

SUMMIT FINANCIAL GROUP INC

Form 424B3

February 25, 2008

File Pursuant to Rule 424(b)(3)
Registration No. 333-146882

Prospectus of Summit Financial Group,
Inc. Atlantic Financial Corp. Proxy Statement of Greater

MERGER PROPOSAL - YOUR VOTE IS VERY IMPORTANT

You are cordially invited to attend the special meeting of the shareholders of Greater Atlantic Financial Corp. (“Greater Atlantic”) to be held on Tuesday, March 25, 2008, at 10:00 a.m., Eastern Standard Time, at the Crowne Plaza Tysons Corner, 1960 Chain Bridge Road, McLean, Virginia. At the special meeting, you will be asked to approve the proposed merger of Greater Atlantic and Summit Financial Group, Inc. (“Summit”). In the merger, you will receive a combination of cash and shares of Summit common stock for each share of Greater Atlantic common stock that you own, subject to a “stock collar” limiting the maximum and minimum number of shares Summit will issue. The stock collar is described more fully below. Subject to the stock collar, the total consideration for your Greater Atlantic stock will be paid 70% in the form of Summit common stock and 30% in cash, with each share of Greater Atlantic common stock exchanged for shares of Summit common stock valued at \$4.20 and \$1.80 in cash. The number of shares of Summit common stock that you will receive for each share of Greater Atlantic common stock you own will be determined by the exchange ratio at closing.

At the closing, we will determine the exchange ratio by dividing \$4.20 by the average closing price of Summit common stock reported on the NASDAQ Capital Market for the twenty (20) trading days prior to closing (the “Average Closing Price”). The exchange ratio is subject to a stock collar, which sets the maximum and minimum numbers of shares that Summit will issue. If the Average Closing Price of Summit common stock is less than \$17.82, the exchange ratio will be calculated by dividing \$4.20 by \$17.82. If the Average Closing Price is greater than \$24.10, the exchange ratio will be calculated by dividing \$4.20 by \$24.10. Thus, for each share of Greater Atlantic common stock that you own, you will receive \$1.80 in cash and at least 0.1743 shares of Summit common stock, but no more than 0.2357 shares of Summit common stock, based on an exchange ratio as described in the accompanying proxy statement/prospectus. A chart on page 37 under “The Merger - Merger Consideration” provides examples of the value of the transaction to shareholders of Greater Atlantic at selected Average Closing Prices of Summit common stock. Cash will be paid instead of issuing fractional shares of Summit common stock.

We expect the merger to be tax-free with respect to the shares of Summit common stock that you receive. You may have to recognize income or gain for tax purposes for the cash you receive in the merger.

The merger proposal is described in this proxy statement/prospectus. We encourage you to read this entire document carefully, including the “Risk Factors” section beginning on page 13.

Your board of directors recommends that you vote for the merger. We need your vote to complete the merger. Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. If you neither return your card nor vote in person, or if you abstain from voting, the effect will be to vote against the merger.

You should obtain current market quotations on shares of Summit common stock, which is listed on the NASDAQ Capital Market under the symbol "SMMF." Greater Atlantic common stock is quoted on the Pink Sheets under the symbol "GAFC.PK."

Carroll E. Amos
President and Chief Executive Officer
Greater Atlantic Financial Corp.

An investment in Summit common stock in connection with the merger involves certain risks and uncertainties. See “Risk Factors” beginning on page 13 of this proxy statement/prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in the merger or determined if this proxy statement/prospectus is truthful or complete. It is illegal to tell you otherwise.

The securities to be issued in the merger are not savings or deposit accounts, deposits or other obligations of any bank or banking association, and are not insured by the Federal Deposit Insurance Corporation or any other federal or state governmental agency.

This proxy statement/prospectus is dated February 12, 2008, and is expected to be first mailed to shareholders on or about February 22, 2008.

ADDITIONAL INFORMATION

This document incorporates important business and financial information about Summit from other documents filed with the Securities and Exchange Commission that have not been included in or delivered with this document. You may read and copy these documents at the SEC’s public reference facilities. Please call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available at the Internet site the SEC maintains at <http://www.sec.gov>. See “Where You Can Find More Information” on page 82.

You also may request copies of these documents from Summit. Summit will provide you with copies of these documents, without charge, upon written or oral request to:

Summit Financial Group, Inc.
300 North Main Street
Moorefield, West Virginia 26836
Attention: Teresa D. Sherman
Telephone: (304) 530-1000

To ensure timely delivery before the special meeting, you should make any requests for these documents by March 18, 2008.

GREATER ATLANTIC FINANCIAL CORP.
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MARCH 25, 2008

YOU ARE HEREBY NOTIFIED of and invited to attend the special meeting of shareholders of Greater Atlantic Financial Corp., a Delaware corporation, to be held on Tuesday, March 25, 2008, at 10:00 a.m. at the Crowne Plaza Tysons Corner, 1960 Chain Bridge Road, McLean, Virginia, for the purpose of considering and voting upon the following:

1. A proposal to approve and adopt the Agreement and Plan of Reorganization dated as of April 12, 2007, as amended on December 6, 2007, by and between Greater Atlantic Financial Corp. ("Greater Atlantic") and Summit Financial Group, Inc. ("Summit"), and the transactions contemplated thereby. In this proxy statement/prospectus, we refer to the Agreement and Plan of Reorganization, as amended, as the merger agreement. The merger agreement provides that Greater Atlantic will merge with and into a subsidiary of Summit, upon the terms and subject to the conditions set forth in the merger agreement, as more fully described in the accompanying proxy statement/prospectus. In the merger, among other things, each share of Greater Atlantic common stock will be converted into and become the right to receive a combination of \$1.80 in cash and shares of Summit common stock based on an exchange ratio, subject to adjustment as further described in the accompanying proxy statement/prospectus. Cash will be paid instead of issuing fractional shares of Summit common stock.
2. A proposal to adjourn the meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the meeting to approve the matters to be considered by the shareholders at the meeting, as more fully described in the accompanying proxy statement prospectus.

Our board of directors has determined that the terms of the merger are advisable and in the best interests of Greater Atlantic and our shareholders, has approved and adopted the merger agreement, and unanimously recommends that our shareholders vote "FOR" the approval and adoption of the merger agreement and the transactions contemplated thereby.

Our board of directors has fixed the close of business on February 20, 2008, as the record date for determination of our shareholders entitled to receive notice of and to vote at the special meeting. A list of shareholders entitled to vote will be available at 10700 Parkridge Boulevard, Suite P50, Reston, Virginia 20191, for ten (10) days before the meeting and will also be available for inspection at the meeting. The meeting may be adjourned or postponed from time to time upon approval of our shareholders without any notice other than by announcement at the special meeting of the adjournment or postponement thereof, and any and all business for which notice is hereby given may be transacted at such adjourned or postponed special meeting.

The affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting is required to approve and adopt the merger agreement. Please complete, date, sign and promptly return the enclosed proxy card, which is solicited by your board of directors, in the enclosed envelope, whether or not you expect to attend the special meeting. You may revoke the proxy at any time before its exercise by delivering to us a written notice of revocation, by delivering to us a duly executed proxy card bearing a later date or by voting in person at the special meeting. Failure to return a properly executed proxy card, or to vote at the special meeting, or abstaining from voting, will have the same effect as a vote against the merger agreement and the transactions contemplated thereby.

By Order of the Board of Directors

Edward C. Allen
Secretary
Reston, Virginia
February 22, 2008

EACH STOCKHOLDER, WHETHER OR NOT HE OR SHE PLANS TO ATTEND THE SPECIAL MEETING, IS REQUESTED TO SIGN, DATE, AND RETURN THE ENCLOSED PROXY CARD WITHOUT DELAY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

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Annex Agreement and Plan of Reorganization dated as of April 12, 2007, between Greater Atlantic Financial Corp.
A and Summit Financial Group, Inc.

Annex A-1 Amendment to Agreement and Plan of Reorganization dated as of December 6, 2007, by and among Summit Financial Group, Inc., Greater Atlantic Financial Corp. and SFG II, Inc.

Annex B Section 262 of the Delaware General Corporation Law

Annex C Opinion of Sandler O'Neill & Partners, L.P., dated February 15, 2008, to the board of directors of Greater Atlantic Financial Corp.

Annex D Greater Atlantic Financial Corp. Form 10-K for the year ended September 30, 2007

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What will shareholders be voting on at the special meeting?

A: Shareholders will be voting on a proposal to approve and adopt the merger agreement between Greater Atlantic and Summit and the transactions contemplated thereby.

Shareholders will also consider any other matters that may properly come before the meeting.

Q: Why is Greater Atlantic proposing the merger?

A: We believe the proposed merger is in the best interests of Greater Atlantic and its shareholders. Our board of directors believes that combining with Summit provides significant value to our shareholders and provides those shareholders the option to participate in the opportunities for growth offered by the combined company.

You should review the reasons for the merger described in greater detail under the caption “The Merger - Background of the Merger; Board Recommendations and Reasons for the Merger” beginning on page 42.

Q: When and where is the shareholder meeting?

A: The special meeting is scheduled to take place on Tuesday, March 25, 2008, at 10:00 a.m., local time, at the Crowne Plaza Tysons Corner, 1960 Chain Bridge Road, McLean, Virginia.

Q: What does the Greater Atlantic board of directors recommend?

A: The Greater Atlantic board of directors has approved the merger agreement. The Greater Atlantic board unanimously recommends that shareholders vote “FOR” the proposal to approve the merger agreement and the transactions contemplated thereby.

Q: What will Greater Atlantic shareholders receive for their stock?

A: For each share of Greater Atlantic common stock that you own, you will receive a combination of \$1.80 in cash and shares of Summit common stock based on an exchange ratio, subject to a “stock collar” or a limit on the maximum and minimum number of shares Summit will issue. The stock collar is described more fully below. Subject to the stock collar, the total consideration for your Greater Atlantic stock will be paid in the form of 70% in Summit common stock and 30% in cash as follows (referred to in this proxy statement/prospectus as the “merger consideration”):

(1) \$1.80 cash; and

(2) the number of shares of Summit Stock equal to \$4.20 divided by the average closing price of Summit Stock reported on the NASDAQ Capital Market for the twenty (20) trading days prior to the closing.

The number of shares of Summit common stock that you will receive for each share of Greater Atlantic common stock you own will be determined by the exchange ratio at closing. At the closing, we will determine the exchange ratio by dividing \$4.20 by the average closing price of Summit common stock reported on the NASDAQ Capital Market for the twenty (20) trading days prior to closing (the “Average Closing Price”). The exchange ratio is subject to a stock collar,

which sets the maximum and minimum numbers of shares that Summit will issue. If the Average Closing Price of Summit common stock is less than \$17.82, the exchange ratio will be calculated by dividing \$4.20 by \$17.82. If the Average Closing Price is greater than \$24.10, the exchange ratio will be calculated by dividing \$4.20 by \$24.10. Thus, for each share of Greater Atlantic common stock that you own, you will receive \$1.80 in cash and at least 0.1743 shares of Summit common stock, but no more than 0.2357 shares of Summit common stock, based on the exchange ratio. Cash will be paid instead of issuing fractional shares of Summit common stock. A chart on page 37 under “The Merger - Merger Consideration” provides examples of the value of the transaction to shareholders of Greater Atlantic at selected Average Closing Prices of Summit common stock.

Q: How will I receive my shares of Summit common stock and cash?

A: The exchange agent will mail transmittal forms to each Greater Atlantic shareholder within five (5) business days after completion of the merger. You should complete the transmittal form and return it to the exchange agent as soon as possible. Once the exchange agent has received the proper documentation, it will forward to you the cash and shares of Summit common stock to which you are entitled.

Shareholders will not receive any fractional shares of Summit common stock. Instead, they will receive cash, without interest, for any fractional share of Summit common stock that they might otherwise have been entitled to receive based on the market value of the Summit common stock on the date that the merger occurs.

Q: How do I exchange my Greater Atlantic stock certificates?

A: If the merger is completed, the exchange agent will send Greater Atlantic shareholders written instructions for exchanging their stock certificates. You will be asked to return your Greater Atlantic stock certificates, and shortly after the merger, the exchange agent will allocate cash and Summit common stock among Greater Atlantic shareholders. In any event, you should not forward your Greater Atlantic certificates with your proxy card.

Q: What should I do if my shares of Greater Atlantic are held by my broker or otherwise in “street name?”

A: If you hold your shares of Greater Atlantic common stock in “street name” (i.e., your bank or broker holds your shares for you), you should receive instructions regarding exchange procedures directly from your bank or broker. If you have any questions regarding these procedures, you should contact your bank or broker directly, or you may contact Summit or Greater Atlantic at the addresses or telephone numbers listed on page 70.

Q: When will we complete the merger?

A: We intend to complete the merger as soon as possible after shareholder approval is received, all regulatory approvals have been obtained, and all other conditions to the closing have been satisfied or waived.

The regulatory approvals are described under “The Merger – Regulatory Approvals” beginning on page 62.

Q: What should I do now?

A: Mail your signed and dated proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the special meeting. It is important that the proxy card be received as soon as possible and in any event before the special meeting.

Q: Can I change my vote after I mail my proxy card?

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways:

- First, you can send a written notice stating that you revoke your proxy.
- Second, you can complete, sign, date and submit a new proxy card.
- Third, you can attend the special meeting and vote in person. Simply attending the special meeting, however, will not revoke your proxy.

If you choose either of the first or second methods, you must submit your notice of revocation or your new proxy card to Greater Atlantic prior to the shareholder meeting. Your submissions must be mailed to the Secretary of Greater Atlantic at the address listed on page 33.

Q: Who will be soliciting proxies?

A: In addition to solicitation of proxies by officers, directors and employees of Greater Atlantic, Greater Atlantic has engaged a professional proxy solicitation firm, Georgeson Inc., to assist it in soliciting proxies.

Q: What if I do not vote or I abstain from voting?

A: If you do not vote or you abstain from voting, your failure to vote or abstention will count as a “NO” vote on the proposal to approve and adopt the merger agreement.

Q: If my shares are held by my broker in “street name,” will my broker vote my shares for me?

A: Your broker will vote your shares on the proposal to approve and adopt the merger agreement only if you provide instructions on how to vote. You should follow the directions provided by your broker to vote your shares. If you do not provide your broker with instructions on how to vote your shares held in “street name,” your broker will not be permitted to vote your shares on the proposal to approve and adopt the merger agreement, which will have the effect of a “NO” vote on the items being considered.

Q: Will I be able to sell the shares of Summit common stock that I receive in the merger?

A: Yes, in most cases. The shares of Summit common stock to be issued in the merger will be registered under the Securities Act of 1933 (the “Securities Act”) and listed on the NASDAQ Capital Market. However, certain shareholders who are deemed to be “affiliates” of Summit or Greater Atlantic under the Securities Act (generally, directors, executive officers and shareholders of Summit or Greater Atlantic holding 10% or more of the outstanding shares of common stock) must abide by certain transfer restrictions under the Securities Act.

Q: What are the tax consequences of the merger to me?

A: Your tax consequences will depend on your basis in the Greater Atlantic common stock that you own. For greater detail, see “Certain Federal Income Tax Consequences of the Merger” beginning on page 66.

Q: Who should shareholders call with questions?

A: If you have more questions about the merger, you should contact:

Carroll E. Amos
President and Chief Executive Officer
Greater Atlantic Financial Corp.
10700 Parkridge Boulevard
Suite P50
Reston, Virginia 20191
Telephone: (703) 391-1300

SUMMARY

This brief summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. We urge you to carefully read the entire proxy statement/prospectus and the other documents to which this proxy statement/prospectus refers to fully understand the merger. See “Where You Can Find More Information” on page 82. Each item in this summary includes a page reference directing you to a more complete description of that item.

The Merger (page 36)

We have attached the merger agreement, as amended, to this proxy statement/prospectus as Annexes A and A-1. Please read the merger agreement. It is the legal document that governs the merger.

In the merger, Summit will acquire Greater Atlantic by means of the merger of Greater Atlantic into a subsidiary of Summit formed to facilitate the merger.

Each share of Greater Atlantic common stock outstanding will be converted in the merger into cash and shares of Summit common stock as further described below. We expect to complete the merger in the first quarter of 2008, although there can be no assurance in this regard.

