements for information regarding regulatory restrictions on our capital as well as our subsidiaries' capital.

CONTRACTUAL CASH OBLIGATIONS

During our normal course of business, we incur contractual cash obligations. The following table summarizes our contractual cash obligations at June 30, 2005.

	Long Term Debt	Capital Trust Securities	Operating Leases
2005	$ 16,725,356	$ —	$ 456,771
2006	21,967,468	—	917,999
2007	15,272,204	—	877,659
2008	16,085,851	—	851,534
2009	2,110,094	—	428,100
Thereafter	93,294,433	11,341,000	384,340
Total	$165,455,406	$11,341,000	$3,916,403

OFF-BALANCE SHEET ARRANGEMENTS

We are involved with some off-balance sheet arrangements that have or are reasonably likely to have an effect on our financial condition, liquidity, or capital. These arrangements at June 30, 2005 are presented in the following table.

	June 30, 2005
Commitments to extend credit:	
Revolving home equity and credit card lines	$ 28,530,194
Construction loans	110,877,354
Other loans	41,726,524
Standby letters of credit	6,737,035
Total	$187,871,107

MARKET RISK MANAGEMENT

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

Some amount of interest rate risk is inherent and appropriate to the banking business. Our net income is affected by changes in the absolute level of interest rates. Our interest rate risk position is well matched in year one, with asset sensitivity over the longer period. That is, over the long term, assets are likely to reprice faster than liabilities, resulting in an increase in net income in a rising rate environment. Our net income would decline modestly in a falling interest rate environment. Net income is also subject to changes in the shape of the yield curve. In general, a flattening yield curve would result in a decline in our earnings due to the compression of earning asset yields and funding rates, while a steepening would result in increased earnings as margins widen.

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

The following table shows our projected earnings sensitivity as of June 30, 2005 which is well within our ALCO policy limit of +/- 10%:

Change in Interest Rates (basis points)	Estimated % Change in Net Interest Income Over: 12 Months	24 Months
Down 200 (1)	-0.48%	-3.30%
Down 200, steepening yield curve (2)	0.05%	-0.20%
Up 100 (1)	-0.12%	2.16%
Up 200 (1)	-0.54%	0.66%

(1) assumes a parallel shift in the yield curve

(2) assumes steepening curve whereby short term rates decline by 200 basis points while long term rates decline by 50 basis points

CONTROLS AND PROCEDURES

Our management, including the Chief Executive Officer and Chief Financial Officer, have conducted as of June 30, 2005, an evaluation of the effectiveness of disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of June 30, 2005 were effective. There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

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

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

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

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

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

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

On May 19, 2005, we held our Annual Meeting of Shareholders, and the shareholders took the following action:

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

	For	Withheld
Frank A. Baer, III	5,342,850	23,660
Patrick N. Frye	5,322,836	43,674
Duke A. McDaniel	5,346,674	19,836
Ronald F. Miller	5,347,474	19,036
George R. Ours, Jr.	5,335,730	30,780

The following directors’ terms of office continued after the 2005 annual shareholders’ meeting: Oscar M. Bean, Dewey F. Bensenhaver, John W. Crites, James Paul Geary, Phoebe F. Heishman, Charles S. Piccirillo, James M. Cookman, Thomas J. Hawse, III, Gary L. Hinkle, Gerald W. Huffman, H. Charles Maddy, III, and Harold K. Michael.

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SIGNATURES

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

SUMMIT FINANCIAL GROUP, INC.
(registrant)

By: /s/ H. Charles Maddy, III
H. Charles Maddy, III,
President and Chief Executive Officer

By: /s/ Robert S. Tissue
Robert S. Tissue,
Senior Vice President and Chief Financial Officer

By: /s/ Julie R. Cook
Julie R. Cook,
Vice President and Chief Accounting Officer

Date: August 5, 2005

Exhibit 31.1

SARBANES-OXLEY ACT SECTION 302
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2005

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

Exhibit 31.2

SARBANES-OXLEY ACT SECTION 302
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert S. Tissue, certify that:

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

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

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

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

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

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

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

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

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

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

Date: August 4, 2005

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

Exhibit 32.1

SARBANES-OXLEY ACT SECTION 906
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Quarterly Report of Summit Financial Group, Inc. ("Summit ") on Form 10-Q for the period ending June 30, 2005 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: August 4, 2005

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 Quarterly Report of Summit Financial Group, Inc. (“Summit “) on Form 10-Q for the period ending June 30, 2005 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: August 4, 2005

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.