

SUMMIT FINANCIAL GROUP INC
Form 10-K/A
April 15, 2008

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

FORM 10-K/A
(Amendment No. 1)

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

For the fiscal year ended December 31, 2007

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
(I.R.S. Employer
Identification No.)

300 N. Main Street
Moorefield, West Virginia
(Address of principal executive offices)

26836
(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)

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 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
filer

Accelerated filer
Smaller reporting company

Non-accelerated

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, 2007, was approximately \$102,564,000. The number of shares of the Registrant's Common Stock outstanding on March 3, 2008, was 7,408,941. (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 - Items 10, 11, 12, 13, and 14 Annual Meeting of Shareholders to be held May 15, 2008	Part III

Explanatory Note

This Amendment No. 1 on Form 10-K/A (the “Form 10-K/A”) amends our annual report for the fiscal year ended December 31, 2007, originally filed with the Securities and Exchange Commission (“SEC”) on March 17, 2008 (the “Form 10-K”). We are filing this Form 10-K/A to correct two clerical errors in “Item 8 — Financial Statements and Supplementary Data.” Specifically, the number of shares reported in Footnote 17 – Earnings Per Share, was erroneously rounded to the nearest thousand and in Footnote 19 – Fair Value of Financial Instruments, the estimated fair value of “Long-term borrowings and subordinated debentures” contained a clerical error in the originally filed Form 10-K.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, new certifications of our principal executive officer and principal financial officer are being filed as exhibits to this Amendment No. 1 on Form 10-K/A. No other information contained in the original filing is amended hereby. Except for the matter described above, this amendment does not change any previously reported financial results, modify or update disclosures in the original filing, or reflect events occurring after the date of the original filing.

NOTE 17. EARNINGS PER SHARE

The computations of basic and diluted earnings per share follow:

	For the Year Ended December 31,		
(dollars in thousands, except per share amounts)	2007	2006	2005
Numerator for both basic and diluted earnings per share:			
Income from continuing operations	\$ 13,537	\$ 11,060	\$ 8,164
Income (loss) from discontinued operations	(7,081)	(2,803)	2,523
Net Income	\$ 6,456	\$ 8,257	\$ 10,687
Denominator			
Denominator for basic earnings per share-weighted average common shares outstanding			
	7,244,011	7,120,518	7,093,402
Effect of dilutive securities:			
Convertible preferred stock	-	-	28,202
Stock options	59,380	62,763	85,234
	59,380	62,763	113,436
Denominator for diluted earnings per share-weighted average common shares outstanding and assumed conversions			
	7,303,391	7,183,281	7,206,838
Basic earnings per share from continuing operations			
	\$ 1.87	\$ 1.55	\$ 1.15
Basic earnings per share from discontinued operations			
	(0.98)	(0.39)	0.35
Basic earnings per share			
	\$ 0.89	\$ 1.16	\$ 1.51
Diluted earnings per share from continuing operations			
	\$ 1.85	\$ 1.54	\$ 1.13
Diluted earnings per share from discontinued operations			
	(0.97)	(0.39)	0.35
Diluted earnings per share			
	\$ 0.88	\$ 1.15	\$ 1.48

Stock option grants are disregarded in this calculation if they are determined to be anti-dilutive. At December 31, 2007 and 2006, our anti-dilutive stock options totaled 178,500 shares. At December 31, 2005, all stock options were dilutive.

NOTE 19. 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.

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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.

Assets related to discontinued operations: The primary component of the financial assets related to discontinued operations is loans held for sale. Their carrying values approximate their estimated fair values.

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)	2007		2006	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and due from banks	\$ 21,285	\$ 21,285	\$ 12,031	\$ 12,031
Interest bearing deposits,				
other banks	77	77	270	270
Federal funds sold	181	181	517	517
Securities available for sale	300,066	300,066	247,874	247,874
Loans, net	1,052,489	1,035,599	916,045	900,082
Accrued interest receivable	7,191	7,191	6,351	6,351
Assets related to discontinued operations	-	-	8,608	8,608
Derivative financial assets	77	77	286	286
	\$ 1,381,366	\$ 1,364,476	\$ 1,191,982	\$ 1,176,019
Financial liabilities:				

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Deposits	\$	828,687	\$	864,792	\$	888,688	\$	889,233
Short-term borrowings		172,055		172,055		60,428		60,428
Long-term borrowings and subordinated debentures		335,327		337,882		195,698		191,981
Accrued interest payable		4,639		4,639		3,750		3,750
Derivative financial liabilities		522		522		2,284		2,284
	\$	1,341,230	\$	1,379,890	\$	1,150,848	\$	1,147,676

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	4/15/2008	By: /s/ Julie R. Cook	4/15/2008
H . C h a r l e s M a d d y ,			
III	Date	Julie R.	
Cook	Date	P r e s i d e n t & C h i e f E x e c u t i v e	
Officer		Vice President & Chief Accounting Officer	

By: /s/ Robert S. Tissue 4/15/2008
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 4/15/2008
Robert S. Tissue Date
Attorney-in-fact