Our Reasons for the Merger (page 47)

The terms of the merger agreement were the results of arm’s length negotiations between representatives of Greater Atlantic and Summit. In deciding to enter into the merger agreement, Greater Atlantic’s board of directors considered a number of factors including:

- The understanding of the board of directors of the strategic options available to Greater Atlantic and the board of directors’ assessment of those options with respect to the prospects and estimated results of the execution by Greater Atlantic of its business plan as an independent entity under various scenarios, and the determination that none of those options or the execution of the business plan under the best case scenarios was likely to create greater present value for Greater Atlantic’s stockholders than the value to be paid by Summit. In particular, the board of directors considered Greater Atlantic’s ability to achieve consistent profitability as an independent entity and the prospects for adverse regulatory action if it failed to do so.
- The ability of Greater Atlantic’s stockholders to participate in the future prospects of the combined entity through ownership of Summit common stock, and that Greater Atlantic’s shareholders would have potential value appreciation by owning the common stock of Summit.
- Summit’s ability to continue to pay cash dividends on its common stock (Greater Atlantic has never paid cash dividends).
- Sandler O’Neill’s written opinion that, as of April 12, 2007, and subject to the assumptions and limitations set forth in the opinion, the merger consideration was fair to Greater Atlantic’s stockholders from a financial point of view.
- The wider array of financial products and services that would be available to customers of Greater Atlantic and the communities served by Greater Atlantic.

- The current and prospective economic, competitive and regulatory environment and the regulatory compliance costs facing Greater Atlantic and other similar size, independent, community banking institutions generally, including the cost of compliance with the requirements of the Sarbanes-Oxley Act.
- A review, with the assistance of Greater Atlantic's financial and legal advisors, of the terms of the merger agreement, including that the merger is intended to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes.
 - The results of the due diligence review of Summit.
- The Greater Atlantic employees to be retained after the merger would have opportunities for career advancement in a larger organization.
- The likelihood of receiving timely regulatory approval and the approval of Greater Atlantic's stockholders and the estimated transaction and severance costs associated with the merger and payments that could be triggered upon termination of or failure to consummate the merger.

In deciding to enter into the merger agreement, Summit's board of directors considered a number of factors, including the opportunity the merger presented to expand its presence in attractive markets in Virginia. Summit believes the acquisition of Greater Atlantic's operations is consistent with its plan to have operations, offices and distinct capabilities in every market of its choice within its region.

What Shareholders Will Receive (page 36)

If the merger is completed, Greater Atlantic stockholders will receive a combination of cash and shares of Summit common stock for each share of Greater Atlantic common stock that is owned, subject to a "stock collar" limiting the maximum and minimum number of shares Summit will issue. The stock collar is described more fully below. Subject to the stock collar, the total consideration for the Greater Atlantic stock will be paid 70% in the form of Summit common stock and 30% in cash, with each share of Greater Atlantic common stock exchanged for shares of Summit common stock valued at \$4.20 and \$1.80 in cash. The number of shares of Summit common stock that each Greater Atlantic shareholder will receive for each share of Greater Atlantic common stock he or she owns will be determined by the exchange ratio at closing.

At the closing, we will determine the exchange ratio by dividing \$4.20 by the average closing price of Summit common stock reported on the NASDAQ Capital Market for the twenty (20) trading days prior to closing (the "Average Closing Price"). The exchange ratio is subject to a stock collar, which sets the maximum and minimum numbers of shares that Summit will issue. If the Average Closing Price of Summit common stock is less than \$17.82, the exchange ratio will be calculated by dividing \$4.20 by \$17.82. If the Average Closing Price is greater than \$24.10, the exchange ratio will be calculated by dividing \$4.20 by \$24.10. Thus, for each share of Greater Atlantic common stock that is owned, each Greater Atlantic shareholder will receive \$1.80 in cash and at least 0.1743 shares of Summit common stock, but no more than 0.2357 shares of Summit common stock (based on an exchange ratio). A chart on page 37 under "The Merger - Merger Consideration" provides examples of the value of the transaction to shareholders of Greater Atlantic at selected Average Closing Prices of Summit common stock.

Summit will not issue any fractional shares in the merger. Instead, you will receive cash for any fractional share of Summit common stock owed to you. The amount of cash that you will receive for any such fractional share will be calculated by multiplying the fractional share interest by the closing price of Summit common stock on the NASDAQ Capital Market on the effective date of the merger.

Dissenters' or Appraisal Rights (page 38)

Under Delaware law, Greater Atlantic stockholders may object to the merger and demand to be paid the fair value of their shares. Under Delaware law, you should know that in determining the fair value of your shares, any appreciation or depreciation resulting from the accomplishment or expectation of the merger will not be considered. To properly exercise your appraisal rights and avoid a waiver of such rights, you must not vote your shares in favor of the merger and you must follow the exact procedures required by Delaware law (see Annex B).

Resale of Summit Shares Received in the Merger (page 66)

Summit has registered the shares of its common stock to be issued in the merger under the federal securities laws. Therefore, you may sell shares that you receive in the merger without restriction even if you are considered an affiliate of Greater Atlantic or you become an affiliate of Summit. A director, executive officer or stockholder who beneficially owns 10% or more of the outstanding shares of a company is generally deemed to be an affiliate of that company.

Our Recommendation (page 35)

The Greater Atlantic board of directors believes that the merger is advisable and in the best interests of Greater Atlantic's shareholders. Greater Atlantic's board unanimously recommends that shareholders vote "FOR" the proposal to approve and adopt the merger agreement and the transactions contemplated thereby.

Risk Factors (page 13)

The merger is subject to risks, some of which are summarized below. You should carefully consider these risk factors and others discussed in more detail on pages 13 through 17 in deciding whether to vote for approval of the merger agreement.

- Summit may be unable to manage effectively the new assets it acquires;
 - changes in interest rates may adversely affect Summit's business;
- loss of Summit's CEO or other executive officers could adversely affect its business;
- Summit and its subsidiaries operate in highly competitive markets;
- dividend payments by Summit's subsidiaries to Summit and by Summit to its stockholders could be restricted;
- Summit's business is concentrated in the Eastern Panhandle and South Central regions of West Virginia and in the Shenandoah Valley and Northern Virginia, and a downturn in the local economies may adversely affect its business;

- determination of the adequacy of the allowance for loan losses is based upon estimates that are inherently subjective and dependent on the outcome of future events. Ultimate losses may differ from current estimates. As a result, such losses may increase significantly.

Opinion of Financial Advisor (page 49)

In approving the merger, Greater Atlantic's board considered the opinion of its financial advisor, Sandler O'Neill & Partners, L.P., as to the fairness from a financial point of view of the consideration to be paid by Summit in the merger as of April 12, 2007, as updated February 15, 2008. We have attached this opinion to this proxy statement/prospectus as Annex C. You should read this opinion completely to understand the assumptions made, matters considered and limitations of the review undertaken by Sandler O'Neill & Partners, L.P. in providing its opinion.

Accounting Treatment (page 66)

The merger will be accounted for under the purchase method of accounting.

Certain Federal Income Tax Consequences (page 66)

A holder of Greater Atlantic common stock who exchanges his or her Greater Atlantic common stock actually owned for a combination of cash and common stock of Summit will recognize income or gain in an amount equal to the lesser of (a) the amount of cash received, or (b) the gain realized on the exchange. The gain realized on the exchange will equal the fair market value of Summit common stock received plus the amount of cash received, less the holder's adjusted tax basis in the shares of Greater Atlantic common stock exchanged by the holder. No loss may be recognized by a holder of Greater Atlantic common stock from the combined distribution of cash and Summit common stock or the stock distribution. You should consult your own tax advisor for a full understanding of the merger's tax consequences that are particular to you. You will not be obligated to exchange your shares of Greater Atlantic common stock unless Greater Atlantic receives a legal opinion that the merger will be treated for federal income tax purposes as a merger within the meaning of Section 368 of the Internal Revenue Code. This opinion, however, will not bind the Internal Revenue Service, which could take a different view.

Shareholders will also be required to file certain information with their federal income tax returns and to retain certain records with regard to the merger.

The discussion of United States federal income tax consequences set forth above is for general information only and does not purport to be a complete analysis or listing of all potential tax effects that may apply to a holder of Greater Atlantic common stock. Shareholders of Greater Atlantic are strongly urged to consult their tax advisors to determine the particular tax consequences to them of the merger, including the application and effect of federal, state, local, foreign and other tax laws.

The Companies (page 70)

Summit Financial Group, Inc.
300 North Main Street
Moorefield, West Virginia 26836
(304) 530-1000

Summit is a \$1.3 billion financial holding company headquartered in Moorefield, West Virginia, at 300 North Main Street. Summit provides commercial and retail banking services primarily in the Eastern Panhandle and South Central regions of West Virginia and the Northern region of Virginia. Summit provides these services through its community bank subsidiary, Summit Community Bank. Summit also operates Summit Insurance Services, LLC in Moorefield, West Virginia.

As of September 30, 2007, Summit had total assets of \$1.3 billion, total deposits of \$828.6 million, and stockholders' equity of \$93.5 million.

Greater Atlantic Financial Corp.
10700 Parkridge Boulevard, Suite P50
Reston, Virginia 20191
(703) 391-1300

Greater Atlantic is organized under the laws of the State of Delaware and is registered as a savings and loan holding company under the Home Owners' Loan Act. It has one subsidiary – Greater Atlantic Bank, which has four offices in Virginia and an office in Maryland through which all of its business is conducted.

Greater Atlantic is engaged in the business of offering banking services to the general public. Through its subsidiary, Greater Atlantic offers checking accounts, savings and time deposits, and commercial, real estate, personal, home improvement, automobile and other installment and term loans. It also offers financial services, travelers' checks, safe deposit boxes, collection, notary public and other customary bank services (with the exception of trust services) to its customers. The principal types of loans that the bank makes are commercial loans, commercial and residential real estate loans and loans to individuals for household, family and other consumer expenditures.

As of September 30, 2007, Greater Atlantic reported total assets of \$246.0 million, net loans of \$176.1 million, deposits of \$198 million and shareholders' equity of \$9.6 million.

The Special Meeting and Required Vote (page 34)

Greater Atlantic is holding a special shareholders' meeting on Tuesday, March 25, 2008, at 10:00 a.m. at the Crowne Plaza Tysons Corner, 1960 Chain Bridge Road, McLean, Virginia. The purpose of the meeting is for Greater Atlantic Financial Corp. stockholders to consider and vote on the merger agreement. The record date for the meeting is the close of business on February 20, 2008. On that date, Greater Atlantic had 3,024,220 shares of common stock outstanding and entitled to vote. Only stockholders of record at the close of business on the record date will be entitled to vote at the meeting and any adjournment. You can cast one vote for each share of Greater Atlantic common stock that you owned on that date.

The approval of the merger agreement and the transactions contemplated thereby requires the affirmative vote of the holders of a majority of Greater Atlantic's outstanding shares entitled to vote at the

special meeting. As of February 20, 2008, Greater Atlantic's directors and executive officers, and their affiliates, held 301,759 shares of Greater Atlantic common stock, which represents approximately 9.98% of the total outstanding shares of Greater Atlantic common stock entitled to vote at the special meeting. The Greater Atlantic directors intend to vote the shares of Greater Atlantic common stock that they own for approval of the merger agreement and the transactions contemplated thereby.

Conditions to Completion of the Merger (page 59)

The obligations of Summit and Greater Atlantic to complete the merger depend on a number of conditions being met. These include:

- Greater Atlantic's shareholders' approval of the merger agreement;
- approval of the merger by the necessary federal and state regulatory authorities;
- authorization for the listing on the NASDAQ Capital Market of the shares of Summit common stock to be issued in the merger;
 - absence of any law or court order prohibiting the merger;
- receipt of an opinion from counsel to Summit that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;
 - the balance of core deposits (as defined in the merger agreement) being not less than \$144 million;
- the sale of Greater Atlantic Bank's branch office in Pasadena, Maryland, at least forty-five (45) days prior to consummation of the merger (the sale, involving deposits of approximately \$52.0 million, was completed on August 24, 2007); and
 - the continued accuracy of certain representations and warranties.

Where the law permits, either of us could choose to waive a condition to our obligation to complete the merger although that condition has not been satisfied. We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Regulatory Approvals (page 62)

We cannot complete the merger unless it is approved by the Board of Governors of the Federal Reserve System. On October 4, 2007, Summit filed an application to obtain approval of the merger with the Federal Reserve Bank of Richmond. The Division of Banking Supervision and Regulation of the Board of Governors in Washington, D.C. is responsible for processing the application. As discussed in more detail on page 62, Summit requested the Federal Reserve to suspend processing of the application in order to afford Summit sufficient time to file additional information requested by the Federal Reserve and to allow the Federal Reserve sufficient time to review the additional information. As of the mailing date of this proxy statement/prospectus, Summit had filed the supplementary information that the Federal Reserve has requested as of that date. The Federal Reserve has informed Summit that, if the Federal Reserve determines that the application is complete, it will reactivate the application immediately before rendering a decision on the application.

Following the closing of the merger, Summit will file notices of closing with the Federal Reserve Bank of Richmond.

As of the date of this proxy statement/prospectus, we have not yet received the required approvals. While we do not know of any reason why we would not be able to obtain the necessary approvals in a timely manner, we cannot be certain when or if we will receive them.

Termination of the Merger Agreement (page 60)

Greater Atlantic and Summit may mutually agree to terminate the merger at any time.

Either Greater Atlantic or Summit may terminate the merger agreement if any of the following occurs:

- either party breaches any of its representations or obligations under the merger agreement, and does not cure the breach within 30 days if such breach individually or in the aggregate with other breaches results in a material adverse effect;
- the merger is not completed by March 31, 2008, unless the failure of the merger to be consummated arises out of or results from the knowing action or inaction of the party seeking to terminate; or
 - the approval of any governmental entity required for consummation of the merger is denied or the shareholders of Greater Atlantic do not approve the merger agreement.

Summit may terminate the merger agreement if Greater Atlantic's board fails to recommend approval of the merger agreement, withdraws its recommendation or modifies its recommendation in a manner adverse to Summit before the special shareholder meeting.

Greater Atlantic may terminate the merger agreement in order to enter into an agreement with respect to an unsolicited proposal that if consummated would result in a transaction more favorable to Greater Atlantic's shareholders from a financial point of view, provided that Summit does not make a counteroffer that is at least as favorable to the other proposal and Greater Atlantic pays the termination fee described below.

Termination Fee (page 61)

In the event the merger agreement is terminated (i) due to failure to obtain Greater Atlantic's shareholder approval and prior to such time a competing acquisition proposal for Greater Atlantic has been made public and not withdrawn or (ii) by Greater Atlantic in order to enter into an agreement with respect to a superior proposal, then in either case, Greater Atlantic must pay Summit a termination fee of \$750,000 according to the following schedule: (i) \$250,000 no later than two (2) business days after the date of termination, (ii) \$100,000 on the date that is one (1) year after the termination date, (iii) \$100,000 on the date that is two (2) years after the termination date, and (iv) \$300,000 on the date that is three (3) years after the termination date.

In the event the merger agreement is terminated (i) because Greater Atlantic's board fails to recommend, withdraws, modifies, or changes its recommendation of the merger before Greater Atlantic's shareholder meeting, (ii) by Summit due to a breach by Greater Atlantic of any representation, warranty, covenant or other agreement, or (iii) by Summit due to a failure to consummate the merger by March 31, 2008, then in any of those cases, Greater Atlantic must pay Summit a cash termination fee of \$250,000 no

later than two (2) business days after the termination date, unless the failure of the merger to be consummated by that date arises out of or results from the knowing action or inaction of Summit.

Waiver and Amendment (page 62)

We may jointly amend the merger agreement, and each of us may waive our right to require the other party to adhere to the terms and conditions of the merger agreement. However, we may not do so after Greater Atlantic's shareholders approve the merger agreement if the amendment or waiver would violate the Delaware General Corporation Law or the West Virginia Business Corporation Act.

Interests of Directors and Officers in the Merger that Differ from Your Interests (page 57)

Some of the directors and officers of Greater Atlantic have interests in the merger that differ from, or are in addition to, their interests as shareholders of Greater Atlantic. These interests exist because of, among other things, employment or severance agreements that the officers entered into with Greater Atlantic, and rights that these officers and directors have under Greater Atlantic's benefit plans. These employment and severance agreements provide certain officers with severance benefits if their employment is terminated following the merger. Further, certain officers and employees of Greater Atlantic will benefit from accelerated vesting of stock options.

The members of the Greater Atlantic board of directors knew about these additional interests and considered them when they approved the merger agreement and the merger.

Stock Options (page 38)

If the merger is completed, each outstanding option to purchase shares of Greater Atlantic common stock under any and all plans of Greater Atlantic under which stock options have been granted and are outstanding shall vest and holders of Greater Atlantic stock options shall be entitled to receive cash in an amount equal to the difference between the value of (a) the merger consideration and (b) the applicable exercise price (rounded to the nearest cent) for each outstanding Greater Atlantic stock option.

Comparative Rights of Summit Shareholders and Greater Atlantic Shareholders (page 73)

The rights of Summit's shareholders are governed by West Virginia law and by Summit's articles of incorporation and bylaws. The rights of Greater Atlantic's shareholders are governed by Delaware law and by Greater Atlantic's certificate of incorporation and bylaws. Upon completion of the merger, the rights of the Summit shareholders, including former shareholders of Greater Atlantic, will be governed by West Virginia law and the articles of incorporation and bylaws of Summit.

RISK FACTORS

You should carefully read and consider the following risk factors concerning Summit, Greater Atlantic and the merger before you decide whether to vote to approve the merger and/or the other matters to be considered and voted upon at the shareholder meeting.

Risks Associated with the Merger

Fluctuations in the trading price of Summit common stock will change the value of the shares of Summit common stock you receive in the merger.

The number of shares of Summit common stock that you will receive for each share of Greater Atlantic common stock will be calculated at closing based on the exchange ratio. At the closing, we will determine the exchange ratio by dividing the average closing price of Summit common stock reported on the NASDAQ Capital Market for the twenty (20) trading days prior to closing (the "Average Closing Price") by \$4.20. However, the exchange ratio is subject to a stock collar, which sets a maximum and minimum numbers of shares that Summit will issue. If the Average Closing Price of Summit common stock is less than \$17.82, then the exchange ratio will be calculated by dividing \$4.20 by \$17.82. If the Average Closing Price is greater than \$24.10, then the exchange ratio will be calculated by dividing \$4.20 by \$24.10. This means that for each share of Greater Atlantic common stock that you own, you will receive at least 0.1742 shares of Summit common stock, but no more than 0.2356 shares of Summit common stock. As a result, the market value of the Summit common stock that you receive in the merger will increase or decrease depending on the direction of the price movement of the Summit common stock. See chart on page 37 under the heading "The Merger - Merger Consideration" for an illustration of what you will receive based on Summit's stock price. Also, after the merger, the market value of Summit common stock may decrease and be lower than the market value of Summit common stock that was used in calculating the exchange ratio in the merger.

The integration of the operations of Summit and Greater Atlantic may be more difficult than anticipated.

The success of the merger will depend on a number of factors, including but not limited to Summit's ability to:

- timely and successfully integrate the operations of Summit and Greater Atlantic;
- maintain existing relationships with depositors in Greater Atlantic to minimize withdrawals of deposits subsequent to the merger;
- maintain and enhance existing relationships with borrowers to limit unanticipated losses of loan customers of Greater Atlantic;
 - control the incremental non-interest expense from Summit to maintain overall operating efficiencies;
 - retain and attract qualified personnel at Summit and Greater Atlantic;
- compete effectively in the communities served by Summit and Greater Atlantic and in nearby communities; and
 - manage effectively its anticipated growth resulting from the merger.

The merger with Greater Atlantic may distract management of Summit from its other responsibilities.

The merger with Greater Atlantic could cause the management of Summit to focus its time and energies on matters related to the merger that otherwise would be directed to the business and operations of Summit. Any such distraction on the part of management, if significant, could affect its ability to service existing business and develop new business and adversely effect the business and earnings of Summit.

Greater Atlantic's shareholders will have less influence as shareholders of Summit than as shareholders of Greater Atlantic

Greater Atlantic's shareholders currently have the right to vote in the election of the board of directors of Greater Atlantic and on other matters affecting Greater Atlantic. After the merger, the shareholders of Greater Atlantic as a group will own approximately 8.0% of the combined organization. When the merger occurs, each shareholder that receives shares of Summit common stock will become a shareholder of Summit with a percentage ownership of the combined organization much smaller than such shareholder's percentage ownership of Greater Atlantic. Consequently, Greater Atlantic's shareholders will have less influence on the management and policies of Summit than they now have on the management and policies of Greater Atlantic.

Directors and officers of Greater Atlantic have interests in the merger that differ from the interests of non-director or non-management shareholders.

Some of the directors and officers of Greater Atlantic have interests in the merger that differ from, or are in addition to, their interests as shareholders of Greater Atlantic, generally. These interests exist because of, among other things, employment or severance agreements that certain officers entered into with Greater Atlantic, rights that Greater Atlantic officers and directors have under Greater Atlantic's benefit plans (including the treatment of their stock options and warrants following the merger) and rights to indemnification following the merger. Although the members of each of Summit's and Greater Atlantic's board of directors knew about these additional interests and considered them when they approved the merger agreement and the merger, you should understand that some of the directors and officers of Greater Atlantic will receive benefits or other payments in connection with the merger that you will not receive. See "The Merger – Interests of Certain Persons in the Merger" on page 57.

Risks Associated with Summit

Changes in interest rates may adversely affect Summit's business.

Summit's earnings, like most financial institutions, depend significantly on its net interest income. Net interest income is the difference between the interest income Summit earns on loans and other assets which earn interest and the interest expense incurred to fund those assets, such as on savings deposits and borrowed money. Therefore, changes in general market interest rates, such as a change in the monetary policy of the Board of Governors of the Federal Reserve System or otherwise beyond those which are contemplated by Summit's interest rate risk model and policy, could have an effect on net interest income.

Our success depends on key personnel.

Summit depends, and for the foreseeable future will depend, on the services of H. Charles Maddy, III, the President and Chief Executive Officer of Summit, Robert S. Tissue, the Senior Vice President and Chief Financial Officer of Summit, Patrick N. Frye, the Senior Vice President and Chief Credit Officer of Summit, Scott C. Jennings, the Senior Vice President and Chief Operating Officer of Summit, Ronald F. Miller, the President and Chief Executive Officer of Summit Community Bank,

C. David Robertson, the Chairman of the Board of Summit Community Bank and Doug A. Mitchell, the Senior Vice President, Retail Banking of Summit. Summit's Board of Directors will continue to rely on the expertise and management abilities of Messrs. Maddy, Tissue, Frye, Jennings, Miller, Robertson and Mitchell, and the other principal officers of Summit. If Summit loses the services of one or more of these key personnel, it could have a negative impact on its business because of their skills, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

Summit faces strong competition.

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

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

Summit's ability to pay dividends is subject to regulation.

Summit's ability to pay dividends on its common stock is subject to its profitability and to government regulations that limit the aggregate amount of cash dividends paid to shareholders based on retained earnings and then-current income levels. There can be no assurance that Summit's future earnings will support dividend payments in the future. Summit's settlement of the civil action styled Corinthian Mortgage Corporation v. Summit Financial LLC et al., (the "Litigation") resulted in Summit paying Corinthian Mortgage \$9.25 million and recognizing a one-time pre-tax charge in the fourth quarter of 2007 of \$9.25 million (\$5.8 million after taxes). After taking into account this charge, Summit remained well-capitalized as of December 31, 2007. Summit expects to remain well-capitalized upon completion of the merger. See "Price Range of Common Stock and Dividends" beginning on page 20.

There is a concentration of ownership of Summit's common stock.

Summit's directors and executive officers beneficially own approximately 27.5% of Summit's outstanding common stock. Accordingly, such persons effectively have the ability to control Summit and direct its affairs and business, which may include taking actions that may be inconsistent with the interests of non-affiliated shareholders.

Common stock is not insured.

Summit's common stock is not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Risk Factors Relating to Summit's Growth.

Summit may not be able to maintain and manage its growth, which may adversely affect its results of operations and financial condition. Summit has had significant growth during the past five

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years, and Summit plans to continue to grow and expand. Summit's ability to continue to grow depends on its ability to open new branch offices, attract deposits to those locations, and identify loan and investment opportunities. Summit's ability to manage growth successfully also will depend on whether it can maintain capital levels adequate to support its growth and maintain cost controls and asset quality. Summit expects to remain well-capitalized upon the acquisition of Greater Atlantic. It is possible that Summit may need to raise additional capital to support future growth. Summit cannot provide any assurance that additional capital would be available on terms satisfactory to all shareholders. This could force Summit to limit its growth strategy. If Summit is unable to sustain its growth, its earnings could be adversely affected. If Summit grows too quickly, however, and is not able to control costs and maintain asset quality, rapid growth also could adversely affect its financial performance.

Summit depends on local economic conditions, over which it has no control.

Summit's success depends to a certain extent upon the general economic conditions in the geographic markets in which it operates. Although Summit anticipates that economic conditions in these markets will continue to be favorable, no assurance can be given that these economic conditions will continue. Adverse changes in economic conditions in the geographic markets in which Summit's subsidiaries are located would likely impair their ability to collect loans and could otherwise have a negative effect on Summit's financial condition. In addition, Summit's deposit balances may fluctuate due to economic conditions or other conditions over which it has no control.

There are no assurances as to the adequacy of the allowance for credit losses.

Summit believes that its allowance for credit losses is maintained at a level adequate to absorb probable losses in its loan portfolio given the current information known to management.

Management establishes the allowance based upon many factors, including, but not limited to:

- historical loan loss experience;
- industry diversification of the commercial loan portfolio;
- the effect of changes in the local real estate market on collateral values;
- the amount of nonperforming loans and related collateral security;
- current economic conditions that may affect the borrower's ability to pay and value of collateral;
- sources and cost of funds;
- volume, growth and composition of the loan portfolio; and
- other factors management believes are relevant.

These determinations are based upon estimates that are inherently subjective, and their accuracy depends on the outcome of future events, so ultimate losses may differ from current estimates. Depending on changes in economic, operating and other conditions, including changes in interest rates, that are generally beyond its control, Summit's actual loan losses could increase significantly. As a result, such losses could exceed Summit's current allowance estimates. Summit can provide no assurance that its allowance is sufficient to cover actual loan losses should such losses differ substantially from our current estimates.

In addition, federal and state regulators, as an integral part of their respective supervisory functions, periodically review Summit's allowance for credit losses. Summit's independent auditors also

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review the allowance as a part of their audit. Any increase in its allowance required by either the regulatory agencies or independent auditors would reduce Summit's pre-tax earnings.

FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus contains data and information that constitute forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding, among other things, the anticipated closing date of the merger, the expected pro forma effect of the merger, and plans and objectives of Summit's management for future operations of the combined organization following consummation of the merger. You can identify these forward-looking statements because they may include terms such as "believes," "anticipates," "intends," "expects," or similar expressions and may include discussions of future strategy. Each of Summit and Greater Atlantic caution you not to rely unduly on any forward-looking statements in this proxy statement/prospectus. These forward-looking statements are based on current expectations that involve a number of risks and uncertainties. Actual results may differ materially from the results expressed in these forward-looking statements.

Factors that might cause such a difference include the following:

- the ability of Greater Atlantic to obtain the required shareholder approval or the ability of Summit to obtain the required regulatory approvals for the merger;
 - the ability of the companies to consummate the merger;
 - Summit's ability to successfully integrate Greater Atlantic into Summit following the merger;
- a material adverse change in the financial condition, results of operations or prospects of either Summit or Greater Atlantic;
- Summit's ability to fully realize any cost savings and revenues or the ability to realize them on a timely basis;
 - the risk of borrower, depositor and other customer attrition after the merger is completed;
 - a change in general business and economic conditions;
- changes in the interest rate environment, deposit flows, loan demand, real estate values, and competition;
 - changes in accounting principles, policies or guidelines;
 - changes in legislation and regulation;
- other economic, competitive, governmental, regulatory, geopolitical, and technological factors affecting the companies' operations, pricing, and services; and
 - other risk factors described on pages 13 to 17 of this proxy statement/prospectus.

RECENT DEVELOPMENTS

Litigation Settlement

On November 21, 2007, Summit entered into a Letter of Intent with Danny L. Wiginton, Commonwealth Savingsshares Corporation, SOUTHBANK FSB, and Corinthian Mortgage Corporation (the "Letter of Intent"). The purpose of the Letter of Intent was to settle the previously disclosed Litigation and to state the basic terms and conditions upon which the parties have agreed to negotiate a proposed transaction whereby Summit may acquire Commonwealth Savingsshares Corporation ("CSC") and its subsidiary, SOUTHBANK FSB, or exercise a cash alternative to settle the Litigation.

Under the Letter of Intent, Summit and CSC agreed to negotiate in an effort to enter into a definitive merger agreement to purchase CSC for a combination of stock and cash equal to \$52.5 million. However, at any time prior to execution of a definitive merger agreement, Summit, CSC, and CSC's principal shareholder (Danny L. Wiginton) each had the right, in its or his sole discretion to choose not to pursue the acquisition of CSC by Summit and to terminate

the Letter of Intent. In such case, Summit

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would pay Corinthian, CSC and Wiginton the total sum of \$10.5 million as consideration (i) for settling the Litigation and (ii) as a break-up fee.

On December 5, 2007, Summit exercised the cash alternative provided in the Letter of Intent. After due consideration, Summit believes exercise of the cash alternative is in the best interests of Summit and its shareholders. Accordingly, Summit elected to pay Corinthian, CSC and Wiginton the total sum of \$10.5 million. \$1.25 million of this total amount was paid by Summit's insurance carrier. As a result of the settlement, Summit recognized a one-time after-tax charge in the fourth quarter of 2007 of \$5.8 million (\$9.25 million pre-tax).

The settlement ends all current litigation between Summit, its wholly owned subsidiary, Summit Community Bank, Inc. the individual defendants who were former employees of Summit named in the Litigation, and the plaintiff Corinthian Mortgage Corporation.

Fiscal Year and the Fourth Quarter Unaudited Financial Results

On January 31, 2008, Summit reported fiscal year and fourth quarter 2007 unaudited financial results from continuing operations, which excludes from income substantially all business activities of Summit Mortgage, its residential mortgage loan origination unit, which ceased operations in January 2007. Income from continuing operations for 2007 was \$13.5 million or \$1.85 per diluted share, an increase of 22.4 percent and 20.1 percent, respectively, compared with \$11.1 million or \$1.54 per diluted share reported for the prior-year. Excluding mark-to-market changes in fair value of interest rate swaps, income from continuing operations was \$12.6 million for 2007 compared to \$11.1 million for 2006. The 2007 results from continuing operations reflect strong loan growth, well-controlled operating expenses and a stable net interest margin year-over-year.

For the fourth quarter of 2007, Summit's income from continuing operations was \$3.9 million or \$0.52 per diluted share compared with the \$2.7 million or \$0.39 per diluted share reported for the prior-year quarter, an increase of 40.7 percent and 33.3 percent, respectively. Excluding mark-to-market changes in fair value of interest rate swaps, fourth quarter 2007 income from continuing operations was \$3.4 million compared to \$2.7 million for the same period in 2006.

Consolidated net income for 2007 was \$6.5 million or \$0.88 per diluted share, compared with \$8.3 million or \$1.15 per diluted share reported for 2006, a decline of 21.8 percent and 23.5 percent, respectively. 2007 consolidated results include a loss from discontinued operations related to Summit Mortgage of \$7.1 million, or \$0.97 per diluted share, which includes a \$5.8 million after-tax charge to settle the Corinthian litigation. 2006 results include a loss from discontinued operations of \$2.8 million, or \$0.39 per diluted share.

On a consolidated basis, Summit reported a fourth quarter 2007 net loss of \$2.8 million, or \$0.37 per diluted share, compared with net income of \$207,000, or \$0.03 per diluted share for the prior-year fourth quarter. Consolidated results for the fourth quarter also reflect the above-mentioned 2007 litigation settlement and a charge to terminate the mortgage company in 2006.

For 2007, Summit's returns on average shareholders' equity and average assets from continuing operations calculated in accordance with GAAP were 15.39 percent and 1.04 percent, respectively, compared with prior-year ratios of 13.99 percent and 0.94 percent. Fourth quarter 2007 returns on average shareholders' equity and average assets from continuing operations were 16.23 percent and 1.13 percent, respectively, compared with prior-year ratios of 13.37 percent and 0.89 percent.

Summit's total revenues for 2007 were \$46.4 million, consisting of \$39.0 million of net interest income plus \$7.4 million of noninterest income, an increase of 17.4 percent compared to total revenues of \$39.5 million in 2006. Net

interest income for the year increased 8.8 percent above 2006, reflecting 10.7 percent growth in average earning assets, partially offset by a 12 basis point decline in the net interest margin, to 3.26 percent.

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Summit's total revenue for the fourth quarter of 2007 was \$13.0 million, up 26.3 percent from fourth quarter 2006 revenue of \$10.3 million. Net interest income was \$10.3 million, up 10.3 percent from the year-ago quarter, from the combined impact of an 11.6 percent increase in average earning assets and an eight basis point decline in the net interest margin, to 3.24 percent.

For 2007, Summit's noninterest income was \$7.4 million, up \$3.7 million or 102.5 percent from the \$3.6 million reported for fiscal 2006. Excluding changes in fair value of interest rate swaps and the net cash settlement of interest on these swaps from fiscal 2007 and 2006, and further excluding the \$2.1 million of insurance revenues from the Kelly Agencies acquisition, noninterest income from organic sources was \$4.5 million, up \$249,000 or 5.8 percent above fiscal 2006. Service fee income increased \$246,000, or 8.9 percent, to \$3.0 million, compared to \$2.8 million for the prior-year. For the fourth quarter of 2007, noninterest income was \$2.7 million, up \$1.8 million from the \$946,000 recorded for the year-ago quarter. Service fee income increased \$161,000, or 22.9 percent, to \$863,000 for fourth quarter of 2007.

Summit's 2007 noninterest expense was \$25.1 million, a 16.1 percent, or \$3.5 million increase over the \$21.6 million record for the previous fiscal year. Salaries and benefits accounted for 79.9 percent of the increase, increasing \$2.8 million, or 23.6 percent, to \$14.6 million for the year; 2007 results include the addition of 34 employees associated with the acquisition of the Kelly Agencies. The efficiency ratio for continuing operations was 53.00 percent for 2007, compared with 52.15 percent for 2006. For the fourth quarter of 2007, noninterest expense was \$6.9 million, up 30.4 percent or \$1.6 million from the fourth quarter of 2006, and 1.3 percent or \$90,000 from the linked quarter. The efficiency ratio (for continuing operations) was 53.03 percent for the fourth quarter of 2007, compared with 49.61 percent for the prior-year fourth quarter, and 53.91 percent for the linked quarter.

Summit's assets at December 31, 2007 were \$1.44 billion, an increase of \$200.0 million, or 16.2 percent, over the prior-year period. Loans, net of unearned income, were \$1.06 billion at period end, up \$138.1 million, or 15.0 percent, year over year. Loan growth was distributed across virtually every loan category (except consumer loans); however, commercial real estate (CRE) loans, the largest loan category at 36.1 percent of the portfolio, was also the driver of 2007 loan growth, up \$70.3 million year-over-year; CRE contributed approximately 50 percent of total loan growth for the year. Residential real estate, the second largest loan category at 30.3 percent, contributed approximately \$40 million of loan growth, mostly in the second half of the year. Growth of construction and development loans slowed substantially this year with only a \$9.5 million increase, its portfolio share reduced to 21.2 percent from 23.3 percent at year-end 2006.

At December 31, 2007, Summit's nonperforming assets were \$12.4 million, or 0.86 percent of total assets, compared with \$7.7 million, or 0.58 percent for the linked quarter and \$5.4 million, or 0.43 percent for the year-ago quarter. Residential real estate loans account for approximately \$4.9 million of nonperforming assets, and construction and development loans – largely residential – accounted for an additional \$2.0 million. Commercial real estate loans totaled approximately \$2.5 million of nonperforming assets.

For the fourth quarter, Summit had net charge-offs of \$285,000, or an annualized 0.11 percent of average loans, compared with \$566,000, or an annualized 0.23 percent for the linked quarter, and \$263,000, or 0.11 percent annualized for the year earlier period. At December 31, 2007, loan loss reserves were 0.86 percent of loans outstanding.

Summit's total deposits at December 31, 2007 were \$828.7 million compared with \$888.7 million at the prior year-end, a decrease of \$60 million or 6.8 percent. Brokered deposits declined by \$103.2 million or 36.9 percent over the past year, to \$176.4 million at December 31, 2007, while Summit's retail deposit portfolio increased by \$43.2 million, or 7.1 percent, to \$652.3 million at year-end 2007. Retail deposits now account for 78.7 percent of total deposits, compared with 68.5 percent at year end 2006.

Summit's shareholders' equity at December 31, 2007 was \$89.4 million, an increase of 13.5 percent over the last twelve months. Common shares outstanding totaled 7,408,941 at year-end, compared with 7,089,680 for the prior-year end. The increase includes the issuance of approximately 318,000 shares during the third quarter of 2007 for the acquisition of the Kelly Agencies.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Summit common stock is traded on the NASDAQ Capital Market (formerly known as the NASDAQSmallCap Market) under the symbol "SMMF". The closing sale price reported for Summit common stock on April 12, 2007, the last trading date preceding the public announcement of the merger agreement, was \$20.80. Since February 22, 2007, Greater Atlantic common stock has been quoted on the Pink Sheets under the symbol "GAFC.PK." Before that date, Greater Atlantic common stock was quoted on the NASDAQ Capital Market. The closing sale price reported for Greater Atlantic common stock on April 12, 2007, the last trading date preceding the public announcement of the merger agreement, was \$2.54.

The following table sets forth for the periods indicated the high and low prices per share of Summit common stock and Greater Atlantic common stock as reported on their respective market, along with the semi-annual cash dividends per share declared. The per share prices do not include adjustments for markups, markdowns or commissions.

	Summit Financial Group, Inc.			Greater Atlantic Financial Corp.		
	Sales Price		Cash	Sales Price		Cash
	High	Low	Dividend Declared	High	Low	Dividend Declared
2006						
First Quarter	\$ 25.09	\$ 19.90	\$ -	\$ 6.05	\$ 4.60	\$ -
Second						
Quarter	\$ 24.52	\$ 19.10	\$ 0.16	\$ 5.90	\$ 5.04	\$ -
Third Quarter	\$ 24.18	\$ 17.95	\$ -	\$ 5.36	\$ 4.75	\$ -
Fourth						
Quarter	\$ 20.16	\$ 17.50	\$ 0.16	\$ 5.20	\$ 4.30	\$ -
2007						
First Quarter	\$ 21.51	\$ 19.49	\$ -	\$ 4.30	\$ 2.35	\$ -
Second						
Quarter	\$ 21.20	\$ 19.80	\$ 0.17	\$ 5.10	\$ 2.25	\$ -
Third Quarter	\$ 19.65	\$ 18.28	\$ -	\$ 5.50	\$ 5.00	\$ -
Fourth						
Quarter	\$ 18.96	\$ 13.60	\$ 0.17	\$ 5.35	\$ 4.69	\$ -
2008						
First Quarter						
(through						
February						
14, 2008)	\$ 15.52	\$ 13.52	\$ -	\$ 4.95	\$ 3.85	\$ -

The shareholders of Summit are entitled to receive dividends when and as declared by its board of directors. Dividends have been paid semi-annually. Dividends were \$0.34 per share in 2007 and \$0.32 per share in

2006. The payment of dividends is subject to the restrictions set forth in the West Virginia Business Corporation Act and the limitations imposed by the Federal Reserve Board.

Payment of dividends by Summit depends upon receipt of dividends from its banking subsidiary. Payment of dividends by Summit's state non-member banking subsidiary is regulated by the Federal Deposit Insurance Corporation ("FDIC") and the West Virginia Division of Banking and generally, the prior approval of the FDIC is required if the total dividends declared by a state non-member bank in any calendar year exceeds its net profits, as defined, for that year combined with its retained net profits for the preceding two years. Additionally, prior approval of the FDIC is required when a state non-member bank

has deficit retained earnings but has sufficient current year's net income, as defined, plus the retained net profits of the two preceding years. The FDIC may prohibit dividends if it deems the payment to be an unsafe or unsound banking practice. The FDIC has issued guidelines for dividend payments by state non-member banks emphasizing that proper dividend size depends on the bank's earnings and capital.

The following table sets forth historical per share market values for Summit common stock and Greater Atlantic common stock (i) on April 12, 2007, the last trading day prior to public announcement of the merger agreement, and (ii) on February 14, 2008, the most recent practicable date before the printing and mailing of this proxy statement/prospectus. The table also shows the equivalent pro forma market value of Greater Atlantic common stock on April 12, 2007, and February 14, 2008, assuming receipt of stock consideration.

The equivalent pro forma market value per share of Greater Atlantic common stock is the result obtained by multiplying the historical market price of Summit common stock by the applicable exchange ratio and adding the cash consideration of \$1.80. For purposes of determining the equivalent pro forma market value and the applicable exchange ratio, we have assumed that the average closing price of a share of Summit common stock is equal to the historical market price on April 12, 2007, and on February 14, 2008. Accordingly, the pro forma market value of Greater Atlantic common stock (i) on April 12, 2007, is determined by multiplying \$20.80 by the exchange ratio of 0.2019, and (ii) on February 14, 2008, is determined by multiplying \$15.50 by the exchange ratio of 0.2357.

The historical market prices represent the last sale prices on April 12, 2007, and February 14, 2008. The average closing price of Summit common stock used to determine the exchange ratio and the market price may be higher or lower than the closing prices of Summit common stock on the dates shown in the table and, therefore, the market value of the Summit common stock that you receive may be higher or lower than the equivalent pro forma market value shown in the table.

	Greater Summit	Historical Market Price Per Share Equivalent Pro Forma Atlantic	Greater Atlantic Market Value Per Share
April 12, 2007			\$ 20.80
	\$ 2.54	\$ 6.00	
February 14, 2008			\$ 14.54
	\$ 4.95	\$ 5.23	

Once the merger is completed, there will be no further public market for Greater Atlantic common stock.

UNAUDITED COMPARATIVE PER SHARE DATA

We have summarized below historical earnings, dividend and book value per share information for Summit and Greater Atlantic and additional similar information as if the companies had been combined for the periods shown, which we refer to as “pro forma” information. The pro forma and pro forma equivalent per share information gives effect to the merger as if the transaction had been effective at the period end dates presented, in the case of book value data, and as if the transaction had been effective at the beginning of each period presented, in the case of the earnings and dividend data.

The pro forma combined and pro forma equivalent per share information below assume that Summit will pay consideration totaling \$6.00 per share for each outstanding share of Greater Atlantic common stock, as follows: \$1.80 in cash, and \$4.20 in Summit common stock. For purposes of valuing Summit’s common stock paid, a price per share of \$20.80 was assumed, which represents the closing price of Summit’s common stock on the last trading day preceding the public announcement of the merger, and which results in an exchange ratio 0.2019 shares of Summit common stock for each share of Greater Atlantic common stock.

The Greater Atlantic pro forma equivalent per share amounts below are calculated by multiplying the Summit pro forma combined earnings per share and book value per share by the exchange ratio of 0.2019 so that the per share amounts equate to the respective values for one share of Greater Atlantic common stock.

We expect that both Summit and Greater Atlantic will incur merger and integration costs as a result of the merger. We also anticipate that the merger will provide the combined company with financial benefits that may include reduced operating expenses. The information set forth below, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, may not reflect all of these anticipated financial expenses and does not reflect any of these anticipated financial benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during the periods presented.

Summit reports on a calendar year basis while Greater Atlantic reports on a fiscal year ending on September 30. Accordingly for purposes of the below earnings per share data, Summit’s statements of income for the nine months ended September 30, 2007, and the year ended December 31, 2006, have been combined with Greater Atlantic’s statements of income for the nine months ended June 30, 2007, and the year ended September 30, 2006, respectively.

The information in the following table is based on, and you should read it together with, the historical financial information and the notes thereto for Summit and Greater Atlantic contained in this proxy statement/prospectus.

For the Nine Months Ended 9/30/07-Summit & 6/30/07-Greater Atlantic

	Summit Historical	Greater Atlantic Historical	Pro Forma Combined	Greater Atlantic Pro Forma Equivalent
Basic earnings (loss) per share				
from continuing operations	\$ 1.34	\$ (0.74)	\$ 1.04	\$ 0.21
Diluted earnings (loss) per share				
from continuing operations	\$ 1.33	\$ (0.74)	\$ 1.04	\$ 0.21
Dividends declared per share	\$ 0.17	\$ -	\$ 0.16	\$ 0.03
Book value per share (at 9/30/2007)	\$ 12.63	\$ 2.19	\$ 13.25	\$ 2.68

For the Year Ended 12/31/06-Summit & 9/30/06-Greater Atlantic

	Summit Historical	Greater Atlantic Historical	Pro Forma Combined	Greater Atlantic Pro Forma Equivalent
Basic earnings (loss) per share				
from continuing operations	\$ 1.55	\$ (1.02)	\$ 1.16	\$ 0.23
Diluted earnings (loss) per share				
from continuing operations	\$ 1.54	\$ (1.02)	\$ 1.15	\$ 0.23
Dividends declared per share	\$ 0.32	\$ -	\$ 0.29	\$ 0.06
Book value per share (at 12/31/2006)	\$ 11.12	\$ 2.67	\$ 12.20	\$ 2.46

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma condensed combined consolidated balance sheet as of September 30, 2007 and unaudited pro forma condensed combined consolidated statements of income for the nine months ended September 30, 2007 and the year ended December 31, 2006 combine the historical financial statements of Summit and Greater Atlantic. The unaudited pro forma financial statements give effect to the proposed merger of Greater Atlantic with and into Summit as if the merger occurred on September 30, 2007 with respect to the balance sheet, and on January 1, 2007, and January 1, 2006, with respect to the statements of income for the nine months ended September 30, 2007, and the year ended December 31, 2006, respectively. The unaudited pro forma financial statements give effect to the proposed merger under the purchase method of accounting using a merger price of \$6.00 per share for Greater Atlantic common stock.

Summit reports on a calendar year basis while Greater Atlantic reports on a fiscal year ending on September 30. Accordingly for purposes of the unaudited pro forma condensed combined consolidated statements of income, Summit's statements of income for the nine months ended September 30, 2007 and the year ended December 31, 2006 have been combined with Greater Atlantic's statements of income for the nine months ended June 30, 2007 and the year ended September 30, 2006, respectively.

The purchase method of accounting requires that all of Greater Atlantic's assets and liabilities be adjusted to their estimated fair market values as of the date of merger. For purposes of the unaudited pro forma financial statements, fair market value of September 30, 2007 assets and liabilities has been estimated by management of Summit using market information available on September 30, 2007. Accordingly, these adjustments are only approximations. This information may not necessarily be indicative of the financial position or results of operations that would have occurred if the merger had been consummated on the date or at the beginning of the period indicated or which may be obtained in the future. Upon consummation of the merger, Summit will make adjustments as of the date of consummation based on appraisals and estimates.

The unaudited pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during this period.

SUMMIT AND GREATER ATLANTIC
Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet
September 30, 2007
(dollars in thousands)

	Actual		Pro Forma		
	Summit Financial Group, Inc.	Greater Atlantic Financial Corp.	Adjustments		Combined
ASSETS					
Cash and due from banks	\$ 13,435	\$ 3,146	\$ -		\$ 16,581
Interest bearing deposits with other banks	179	4,486	(5,736)	(1)	6,433
			(496)	(2)	
			8,000	(5)	
Federal funds sold	2,499	-	-		2,499
Securities available for sale	279,289	50,641	-		329,930
Securities held to maturity	-	3,053	-		3,053
Loans held for sale, net	1,596	-	-		1,596
Loans, net	986,437	176,108	725	(3)	1,163,270
Premises and equipment, net	22,004	2,285	-		24,289
Accrued interest receivable	7,239	1,675	-		8,914
Identifiable intangibles	3,945	-	3,000	(3)	6,945
Goodwill	6,198	956	7,772	(3)	14,926
Other assets	17,858	3,644	(973)	(3)	23,107
			1,600	(3)	
			978	(3)	
Total assets	\$ 1,340,679	\$ 245,994	\$ 14,870		\$ 1,601,543
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits	\$ 828,599	\$ 197,991	\$ 377	(3)	\$ 1,026,967
Short-term borrowings	124,699	2,192	-		126,891
Long-term borrowings	263,679	25,000	788	(3)	297,467
			10,000	(5)	
			(2,000)	(5)	
Subordinated debentures owed to unconsolidated subsidiary trusts	19,589	9,374			28,963
Other liabilities	10,638	1,866	1,100	(3)	15,077
			615	(3)	

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			858	(3)	
Total liabilities	1,247,204	236,423	11,738		1,495,365
Shareholders' Equity					
Common stock and related surplus	24,376	25,303	12,702	(1)	37,078
			(25,303)	(4)	
Retained earnings	69,104	(14,408)	(496)	(2)	69,105
			14,905	(4)	
Accumulated other comprehensive (loss)	(5)	(1,324)	1,324	(4)	(5)
Total shareholders' equity	93,475	9,571	3,132		106,178
Total liabilities and shareholders' equity	\$ 1,340,679	\$ 245,994	\$ 14,870		\$ 1,601,543

See Notes to Unaudited Pro Forma Financial Statements

SUMMIT AND GREATER ATLANTIC
Unaudited Pro Forma Condensed Combined Consolidated Statement of Income
(dollars in thousands, except per share amounts)

	Actual		Pro Forma		
	Nine Months Ended				
	September 30, 2007	June 30, 2007			Combined
	Summit Financial Group, Inc.	Greater Atlantic Financial Corp.	Adjustments		
Interest income	\$ 67,587	\$ 14,082	\$ (1,868)	(6)	\$ 80,111
			310	(7)	
Interest expense	38,861	8,976	(1,456)	(6)	46,467
			86	(8)	
Net interest income	28,726	5,106			33,644
Provision for loan losses	1,305	289			1,594
Net interest income after provision for loan losses	27,421	4,817			32,050
Noninterest income					
Service fees	2,141	465	(29)	(6)	2,577
Other	2,518	7			2,525
Total noninterest income	4,659	472			5,102
Noninterest expense					
Salaries and employee benefits	10,518	3,523	(192)	(6)	13,849
Net occupancy expense	1,292	1,051	(81)	(6)	2,262
Equipment expense	1,436	395	(13)	(6)	1,818
Other	4,942	2,545	(17)	(6)	7,792
			322	(9)	
Total noninterest expense	18,188	7,514			25,721
Income (loss) from continuing operations before income taxes	13,892	(2,225)			11,431
Income tax expense	4,223	-	(846)	(10)	3,287
			(90)	(11)	
Income (loss) from continuing operations	\$ 9,669	\$ (2,225)	\$ 700		\$ 8,144
Basic earnings (loss) per share					
from continuing operations	\$ 1.34	\$ (0.74)			\$ 1.04

Diluted earnings (loss) per share					
from continuing operations	\$	1.33	\$	(0.74)	\$ 1.04
Dividends per common share	\$	0.17	\$	-	\$ 0.16

See Notes to Unaudited Pro Forma Financial Statements

SUMMIT AND GREATER ATLANTIC
Unaudited Pro Forma Condensed Combined Consolidated Statement of Income
(dollars in thousands, except per share amounts)

	Actual		Pro Forma		
	Year Ended				
	December 31, 2006	September 30, 2006			
	Summit Financial Group, Inc.	Greater Atlantic Financial Corp.	Adjustments		Combined
Interest income	\$ 80,278	\$ 18,794	\$ (2,225)	(6)	\$ 97,261
			414	(7)	
Interest expense	44,379	11,583	(1,692)	(6)	54,383
			113	(8)	
Net interest income	35,899	7,211			42,878
Provision for loan losses	1,845	126			1,971
Net interest income after provision for loan losses	34,054	7,085			40,907
Noninterest income					
Service fees	2,758	610	(40)	(6)	3,328
Other	875	307			1,182
Total noninterest income	3,633	917			4,510
Noninterest expense					
Salaries and employee benefits	11,821	4,718	(256)	(6)	16,283
Net occupancy expense	1,557	1,337	(102)	(6)	2,792
Equipment expense	1,901	554	(24)	(6)	2,431
Other	6,330	4,476	(62)	(6)	11,173
			429	(9)	
Total noninterest expense	21,609	11,085			32,679
Income (loss) from continuing operations before income taxes	16,078	(3,083)			12,738
Income tax expense	5,018	-	(1,172)	(10)	3,748
			(98)	(11)	
Income (loss) from continuing operations	\$ 11,060	\$ (3,083)	\$ 1,013		\$ 8,990
Basic earnings (loss) per share	\$ 1.55	\$ (1.02)			\$ 1.16

from continuing
operations

Diluted earnings (loss) per
share

from continuing operations	\$	1.54	\$	(1.02)	\$	1.15
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Dividends per common share	\$	0.32	\$	-	\$	0.29
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See Notes to Unaudited Pro Forma Financial
Statements

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SUMMIT AND GREAT ATLANTIC
Notes to Unaudited Pro Forma Financial Statements

- (1) Effect of stock and cash consideration paid by Summit to Greater Atlantic's shareholders in conjunction with the merger and record cash paid for its estimated direct transaction costs. Under the terms of the Greater Atlantic transaction, Summit will pay total consideration of \$6.00 per share for each of the 3,024,220 outstanding common shares of Greater Atlantic. This consideration will be paid 70% (or \$4.20 per share) in the form of Summit common stock and 30% (or \$1.80 per share) in cash.
- (a) Stock consideration: Issuance of 694,843 shares of Summit common stock to Greater Atlantic shareholders assuming Summit's stock price of \$18.28 at September 30, 2007.
- (b) Cash consideration and estimated direct transaction costs: Cash payments totalling \$5,736,000 representing \$5,444,000 in cash consideration paid to Greater Atlantic shareholders, \$89,000 paid to holders of Greater Atlantic stock options in settlement of such options, and \$203,000 for Summit's estimated direct transaction costs.
- (2) Effect of Greater Atlantic's estimated direct transaction costs.
- (3) Adjust acquired assets and liabilities of Greater Atlantic to fair value and record related tax effects as follows (in thousands):

Purchase price and estimated transaction costs (\$18,438) paid by Summit in excess of Greater Atlantic's pro forma equity at September 30, 2007 (\$9,074) adjusted for the direct transaction costs paid by Greater Atlantic.	\$	9,364
Estimated fair value purchase accounting adjustments:		
Loans	\$	725
Deposits		(377)
Borrowings		(788)
Core deposit intangible		3,000
Net deferred tax liabilities on purchase accounting adjustments		(973)
Tax benefit of purchased net operating loss carryforwards		1,600
	\$	3,187 (3,187)
Purchase price and estimated transaction costs in excess of fair value of net assets acquired		6,177
Estimated exit and other restructuring costs expected to be incurred in connection with the acquisition of Greater Atlantic:		
Employee severance costs	\$	1,100
EDP contracts cancellation costs		615
Lease termination costs		858
Net deferred tax asset on exit and restructuring costs		(978)

	\$	1,595	1,595
Goodwill		\$	7,772

(4) Reflect elimination of Greater Atlantic's equity accounts.

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SUMMIT AND GREAT ATLANTIC
Notes to Unaudited Pro Forma Financial Statements - continued

- (5) Issuance of qualifying subordinated debt prior to acquisition of Greater Atlantic. The proceeds of this issuance will be utilized as follows (in thousands):

Finance cash consideration and transaction costs associated with Greater Atlantic acquisition (\$5,736) and cash reserve (\$2,264)	\$	8,000
Reduction of principal of existing Summit long term borrowing		2,000
Total issuance of qualifying subordinated debt	\$	10,000

- (6) Estimated reductions to interest income, interest expense, non-interest income and non-interest expense as result of sale of Greater Atlantic's Pasadena, Maryland branch bank.

Other pro forma adjustments to interest income, as follows (in thousands):

	Nine Months Ended September 30, 2007	Year Ended December 31, 2006
Estimated accretion of fair value adjustment to securities over portfolio's estimated 3 year average life to maturity	\$ 446	\$ 595
Estimated amortization of fair value adjustment to loans over portfolio's estimated 4 year average life to maturity	(136)	(181)
	\$ 310	\$ 414

- (8) Other proforma adjustments to interest expense, as follows (in thousands):

	Nine Months Ended September 30, 2007	Year Ended December 31, 2006
Estimated amortization of fair value adjustment to deposits over the estimated 2 year average remaining maturity of the deposits	\$ (141)	\$ (189)
Estimated amortization of fair value adjustment to borrowings over the estimated 3 year average remaining maturity of the borrowings	(197)	(263)
Estimated interest expense on issuance of \$10 million in qualifying subordinated debt		

at 7.00%, less reduction in interest as result of pay down of \$2 million in principal of an existing Summit long term borrowing having an effective interest rate of 6.75% using proceeds from the subordinated debt issuance	424	565
	\$ 86	\$ 113

- (9) Amortization of core deposit intangible over estimated 7 year average life.
- (10) Tax benefit, previously unrecognized, of Greater Atlantic's loss from continuing operations at a 38% effective tax rate.
- (11) Tax effect of pro forma adjustments at a 38% effective tax rate.

SUMMARY SELECTED FINANCIAL DATA

The following table sets forth certain summary historical consolidated financial information for Summit and Greater Atlantic. The balance sheet data and income statement data of Summit is as of and for the five years in the period ended December 31, 2006 and for Greater Atlantic is as of and for the five years in the period ended September 30, 2007, and are derived from the audited consolidated financial statements of Summit and Greater Atlantic, respectively. The balance sheet data and income statement data of Summit for the nine months ended September 30, 2007, and September 30, 2006, are derived from the unaudited consolidated financial statements of Summit. You should not rely on the nine-month information as being indicative of the results that may be expected for the entire year or for any future interim period.

The following information should be read in conjunction with the audited and unaudited consolidated financial statements and the related notes of Summit, which are incorporated by reference into this proxy statement/prospectus, and the audited consolidated financial statements of Greater Atlantic, which are attached to this proxy statement/prospectus.

SUMMIT FINANCIAL GROUP, INC.
Summary Consolidated Financial Data

Dollars in thousands, except per share amounts	Nine months ended September 30, 2007	Nine months ended September 30, 2006	2006	2005	For the Year Ended December 31,			2002
	2007	2006	2006	2005	2004	2003	2002	2002
Summary of Operations								
Interest income	\$ 67,587	\$58,394	\$ 80,278	\$ 56,653	\$ 45,041	\$ 41,154	\$40,689	
Interest expense	38,861	31,871	44,379	26,503	18,663	17,827	18,842	
Net interest income	28,726	26,523	35,899	30,150	26,378	23,327	21,847	
Provision for loan losses	1,305	915	1,845	1,295	1,050	915	1,215	
Net interest income after provision for loan losses	27,421	25,608	34,054	28,855	25,328	22,412	20,632	
Noninterest income	4,659	2,687	3,634	1,605	3,263	3,275	1,945	
Noninterest expense	18,188	16,310	21,610	19,263	16,919	14,218	12,607	
Income (loss) before income taxes	13,892	11,985	16,078	11,197	11,672	11,469	9,970	
Income tax expense	4,223	3,674	5,018	3,033	3,348	3,414	2,732	
Income (loss) from continuing operations	9,669	8,311	11,060	8,164	8,324	8,055	7,238	
Discontinued operations:								
Exit costs and impairment of long-lived assets	123	-	(2,480)	-	-	-	-	-
Operating income (loss)	(798)	(377)	(1,750)	3,862	2,913	(44)	-	-
Income (loss) from discontinued operations before tax	(675)	(377)	(4,230)	3,862	2,913	(44)	-	-
Income tax expense (benefit)	(231)	(116)	(1,427)	1,339	1,004	(15)	-	-
Income (loss) from discontinued operations	(444)	(261)	(2,803)	2,523	1,909	(29)	-	-
Net income	\$ 9,225	\$ 8,050	\$ 8,257	\$ 10,687	\$ 10,233	\$ 8,206	\$ 7,238	
Balance Sheet Data (at period end)								
Assets	\$ 1,340,679	\$ 1,211,195	\$ 1,235,519	\$ 1,110,214	\$ 889,830	\$ 791,577	\$ 671,894	
Securities	279,289	246,332	247,874	223,772	211,362	235,409	212,598	
Loans	986,437	894,836	916,045	793,452	602,728	498,340	419,205	
Deposits	828,599	865,072	888,688	673,887	524,596	511,801	458,648	
Short-term borrowings	124,699	90,422	60,428	182,028	120,629	49,714	20,191	
Long-term borrowings and subordinated debentures	283,268	165,716	195,698	172,295	173,101	168,549	137,396	
Shareholders equity	93,475	79,481	78,752	72,691	65,150	57,005	52,080	
Per Share Data								
Earnings per share - continuing operations								
Basic earnings	\$ 1.34	\$ 1.17	\$ 1.55	\$ 1.15	\$ 1.18	\$ 1.14	\$ 1.03	
Diluted earnings	1.33	1.16	1.54	1.13	1.17	1.14	1.03	
Earnings per share – discontinued operations								

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Basic earnings (loss)	(0.06)	(0.04)	(0.39)	0.35	0.27	-	-
Diluted earnings (loss)	(0.06)	(0.04)	(0.39)	0.35	0.27	-	-
Earnings per share							
Basic earnings	1.28	1.13	1.16	1.51	1.46	1.14	1.03
Diluted earnings	1.27	1.12	1.15	1.48	1.44	1.14	1.03
Shareholders' equity (at period end)	12.63	11.19	11.12	10.20	9.25	8.12	7.43
Cash dividends	0.17	0.16	0.32	0.30	0.26	0.215	0.1875
Performance Ratios							
Return on average equity	14.41%	13.79%	10.44%	15.09%	16.60%	14.69%	15.15%
Return on average assets	0.97%	0.93%	0.70%	1.10%	1.22%	1.11%	1.15%
Dividend payout	13.1%	14.2%	27.6%	20.0%	17.9%	18.8%	18.2%
Equity to assets	7.0%	6.6%	6.4%	6.5%	7.3%	7.2%	7.8%

GREATER ATLANTIC FINANCIAL CORP.

Summary Consolidated Financial Data

For the Year Ended

September 30,

Dollars in thousands, except per share amounts	2007	2006	2005	2004	2003
Summary of Operations					
Interest income	\$ 18,421	\$ 18,794	\$ 16,958	\$ 18,085	\$ 19,361
Interest expense	11,993	11,583	10,013	11,970	12,277
Net interest income	6,428	7,211	6,945	6,115	7,084
Provision for loan losses	685	126	219	209	791
Net interest income after provision for loan losses	5,743	7,085	6,726	5,906	6,293
Noninterest income	615	917	1,695	547	766
Gain on branch sale	4,255	-	945	-	-
Noninterest expense	9,626	11,085	9,889	10,370	10,014
Income before income taxes	987	(3,083)	(523)	(3,917)	(2,955)
Income tax expense	36	-	-	-	-
Income from continuing operations	951	(3,083)	(523)	(3,917)	(2,955)
Discontinued operations					
Exit costs and impairment of long-lived assets	-	-	-	-	-
Operating income (loss)	-	(2,488)	(1,107)	428	4,898
Income (loss) from discontinued operations before tax	-	(2,488)	(1,107)	428	4,898
Income tax expense (benefit)	-	-	-	-	-
Income (loss) from discontinued operations	-	(2,488)	(1,107)	428	4,898
Net income (loss)	\$ 951	\$ (5,571)	\$ (1,630)	\$ (3,489)	\$ 1,943
Balance Sheet Data (at period end)					
Assets	\$ 245,994	\$ 305,219	\$ 339,542	\$ 433,174	\$ 498,456
Securities	51,963	80,157	115,798	153,007	224,784
Loans, net	176,108	193,307	194,920	246,387	242,253
Deposits	197,991	230,174	237,794	288,956	297,876
Short-term borrowings	2,192	18,574	38,479	64,865	77,835
Long-term borrowings and subordinated debentures	34,374	45,388	47,378	60,569	96,159
Shareholders equity	9,571	8,850	14,375	15,944	20,442
Per Share Data					
Earnings per share - continuing operations					
Basic earnings	\$ 0.31	\$ (1.02)	\$ (0.17)	\$ (1.30)	\$ (0.98)
Diluted earnings	0.31	(1.02)	(0.17)	(1.30)	(0.98)
Earnings per share - discontinued operations					
Basic earnings	-	(0.82)	(0.37)	0.14	1.63
Diluted earnings	-	(0.82)	(0.37)	0.14	1.11
Earnings per share					
Basic earnings	0.31	(1.84)	(0.54)	(1.16)	0.65
Diluted earnings	0.31	(1.84)	(0.54)	(1.16)	0.44
Shareholders' equity (at period end)	3.17	2.93	4.76	5.29	6.79
Cash dividends	-	-	-	-	-

Performance Ratios					
Return on average equity	12.08%	(45.80%)	(11.79%)	(22.90%)	12.83%
Return on average assets	0.33%	(1.77%)	(0.44%)	(0.69%)	0.41%
Dividend payout	0.0%	0.0%	0.0%	0.0%	0.0%
Equity to assets	3.9%	2.9%	4.2%	3.7%	4.1%

INFORMATION ABOUT THE MEETING AND VOTING

General

This section contains information about the Greater Atlantic special shareholder meeting that has been called to vote upon the matters described below. We expect to mail this proxy statement/prospectus to you, as a Greater Atlantic shareholder, on or about February 22, 2008.

In this proxy statement/prospectus, we refer to the Agreement and Plan of Reorganization dated as of April 12, 2007, as amended on December 6, 2007, between Summit and Greater Atlantic as the “merger agreement”. Proxies may be voted on other matters that may properly come before the Greater Atlantic meeting, if any, at the discretion of the proxy holders. Greater Atlantic’s board knows of no such other matters except those incidental to the conduct of the meeting. A copy of the merger agreement and its amendment are attached as Annexes A and A-1.

Matters Relating to the Special Meeting of Greater Atlantic’s Stockholders

Time and Place:	Tuesday, March 25, 2008
	10:00 a.m., Eastern Time
	Crowne Plaza Tysons Corner
	1960 Chain Bridge Road
	McLean, Virginia 22102

Purpose of Meeting:	To vote on the proposed merger of Greater Atlantic and Summit pursuant to which Greater Atlantic will merger with a wholly-owned subsidiary of Summit formed to facilitate the merger.
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To vote on the proposal to adjourn the special meeting to a later date, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the matters to be considered by the shareholders at the special meeting.

Proxies

The accompanying form of proxy is for use at the special meeting if you are unable or do not desire to attend in person. You may attend the meeting even if you have previously delivered a proxy to us. You can revoke your proxy at any time before the vote is taken at the special meeting by submitting to the Greater Atlantic corporate secretary written notice of revocation or a properly executed proxy of a later date, or by attending the special meeting and voting in person. Written notices of revocation and other communications about revoking your proxy should be addressed to:

Greater Atlantic Financial Corp.
10700 Parkridge Boulevard, Suite P50
Reston, Virginia 20191
Attention: Edward C. Allen
Telephone: (703) 391-1300

All shares represented by valid proxies that we receive through this solicitation, and not revoked before they are exercised, will be voted in the manner specified in such proxies. If you make no specification on your returned, signed and dated proxy card, your proxy will be voted “FOR” the matters to be considered at the special meeting as described above.

Solicitation of Proxies

Greater Atlantic will bear the entire cost of soliciting proxies from you, except that Summit has agreed to pay half the cost of the printing of this proxy statement/prospectus. In addition to solicitation of proxies by mail, we will request banks, brokers and other record holders to send proxies and proxy material to the beneficial owners of the stock and secure their voting instructions, if necessary. Greater Atlantic will reimburse those record holders for their reasonable expenses in taking those actions. If necessary, we also may use several of our regular employees, who will not be specially compensated, to solicit proxies from our shareholders, either personally or by telephone, the Internet, fax, letter or special delivery letter. Finally, Greater Atlantic has retained a professional proxy solicitation firm, Georgeson Inc., to assist in soliciting proxies. We will pay a fee in the amount of \$5,500 to Georgeson Inc. for its services, and we will also reimburse them for all costs and expenses, which we expect to be approximately \$2,500, in connection with this solicitation.

Record Date and Voting Rights

In accordance with Delaware law and Greater Atlantic's certificate of incorporation and bylaws, we have fixed February 20, 2008, as the record date for determining the shareholders entitled to notice of and to vote at the special meeting. Accordingly, you are only entitled to notice of, and to vote at, the special meeting if you were a record holder of Greater Atlantic common stock at the close of business on the record date. At that time, 3,024,220 shares of Greater Atlantic common stock were outstanding, held by 271 holders of record. To have a quorum that permits us to conduct business at the special meeting, we require the presence, whether in person or through the prior submission of a proxy, of the holders of Greater Atlantic common stock representing a majority of the shares outstanding and entitled to vote on the record date. You are entitled to one vote for each outstanding share of Greater Atlantic common stock you held as of the close of business on the record date.

Holders of shares of Greater Atlantic common stock present in person at the special meeting but not voting, and shares of Greater Atlantic common stock for which we have received proxies indicating that their holders have abstained, will be counted as present at the special meeting for purposes of determining whether we have a quorum for transacting business. Shares held in street name that have been designated by brokers on proxy cards as not voted will not be counted as votes cast for or against any proposal. These broker non-votes, however, will be counted for purposes of determining whether a quorum exists.

Vote Required

The approval of the merger agreement and the transactions contemplated thereby requires the affirmative vote of the holders of a majority of Greater Atlantic's outstanding shares entitled to vote at the special meeting.

Because approval of the merger agreement and the transactions contemplated thereby require the affirmative vote of the holders of a majority of the outstanding shares of Greater Atlantic common stock entitled to vote at the special meeting, abstentions and broker non-votes will have the same effect as votes against these matters. Accordingly, the Greater Atlantic board of directors urges you to complete, date and sign the accompanying proxy and return it promptly in the enclosed, postage-paid envelope.

As of the record date, directors and executive officers, and their affiliates, of Greater Atlantic beneficially owned approximately 301,759 shares of Greater Atlantic common stock, entitling them to exercise approximately 9.98% of the voting power of the Greater Atlantic common stock entitled to vote at the special meeting. Each director and executive officer of Greater Atlantic intends to vote each share of Greater Atlantic common stock that he owns "FOR" approval and adoption of the merger agreement and the transactions contemplated thereby.

Recommendation of the Greater Atlantic Board of Directors

The Greater Atlantic board of directors has approved the merger agreement and the transactions contemplated thereby, including the merger. The Greater Atlantic board believes that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, and are in the best interests of, Greater Atlantic and its shareholders and unanimously recommends that shareholders vote “FOR” approval of the merger agreement and the transactions contemplated thereby.

Appraisal Rights for Greater Atlantic Stockholders

If the merger agreement is approved and adopted by the Greater Atlantic stockholders, holders of Greater Atlantic common stock who delivered a written demand for appraisal to Greater Atlantic prior to the vote on the merger agreement at Greater Atlantic’s special meeting and did not vote in favor of the approval and adoption of the merger agreement will be entitled to receive the fair value of their shares under Section 262 of the Delaware General Corporation Law. The text of this law is attached to this proxy statement/prospectus as Annex B.

THE MERGER

This summary of the material terms and provisions of the merger agreement is qualified in its entirety by reference to such document. The merger agreement and its amendment are attached as Annexes A and A-1 to this proxy statement/prospectus. We incorporate this document into this summary by reference.

Merger

Subject to satisfaction or waiver of all conditions in the merger agreement, Greater Atlantic will merge with and into SFG II, Inc., a wholly-owned subsidiary of Summit. Upon completion of the merger, Greater Atlantic's corporate existence will terminate and SFG II, Inc. will continue as the surviving corporation.

Merger Consideration

In the merger, you will receive a combination of cash and shares of Summit common stock for each share of Greater Atlantic common stock that you own, subject to a "stock collar" limiting the maximum and minimum number of shares Summit will issue. The stock collar is described more fully below. Subject to the stock collar, the total consideration for your Greater Atlantic stock will be paid 70% in the form of Summit common stock and 30% in cash, with each share of Greater Atlantic common stock exchanged for shares of Summit common stock valued at \$4.20 and \$1.80 in cash.

The number of shares of Summit common stock that you will receive for each share of Greater Atlantic common stock you own will be determined by the exchange ratio at closing. At the closing, we will determine the exchange ratio by dividing \$4.20 by the average closing price of Summit common stock reported on the NASDAQ Capital Market for the twenty (20) trading days prior to closing (the "Average Closing Price"). The exchange ratio is subject to a stock collar, which sets the maximum and minimum numbers of shares that Summit will issue. If the Average Closing Price of Summit common stock is less than \$17.82, the exchange ratio will be calculated by dividing \$4.20 by \$17.82. If the Average Closing Price is greater than \$24.10, the exchange ratio will be calculated by dividing \$4.20 by \$24.10. Thus, for each share of Greater Atlantic common stock that you own, you will receive \$1.80 in cash and at least 0.1743 shares of Summit common stock, but no more than 0.2357 shares of Summit common stock (based on an exchange ratio). Cash will be paid instead of issuing fractional shares of Summit common stock.

The following chart provides examples of the value of the transaction to shareholders of Greater Atlantic at selected Average Closing Prices of Summit common stock.

SMMF Stock Price	Exchange Ratio	Value to GAFC Shareholders		Deal Value Per Share
		Stock (\$)	Cash (\$)	
\$28.75	0.1743	\$5.01	\$1.80	\$6.81
\$26.50	0.1743	\$4.62	\$1.80	\$6.42
\$25.00	0.1743	\$4.36	\$1.80	\$6.16
\$24.10	0.1743	\$4.20	\$1.80	\$6.00
\$24.00	0.1750	\$4.20	\$1.80	\$6.00
\$23.25	0.1806	\$4.20	\$1.80	\$6.00
\$22.50	0.1867	\$4.20	\$1.80	\$6.00
\$21.75	0.1931	\$4.20	\$1.80	\$6.00
\$21.00	0.2000	\$4.20	\$1.80	\$6.00
\$20.25	0.2074	\$4.20	\$1.80	\$6.00
\$19.50	0.2154	\$4.20	\$1.80	\$6.00
\$18.75	0.2240	\$4.20	\$1.80	\$6.00
\$18.00	0.2333	\$4.20	\$1.80	\$6.00
\$17.82	0.2357	\$4.20	\$1.80	\$6.00
\$16.75	0.2357	\$3.95	\$1.80	\$5.75
\$15.25	0.2357	\$3.59	\$1.80	\$5.39
\$13.75	0.2357	\$3.24	\$1.80	\$5.04
\$12.25	0.2357	\$2.89	\$1.80	\$4.69
\$10.75	0.2357	\$2.53	\$1.80	\$4.33

The amount and nature of the merger consideration was established through arm's-length negotiations between Summit and Greater Atlantic and their respective advisors, and reflects the balancing of a number of countervailing factors. The total amount of the merger consideration reflects a price both parties concluded was appropriate. See "Background of the Merger; Board Recommendations and Reasons for the Merger" beginning on page 42 and "Summit's Reasons for the Merger" beginning on page 48. The parties have structured the merger, in part, to have the favorable tax attributes of a "reorganization" for federal income tax purposes. See "Certain Federal Income Tax Consequences of the Merger" beginning on page 66.

We cannot assure you that the current fair market value of Summit or Greater Atlantic common stock will be equivalent to the fair market value of Summit or Greater Atlantic common stock on the effective date of the merger.

Surrender of Stock Certificates

Registrar and Transfer Company will act as exchange agent in the merger and in that role will process the exchange of Greater Atlantic stock certificates for cash and Summit common stock. Within five (5) business days after completion of the merger, the exchange agent will mail to each Greater Atlantic shareholder of record a letter of transmittal and instructions for use in effecting the surrender of their Greater Atlantic common stock for Summit common stock, if any, that the holders of the Greater Atlantic common stock are entitled to receive, and the cash, if any, that the holders of the Greater Atlantic common stock are entitled to receive, any cash in lieu of fractional shares and any payment equal to any dividend or other distribution with respect to Summit common stock with a record date prior to the effective time of the merger.

After the effective time of the merger, each certificate formerly representing Greater Atlantic common stock, until so surrendered and exchanged, will evidence only the right to receive the cash and the number of whole shares of Summit common stock that the holder is entitled to receive in the merger, any cash payment in lieu of a fractional share of Summit common stock and any dividend or other

distribution with respect to Summit common stock with a record date prior to the effective time of the merger. The holder of such unexchanged certificate will not be entitled to receive any dividends or distributions payable by Summit until the certificate has been exchanged. Subject to applicable laws, following surrender of such certificates, such dividends and distributions, together with any cash payment in lieu of a fractional share of Summit common stock, will be paid without interest.

After the completion of the merger, there will be no further transfers of Greater Atlantic common stock. Greater Atlantic stock certificates presented for transfer after the completion of the merger will be canceled and exchanged for the merger consideration.

If your Greater Atlantic stock certificates have been either lost, stolen or destroyed, you will have to prove your ownership of these certificates and that they were lost, stolen or destroyed before you receive any consideration for your shares. Upon request, our exchange agent, Registrar and Transfer Company, will send you instructions on how to provide evidence of ownership.

No Fractional Shares

Each holder of shares of common stock exchanged pursuant to the merger who would otherwise have been entitled to receive a fraction of a share of Summit common stock shall receive, in lieu thereof, cash (without interest) in an amount equal to the product of (i) such fractional part of a share of Summit common stock multiplied by (ii) the closing price for a share of Summit common stock on the NASDAQ Capital Market on the effective date of the merger.

Treatment of Greater Atlantic Stock Options

At the effective time, each outstanding and unexercised option granted by Greater Atlantic to purchase shares of Greater Atlantic common stock shall vest and holders of such options shall be entitled to receive cash in an amount equal to the difference between the value of (a) the merger consideration and (b) the applicable exercise price (rounded to the nearest cent) for each outstanding option granted by Greater Atlantic to purchase shares of Greater Atlantic common stock. At the effective time, Summit shall have no obligation to make any additional grants or awards under the Greater Atlantic stock option plans.

Dissenters' or Appraisal Rights

Under the Delaware General Corporation Law (DGCL), Greater Atlantic stockholders may object to the merger and demand in writing to be paid the fair value of their shares. Determination of fair value is based on all relevant factors, but excludes any appreciation or depreciation resulting from the accomplishment or expectation of the merger. Stockholders who elect to exercise appraisal rights must comply with all of the procedures of Section 262 of the DGCL to preserve those rights. A copy of Section 262 is attached as Annex B to this proxy statement/prospectus.

Section 262 sets forth the procedures to be followed by a stockholder electing to demand appraisal of his or her shares. These procedures are complicated and must be followed strictly. Failure to comply with these procedures may cause you to lose your appraisal rights. The following information is only a brief summary of the required procedures under Delaware law and is qualified in its entirety by the provisions of Section 262.

Under Section 262, Greater Atlantic is required to notify stockholders not less than 20 days before the special meeting to vote on the merger that appraisal rights will be available. A copy of Section 262 must be included with that notice. This proxy statement/prospectus constitutes Greater Atlantic's notice to its stockholders of the availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262. If you wish to

consider exercising your appraisal rights, you should carefully review the text of Section 262, attached as Annex B. If you fail to timely and

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properly comply with the requirements of Section 262, your appraisal rights under Delaware law may be lost.

Please review Section 262 for the complete procedures. Neither Summit nor Greater Atlantic will give you any notice of your appraisal rights other than as described in this proxy statement/prospectus and as required by the DGCL.

General Requirements

If you want to object to the merger and be paid the full value of your shares in cash, Section 262 generally requires you to take the following actions:

- You must deliver a written demand for appraisal to Greater Atlantic before the vote is taken on the merger agreement at Greater Atlantic's special meeting. This written demand for appraisal must be in addition to and separate from any proxy or vote against the merger agreement. Merely voting against, abstaining from voting or failing to vote in favor of adoption of the merger agreement will not constitute a demand for appraisal within the meaning of Section 262. See "Requirements for Written Demand for Appraisal" below for more details on making a demand for appraisal.

- You must not vote in favor of approval and adoption of the merger agreement. A failure to vote will satisfy this requirement, but a vote in favor of the merger agreement will constitute a waiver of your right of appraisal. Accordingly, if you want to maintain your appraisal rights you must either check the "Against" box or the "Abstain" box on the proxy card or refrain from executing and returning the enclosed proxy card.

- You must continuously hold your shares of Greater Atlantic stock from the date you make the demand for appraisal through the effective date of the merger.

Requirements for Written Demand for Appraisal

A written demand for appraisal of Greater Atlantic stock is only effective if it is signed by, or for, the stockholder of record who owns the shares at the time the demand is made. The demand must be signed as the stockholder's name appears on its Greater Atlantic stock certificate(s). If you are a beneficial owner of Greater Atlantic stock but not a stockholder of record, you must have the stockholder of record for your shares sign a demand for appraisal on your behalf.

If you own Greater Atlantic stock in a fiduciary capacity, such as a trustee, guardian or custodian, you must disclose the fact that you are signing the demand for appraisal in that capacity.

If you own Greater Atlantic stock with one or more other persons, such as in a joint tenancy or tenancy in common, all of the owners must sign, or have signed for them, the demand for appraisal. An authorized agent, which could include one or more of the owners, may sign the demand for appraisal for a stockholder of record; however, the agent must expressly disclose who the stockholder of record is and that he or she is signing the demand as that stockholder's agent.

If you are a record owner, such as a broker, who holds Greater Atlantic stock as a nominee for others, you may exercise a right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising that right for other beneficial owners. In such a case, you should specify in the written demand the number of shares as to which you wish to demand appraisal. If you do not specify the number of shares, it will be assumed that your written demand covers all the shares of Greater Atlantic stock that are in your name.

Greater Atlantic stockholders who wish to exercise their appraisal rights should address written demands to:

Greater Atlantic Financial Corp.
10700 Parkridge Boulevard
Suite P50
Reston, Virginia 20191
Attention: Corporate Secretary

Greater Atlantic must receive all written demands for appraisal before the vote concerning the merger agreement is taken. As explained above, this written demand should be signed by, or on behalf of, the stockholder of record. The written demand for appraisal should specify the stockholder's name and mailing address, the number of shares of stock owned, and that the stockholder is thereby demanding appraisal of such stockholder's shares.

Written Notice

Within 10 days after the effective date of the merger, Summit, as the surviving corporation in the merger, must give written notice that the merger has become effective to each Greater Atlantic stockholder who has properly sent a written demand for appraisal and who did not vote in favor of the merger. Except as required by law, Summit will not notify stockholders of any dates by which appraisal rights must be exercised.

Petition With Chancery Court

Within 120 days after the effective date of the merger, either Summit or any stockholder who has complied with the requirements of Section 262(a) and (d) may file a petition in the Delaware Court of Chancery demanding a determination of the value of the shares of all stockholders entitled to appraisal. Summit does not presently intend to file a petition, and if you seek to exercise appraisal rights you should not assume that Summit will file a petition or that Summit will initiate any negotiations with respect to the fair value of your shares. If you are a Greater Atlantic stockholder and want to have your Greater Atlantic shares appraised you should be prepared to initiate any petitions necessary for the perfection of your appraisal rights within the time period and in the manner prescribed in Section 262. Since Summit has no obligation to file a petition, your failure to file a petition within the period specified could result in the loss of your appraisal rights.

Withdrawal of Demand

If you change your mind and decide you no longer want an appraisal, you may withdraw your demand for appraisal at any time within 60 days after the effective date of the merger. If you withdraw your demand for appraisal, your appraisal rights will be terminated and you will receive the merger consideration provided in the merger agreement.

Request for Appraisal Rights Statement

If you have complied with the conditions of Section 262, you are entitled, upon written request, to receive from Summit a statement setting forth the aggregate number of shares for which appraisal rights have been properly exercised and the aggregate number of holders of such shares. Summit must mail this statement to you within 10 days after receiving your written request. In order to receive this statement, you must send your request within 120 days after the effective date of the merger to Summit at the following address:

Summit Financial Group, Inc.
300 North Main Street
Moorefield, West Virginia 26836
Attention: H. Charles Maddy, III

Chancery Court Procedures

If you properly file a petition for appraisal in the Court and deliver a copy of such petition to Summit, Summit will then have 20 days to provide the Court with a list of the names and addresses of all the stockholders who have demanded payment for their shares and have not reached an agreement with Summit as to the value of their shares. If the Court decides it is appropriate, it has the power to conduct a hearing to determine which stockholders have complied with Section 262 and have become entitled to appraisal. The Register in Chancery, if ordered to do so by the Court, will then send notice of the time and place of the hearing on the petition to all the stockholders who have demanded appraisal. The Court may also require you to submit your stock certificates to the Register in Chancery so that it can note on the certificates that an appraisal proceeding is pending. If you do not follow the Court's directions, you may be dismissed from the proceeding.

Chancery Court Appraisal of Greater Atlantic Shares

After the Court determines which stockholders are entitled to an appraisal, the Court will appraise the shares, determining their fair value by considering all relevant factors except for any appreciation or depreciation resulting from the accomplishment or expectation of the merger, together with a fair rate of interest, if the payment of interest is deemed appropriate by the Court. After the Court determines the fair value of the shares, it will direct Summit to pay that value to the stockholders who are entitled to such payment. In order to receive the fair value for your shares, you must surrender your stock certificates.

The Court could determine that the fair value of shares of Greater Atlantic stock is more than, the same as, or less than the merger consideration. In other words, if you demand appraisal rights, you could receive less consideration than you would under the merger agreement.

Costs and Expenses of Appraisal Proceeding

The costs of the appraisal proceeding may be determined by the Court and assessed against the parties as the Court deems equitable under the circumstances. Upon application of a stockholder, the Court may also order that all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all the shares entitled to an appraisal.

Loss of Stockholders' Rights

If you demand appraisal, after the effective date of the merger you will not be entitled to:

- vote your shares of stock, for any purpose, for which you have demanded appraisal;
- receive payment of dividends or other distributions with respect to your shares, except for dividends or distributions, if any, that are payable to the holders of record as of a record date before the effective date of the merger; or
- receive the payment of the consideration provided for in the merger agreement.

However, you can regain these rights if no petition for an appraisal is filed within 120 days after the effective date of the merger, or if you deliver to Summit a written withdrawal of your demand for an appraisal and your acceptance of the merger, either within 60 days after the effective date of the merger or

with the written consent of Summit. As explained above, these actions will also terminate your appraisal rights. However, an appraisal proceeding in the Court cannot be dismissed without the Court's approval. The Court may condition its approval upon any terms that it deems just.

If you fail to comply strictly with these procedures you will lose your appraisal rights. Consequently, if you wish to exercise your appraisal rights, you are strongly urged to consult a legal advisor before attempting to exercise your appraisal rights.

Background of the Merger; Board Recommendations and Reasons for the Merger

Periodically, the management of Greater Atlantic has evaluated Greater Atlantic's strategic options, including continuing to operate as an independent entity. At the time of the most recent strategic evaluation in early 2006, Greater Atlantic had not achieved consistent profitable earnings, sustaining losses in fiscal years 2002, 2004 and 2005, and had continued to suffer losses in the first quarter of fiscal year 2006. This inability to achieve consistent profitability and its potential implications for Greater Atlantic's financial condition has been and continues to be an item of supervisory note by the Office of Thrift Supervision, Greater Atlantic's primary regulator.

At a meeting of the Board of Directors on September 28, 2005, the Board of Directors authorized Charles W. Calomiris, Greater Atlantic's Chairman of the Board, to select and engage a qualified financial advisory firm to assist the Board of Directors in its strategic planning process. Subsequently, the Chairman of the Board, together with Carroll E. Amos, Greater Atlantic's President and Chief Executive Officer, met with representatives of financial advisory firms, including with representatives of Sandler O'Neill & Partners, L.P. ("Sandler O'Neill"). On January 30, 2006, Greater Atlantic engaged Sandler O'Neill to serve as independent financial advisor to the Board of Directors in connection with Greater Atlantic's review of its strategic options and to provide merger and acquisition analyses in connection with a potential business combination transaction.

At a meeting on March 8, 2006, the Board of Directors met with representatives of Sandler O'Neill who made a presentation to the Board of Directors regarding strategic options available to Greater Atlantic. The discussion focused on the merits of engaging in a potential business combination transaction (either a whole-bank merger or acquisition or sale of one or more branch offices) versus remaining independent. In discussing those options, the Board of Directors noted and assessed the various perceived risks, including the perceived supervisory risk associated with remaining independent given Greater Atlantic's recent operating history. Sandler O'Neill's presentation also included an overview of the current merger and acquisitions environment. The representatives of Sandler O'Neill presented a listing of recent thrift merger and acquisition transactions with characteristics that would be comparable to a potential transaction involving Greater Atlantic, branch sales in the immediate and adjoining markets, a list of potential acquirers, an overview of the equity market for bank and thrift stocks and comparable group analyses on both nationwide and regional bases. At the conclusion of the discussion, the Board of Directors directed the Executive Committee of the Board of Directors, in consultation with Greater Atlantic's financial and legal advisors, to take all necessary and appropriate action to conduct a process to determine what, if any, level of interest other parties might have in engaging in a potential business combination transaction with Greater Atlantic.

On March 29, 2006, Sandler O'Neill identified for Greater Atlantic 69 parties Sandler O'Neill believed might have an interest in exploring a potential business combination with Greater Atlantic. Over approximately the next month, Sandler O'Neill, in consultation with Greater Atlantic's senior management and legal counsel, prepared a Confidential Information Memorandum containing financial and other information regarding Greater Atlantic for distribution to interested parties following their execution of confidentiality agreements. The Confidential Offering Memorandum provided instructions for interested parties to submit, by June 9, 2006, written indications of interest for a whole-bank transaction, a branch purchase transaction or an equity investment.

During April and May 2006, 16 interested parties executed confidentiality agreements and thereafter received a Confidential Offering Memorandum, including Summit which executed a confidentiality agreement dated April 25, 2006.

On June 22, 2006, the Board of Directors met, together with representatives of Sandler O'Neill and with representatives of legal counsel, to consider the 16 indications of interest that had been received: three for a whole-bank transaction, 12 for a branch acquisition and one for an equity investment. The representatives of Sandler O'Neill reviewed and discussed the financial terms of each indication of interest with the Board of Directors.

The whole-bank indications of interest varied with Party "A" indicating a proposed transaction value of approximately \$12.2 million, and Party "B" and Summit each indicating a proposed transaction value of approximately \$18.2 million, or \$6.00 per share. Parties "A" and "B" proposed all-cash transactions, and Summit proposed a stock/cash transaction. Summit's indication of interest, however, was conditioned on Greater Atlantic Bank selling its branch office in Pasadena, Maryland, before the closing of the proposed transaction. Summit's indication of interest, coupled with the sale of the Pasadena branch office to Bay-Vanguard Federal Savings Bank, which indicated the highest deposit premium for that branch (9.5%), would result in an aggregate indicated value of approximately \$23.2 million, or \$7.67 per share, compared to approximately \$18.2 million, or \$6.00 per share, indicated by Party "B" and approximately \$12.2 million, or \$4.03 per share, indicated by Party "A". During its discussion, the Board of Directors noted that engaging in a proposed transaction with Summit would require separate applications for regulatory approval and incur additional cost and possibly a longer approval process because it would entail the separate sale of the Pasadena branch office. The representatives of Sandler O'Neill then presented the Board with financial profiles, comparable peer analyses and background on the three interested parties.

Following the review of the whole-bank indications of interest, the Board reviewed and discussed the indications of interest for the separate branch sales, noting that Greater Atlantic had received indications of interest providing for deposit premiums ranging from 5.0% to 9.5%, with both the high and the low being for the Pasadena branch office. The representatives of Sandler O'Neill noted that the median deposit premium for recently announced branch sales ranged from 4.5% to 8.1%. The highest indication of interest for the Pasadena branch office, at a 9.5% deposit premium, was submitted by Bay-Vanguard Federal Savings Bank.

The Board of Directors then turned to the indication of interest submitted by the private equity investor. The Board of Directors noted that while five private equity investors had expressed interest when initially contacted by Sandler O'Neill, and four had executed confidentiality agreements and received a Confidential Offering Memorandum, only one of the private equity investors submitted a written indication of interest. The indication of interest received from the private equity investor proposed the sale of two branch offices of Greater Atlantic Bank, a substantial loan sale, a capital investment of approximately \$7.5 million and a consulting contract for the private equity group. In addition, the indication of interest provided that Greater Atlantic negotiate exclusively with the private equity investor for four weeks toward a definitive agreement. Given the whole-bank indications of interest that had been received, the Board of Directors determined not to give exclusivity to any interested party at this time.

Following further discussion, the Board of Directors authorized Sandler O'Neill to contact each of the parties that had submitted a whole-bank indication of interest and communicate to them Greater Atlantic's interest in pursuing a proposed transaction and to contact both Summit and Bay-Vanguard Federal Savings Bank to invite them to commence their respective due diligence reviews. The Board of Directors also authorized Sandler O'Neill to contact Party "B" and invite it to commence its due diligence review as soon as Summit and Bay-Vanguard Federal Savings Bank had completed their reviews.

On June 22, 2006, Mr. Amos, Edward C. Allen, Chief Operating Officer of Greater Atlantic Bank, and David E. Ritter, Greater Atlantic's Senior Vice President and Chief Financial Officer, met with H. Charles Maddy, III, Summit's President and Chief Executive Officer, and Robert S. Tissue, Summit's Senior Vice President and Chief Financial Officer, to discuss Summit's indication of interest.

On June 26, 2006, Summit began its due diligence review of Greater Atlantic at the main offices of Greater Atlantic.

On June 30, 2006, Bay-Vanguard Federal Savings Bank began its due diligence review of the Pasadena branch office. Also, on that date, Summit advised Sandler O'Neill that its Board of Directors had authorized management to proceed with negotiations toward a definitive agreement with Greater Atlantic, subject to completion of its due diligence review.

On August 10, 2006, Greater Atlantic announced publicly that it was investigating an unreconciled inter-company account between Greater Atlantic Bank and Greater Atlantic Mortgage Corporation, Greater Atlantic Bank's wholly-owned mortgage banking subsidiary that had terminated operations earlier in the year.

On September 8, 2006, Greater Atlantic announced publicly that the former management company of Greater Atlantic Mortgage Corporation and its principal had initiated arbitration proceedings against Greater Atlantic, Greater Atlantic Bank and Mr. Amos.

On September 26, 2006, Greater Atlantic received from Party "C" an unsolicited indication of interest to purchase the Rockville, Maryland, and South Riding, Virginia, branch offices of Greater Atlantic Bank for a 4% deposit premium.

Following the public announcements of the internal accounting issue and the commencement of the arbitration proceeding, various interested parties, including Summit, informed Greater Atlantic that these outstanding issues would have to be resolved before they could complete their due diligence review of Greater Atlantic and confirm their continued interest in pursuing a proposed transaction. In an effort to continue the process, on October 4, 2006, Greater Atlantic authorized Sandler O'Neill to contact Summit and the other parties that expressed interest in pursuing a whole-bank transaction to determine whether they would be interested in pursuing a purchase and assumption transaction, which would permit them to acquire all of Greater Atlantic's assets and liabilities other than the liabilities associated with the internal accounting issue and the arbitration proceeding.

On December 7, 2006, Greater Atlantic was advised of the interest of Party "D" in acquiring Greater Atlantic. Party "D" provided a confidentiality agreement and information concerning itself on December 7, 2006. Subsequently, on February 8, 2007, Party "D" submitted an indication of interest providing for an all-cash transaction ranging from \$15 million to \$20 million, or an indicated range of \$5.00 to \$6.67 per share, subject to, among other things, settlement of the outstanding arbitration and due diligence.

On January 11, 2007, Greater Atlantic received an indication of interest letter from Summit proposing a purchase and assumption transaction.

On January 16, 2007, the Board of Directors held a special meeting. A representative of Sandler O'Neill analyzed the financial terms of Summit's purchase and assumption proposal as compared to the branch purchase indications of interest with the highest deposit premiums. The Board of Directors noted that Greater Atlantic would lose the tax benefit of its net operating loss carryforwards in a purchase and assumption transaction but would preserve it in a whole-bank merger or acquisition transaction. Valuing the deferred tax asset at approximately \$1.98 million for purposes of evaluating a proposed purchase and assumption transaction, the Board of Directors noted that Summit's purchase and assumption proposal indicated a net transaction value of approximately \$13.48 million, or \$4.46 per share. Following a review

of the indications of interest received for branch office transactions, the Board of Directors noted that the aggregate transaction value for those transactions would amount to approximately \$14.99 million, or \$4.92 per share. During its discussion, the Board of Directors also noted the execution risk that would be involved in dealing with multiple acquirors, as well as the regulatory risk that would be involved given that the Office of Thrift Supervision may raise issue with a series of proposed purchase and assumption transactions that would leave Greater Atlantic Bank a smaller institution with substantial liabilities, including the potential liability associated with the pending arbitration proceeding.

Following further discussion, the Board of Directors instructed the representative of Sandler O'Neill to advise Summit that Greater Atlantic has continued interest in pursuing a whole-bank transaction with Summit and that Summit was authorized to continue its due diligence review of Greater Atlantic.

On January 18, 2007, the representative of Sandler O'Neill advised Greater Atlantic that Summit remained interested in proceeding with its due diligence review in an effort to negotiate and execute a definitive merger agreement.

On January 24, 2007, Party "E" executed a confidentiality agreement, and on January 25, 2007, Party "E" submitted an indication of interest.

On January 25, 2007, the Board of Directors met to discuss the indication of interest submitted by Party "E". Party "E" proposed an all-cash transaction valuing Greater Atlantic at \$4.634 per share, subject to an exclusivity period and other conditions.

On January 25, 2007, Party "F" executed a confidentiality agreement.

On January 29, 2007, Summit resumed its due diligence review of Greater Atlantic.

On February 7, 2007, Party "F" submitted an indication of interest for an all-cash transaction that indicated a range of value from approximately \$14.5 million to \$16.0 million, or a range of \$4.79 to \$5.30 per share, subject to due diligence and other conditions.

On February 8, 2007, an indication of interest for an all-cash, whole-bank transaction was received from Party "D" indicating a transaction value ranging from \$15 million to \$20 million, or \$5.00 to \$6.67, per share, subject to due diligence and other conditions.

On February 9, 2007, Summit submitted a revised indication of interest for a whole-bank transaction, but with the exclusion of the Pasadena branch office and with an indicated value of \$4.60 per share.

On February 9, 2007, Greater Atlantic announced publicly the resolution of the arbitration proceeding.

On February 13, 2007, Messrs. Calomiris and Amos, Sidney M. Bresler, a director of Greater Atlantic, and Paul J. Cinquegrana, a director of Greater Atlantic now deceased, met with Messrs. Maddy, III and Tissue. Messrs. Maddy, III and Tissue provided background information about Summit and expressed Summit's interest in a transaction with Greater Atlantic.

On February 14, 2007, the Board of Directors of Greater Atlantic met. A representative of Sandler O'Neill and representatives of Greater Atlantic's legal counsel were also present. The representative of Sandler O'Neill reviewed the terms of the various indications of interest that had been received to date. The Board of Directors considered and discussed in detail Greater Atlantic's prospects as an independent entity and came to the consensus that it would be in the best interests of Greater Atlantic and its stockholders to pursue a merger transaction with Summit, as well as the

sale of the Pasadena branch office to Bay-Vanguard Federal Savings Bank. Following all discussion, the Board of

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Directors determined to pursue the proposals by Summit and Bay-Vanguard Federal Savings Bank and instructed senior management, in consultation with Greater Atlantic's legal and financial advisors, to proceed to negotiate the terms of a definitive merger agreement with Summit and the terms of a definitive purchase and assumption agreement with Bay-Vanguard Federal Savings Bank, consistent with their respective indications of interest, for presentation to and consideration by the Board of Directors at the earliest practicable time.

On February 20, 2007, representatives of Bay-Vanguard Federal Savings Bank conducted a due diligence review of the Pasadena branch office.

On March 1 and 2, 2007, representatives of Greater Atlantic conducted a due diligence review of Summit at its offices in Moorefield, West Virginia.

On March 21, 2007, Bay-Vanguard Federal Savings Bank informed Greater Atlantic, through a representative of Sandler O'Neill, that its had revised its indication of interest to reduce the deposit premium for the Pasadena branch office to 8.5%.

On March 28, 2007, the Board of Directors of Greater Atlantic met. Senior management of Greater Atlantic advised the Board of Directors that representatives of the Office of Thrift Supervision had inquired recently about the status of the ongoing merger and acquisition discussions and the prospects of negotiating and entering into a definitive agreement in the near term. The Board of Directors then discussed the Bay-Vanguard Federal Savings Bank's revised indication of interest for the purchase of the Pasadena branch office at a deposit premium of 8.5%. The representative of Sandler O'Neill noted that the new proposed deposit premium, although reduced from the 9.5% proposed initially, remained the highest proposal obtained. Following discussion, the Board of Directors authorized management, with the assistance of Greater Atlantic's legal and financial advisors, to negotiate a definitive purchase and assumption agreement for the sale of the Pasadena branch office consistent with the terms of the revised indication of interest of Bay-Vanguard Federal Savings Bank.

During the balance of March and early April 2007, representatives of Greater Atlantic and of Summit negotiated the terms of the definitive merger agreement and senior management representatives of Greater Atlantic and of Summit were in periodic contact to discuss transaction integration issues. During the same period, representatives of Greater Atlantic Bank and of Bay-Vanguard Federal Savings Bank negotiated the terms of the definitive purchase and assumption agreement for the purchase of the Pasadena branch office.

On the morning of April 12, 2007, a joint meeting of the Boards of Directors of Greater Atlantic and Greater Atlantic Bank was held to consider and discuss the terms of the definitive merger agreement as negotiated by Greater Atlantic and Summit and the terms of the definitive purchase and assumption agreement as negotiated by Greater Atlantic Bank and Bay-Vanguard Federal Savings Bank for the purchase the Pasadena branch office. A representative of Sandler O'Neill and representatives of Greater Atlantic's legal counsel were present at the meeting. Copies of the merger agreement and ancillary documents and of the purchase and assumption agreement were sent to each director before the meeting. The representative of Sandler O'Neill made a presentation regarding the fairness of the proposed merger consideration to the holders of Greater Atlantic's common stock from a financial point of view and delivered the opinion of Sandler O'Neill that, as of April 12, 2007, and subject to the limitations and qualifications set forth in the opinion, the proposed merger consideration was fair from a financial point of view to the holders of Greater Atlantic common stock. The Board of Directors considered carefully the opinion of Sandler O'Neill as well as Sandler O'Neill's experience, qualifications and interest in the proposed transactions. Representatives of Greater Atlantic's legal counsel reviewed in detail the terms of the merger agreement and the ancillary documents and the terms of the purchase and assumption agreement with the Board of Directors and reviewed with the Board of Directors its fiduciary duties in the context of the proposed transactions. In addition, senior management of Greater Atlantic, along with representatives of Sandler O'Neill and of legal counsel, presented the findings of Greater Atlantic's due

diligence review of Summit. In addition, the Board discussed the expected transaction costs including the value of severance obligations under existing employment and change in control agreements with members of management and other benefit arrangements. Following those presentations, and discussion regarding the transactions, all of the directors present determined that the merger agreement and the ancillary transactions and the purchase and assumption agreement were advisable and in the best interests of Greater Atlantic and its stockholders and authorized Mr. Amos to execute and deliver the merger agreement and related documents and the purchase and assumption agreement on behalf of Greater Atlantic and Greater Atlantic Bank and to take all actions appropriate to effect the transactions contemplated by those agreements. Jeffrey M. Gitelman, D.D.S was the only director of Greater Atlantic and Greater Atlantic Bank absent from the meeting. Dr. Gitelman's absence was unavoidable but he advised the Board of Directors before the meeting by e-mail that he was in favor of both transactions. Later in the day, Greater Atlantic issued a press release announcing the execution of the merger agreement with Summit and the execution by Greater Atlantic Bank of the purchase and assumption agreement with Bay-Vanguard Federal Savings Bank.

Greater Atlantic's Reasons for the Merger

At the meeting at which the merger agreement was presented for consideration, Greater Atlantic's Board of Directors, by a unanimous vote of the directors present at the meeting, approved the merger agreement and recommended that Greater Atlantic's stockholders vote "FOR" approval of the merger agreement.

Greater Atlantic's Board of Directors has determined that the merger is advisable and in the best interests of Greater Atlantic and its stockholders. In approving the merger agreement, the Board of Directors consulted with Sandler O'Neill regarding the fairness of the transaction to Greater Atlantic's stockholders from a financial point of view and with Greater Atlantic's legal counsel regarding its legal duties and the terms of the merger agreement and ancillary documents. In determining to approve the merger agreement and recommend that stockholders approve the merger, the Board of Directors, in consultation with Greater Atlantic's senior management and financial and legal advisors, considered a number of factors, including the following material factors:

- The understanding of the Board of Directors of the strategic options available to Greater Atlantic and the Board of Directors' assessment of those options with respect to the prospects and estimated results of the execution by Greater Atlantic of its business plan as an independent entity under various scenarios, and the determination that none of those options or the execution of the business plan under the best case scenarios were likely to create greater present value for Greater Atlantic's stockholders than the value to be paid by Summit. In particular, the Board of Directors considered Greater Atlantic's ability to achieve consistent profitability as an independent entity and the prospects for adverse regulatory action if it failed to do so.
- The ability of Greater Atlantic's stockholders to participate in the future prospects of the combined entity through ownership of Summit common stock and that Greater Atlantic's shareholders would have potential value appreciation by owning the common stock of Summit.
- Summit's ability to continue to pay cash dividends on its common stock (Greater Atlantic has never paid cash dividends).
- Sandler O'Neill's written opinion that, as of April 12, 2007, and subject to the assumptions and limitations set forth in the opinion, the merger consideration was fair to Greater Atlantic's stockholders from a financial point of view.
- The wider array of financial products and services that would be available to customers of Greater Atlantic and the communities served by Greater Atlantic.

- The current and prospective economic, competitive and regulatory environment and the regulatory compliance costs facing Greater Atlantic and other similar size, independent, community banking institutions generally, including the cost of compliance with the requirements of the Sarbanes-Oxley Act.
- A review, with the assistance of Greater Atlantic's financial and legal advisors, of the terms of the merger agreement, including that the merger is intended to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes.
 - The results of the due diligence review of Summit.
- The Greater Atlantic employees to be retained after the merger would have opportunities for career advancement in a larger organization.
- The likelihood of timely receiving regulatory approval and the approval of Greater Atlantic's stockholders and the estimated transaction and severance costs associated with the merger and payments that could be triggered upon termination of or failure to consummate the merger.

The foregoing information and factors considered by Greater Atlantic's Board of Directors is not exhaustive, but includes all material factors that the Board of Directors considered and discussed in approving the merger agreement and recommending that Greater Atlantic's stockholders vote to approve the merger. In view of the wide variety of factors considered and discussed by the Board of Directors in connection with its evaluation of the merger and the complexity of these factors, the Board of Directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign any specific or relative weights to the specific factors that it considered in reaching its decision; rather it considered all of the factors as a whole. The Board of Directors discussed and considered the foregoing factors and reached general consensus that the merger was in the best interests of Greater Atlantic and its stockholders. In considering the foregoing factors, individual directors of Greater Atlantic may have assigned different weights to different factors. The Board of Directors relied on the experience and expertise of Sandler O'Neill for quantitative analysis of the financial terms of the merger agreement. See "The Merger - Opinion of Greater Atlantic's Financial Advisor" and the opinion letter of Sandler O'Neill attached to this proxy statement/ prospectus as Annex C. It should be noted that this explanation of the reasoning of Greater Atlantic's Board of Directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under "Forward-Looking Statements" on page 17.

Summit's Reasons for the Merger

The merger is consistent with Summit's plan to have operations, offices and distinct capabilities in every market of its choice within its region. The merger will afford Summit the opportunity to further expand market share in the Northern Virginia market. Summit believes that, in addition to expanding Summit's presence in very attractive markets, the merger provides an opportunity to enhance Summit's stockholder value with the prospects of positive long-term performance of Summit's common stock. Summit believes that the merger is a strategic fit between Summit and Greater Atlantic given the compatibility of the management and business philosophy of each company. Enhanced opportunities should result from the merger by eliminating redundant or unnecessary costs and enhancing revenue growth prospects.

Opinion of Greater Atlantic's Financial Advisor

By letter agreement dated January 30, 2006, Greater Atlantic retained Sandler O'Neill to act as its financial advisor in connection with a possible business combination. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor to Greater Atlantic in connection with the proposed merger with Summit and participated in certain of the negotiations leading to the merger agreement. At the April 12, 2007 meeting at which Greater Atlantic's board considered and approved the merger agreement, Sandler O'Neill delivered to the board its oral opinion, subsequently confirmed in writing that, as of such date, the merger consideration was fair to Greater Atlantic's stockholders from a financial point of view. Sandler O'Neill has updated its fairness opinion as of the date of this proxy statement. The full text of Sandler O'Neill's updated opinion is attached as Annex C to this document. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. Greater Atlantic stockholders are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.

Sandler O'Neill's opinion speaks only as of the date of the opinion and was necessarily based upon financial, economic, market and other conditions as they existed, and could be evaluated, on that date. The opinion is directed to the Greater Atlantic board and speaks only to the fairness of the merger consideration to Greater Atlantic stockholders from a financial point of view. It does not address the underlying business decision of Greater Atlantic to engage in the merger or any other aspect of the merger and is not a recommendation to any Greater Atlantic stockholder as to how such stockholder should vote at the special meeting with respect to the merger, the form of consideration such stockholder should elect, or any other matter.

In connection with rendering its fairness opinion, Sandler O'Neill reviewed and considered, among other things:

- (1) the merger agreement;
- (2) certain publicly available financial statements and other historical financial information of Greater Atlantic that Sandler O'Neill deemed relevant;
- (3) certain publicly available financial statements and other historical financial information of Summit that Sandler O'Neill deemed relevant;
- (4) internal financial projections for Greater Atlantic for the years ending December 31, 2007 and 2008 prepared by and reviewed with senior management of Greater Atlantic and growth and performance projections for the years ending December 31, 2009 and 2010 as provided by and reviewed with senior management of Greater Atlantic;
- (5) internal financial projections for Summit for the years ending December 31, 2007 and 2008 prepared by and reviewed with management of Summit and growth and performance projections for the years ending December 31, 2009 and 2010 as provided by and reviewed with management of Summit;

- (6) the pro forma financial impact of the merger on Summit based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings determined by the senior managements of Greater Atlantic and Summit;
- (7) the pro forma financial impact on Greater Atlantic of the sale of Greater Atlantic Bank's Pasadena branch office;
- (8) the publicly reported historical price and trading activity for Greater Atlantic's and Summit's respective common stock, including a comparison of certain financial and stock market information for Greater Atlantic and Summit with similar publicly available information for certain other companies the securities of which are publicly traded;
- (9) the financial terms of certain recent business combinations in the commercial banking and thrift industries, to the extent publicly available;
- (10) the current market environment generally and the banking environment in particular; and
- (10) such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

Sandler O'Neill also discussed with certain members of Greater Atlantic's senior management the business, financial condition, results of operations and prospects of Greater Atlantic and held similar discussions with certain members of senior management of Summit regarding the business, financial condition, results of operations and prospects of Summit.

In performing its reviews and analyses, Sandler O'Neill relied upon the accuracy and completeness of all of the financial and other information that was available to it from public sources, that was provided by Greater Atlantic and Summit or their respective representatives or that was otherwise available to Sandler O'Neill and assumed such accuracy and completeness for purposes of rendering its opinion. Sandler O'Neill further relied on the assurances of senior management of Greater Atlantic and Summit that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O'Neill was not asked to, and did not, undertake an independent verification of any of such information and Sandler O'Neill did not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Greater Atlantic or Summit or any of their subsidiaries, or the collectibility of any such assets, nor was Sandler O'Neill furnished with any such evaluations or appraisals. Sandler O'Neill is not an expert in the evaluation of allowances for loan losses and it did not make an independent evaluation of the adequacy of the allowance for loan losses of Greater Atlantic or Summit, nor did Sandler O'Neill review any individual credit files relating to Greater Atlantic or Summit. Sandler O'Neill assumed, with Greater Atlantic's consent, that the respective allowances for loan losses for both Greater Atlantic and Summit were adequate to cover such losses and together will be adequate for the combined company.

With respect to the internal financial projections for Greater Atlantic and Summit and the projections of transaction costs, purchase accounting adjustments and expected cost savings prepared by and/or reviewed with the senior managements of Greater Atlantic and Summit used by Sandler O'Neill in its analyses, senior management of Greater Atlantic and Summit confirmed that those projections and the assumptions related thereto reflected the best currently available estimates and judgments of the future financial performance of Greater Atlantic and Summit. Sandler O'Neill assumed that the financial performances reflected in all projections and estimates used by them in their analyses would be achieved and expressed no opinion as to such projections or estimates or the assumptions on which they were based. Those estimates and projections, as well as the other estimates used by Sandler O'Neill in its

analysis, were based on numerous variables and assumptions which are inherently uncertain and, accordingly, actual results could vary materially from those set forth in such projections.

Sandler O'Neill also assumed that there had been no material change in Greater Atlantic's and Summit's assets, financial condition, results of operations, business or prospects since the date of the last financial statements made available to them, that Greater Atlantic and Summit would remain as going concerns for all periods relevant to its analyses, that all of the representations and warranties contained in the merger agreement were true and correct as set forth in the merger agreement, that each party to the merger agreement would perform all of the covenants required to be performed by such party under that agreement, that the conditions precedent in the merger agreement will not be waived and that the merger will qualify as a tax-free reorganization for federal income tax purposes. Sandler O'Neill, with Greater Atlantic's consent, relied on the advice Greater Atlantic received from its legal, accounting, and tax advisors as to all legal, accounting, and tax matters relating to the merger agreement and the merger.

In rendering its opinion, Sandler O'Neill performed a variety of financial analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinions and provided such analyses to the Greater Atlantic board of directors. The summary below is not a complete description of the analyses underlying Sandler O'Neill's opinions or the presentation made by Sandler O'Neill to Greater Atlantic's board, but is instead a summary of the material analyses performed and presented in connection with its opinions. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to Greater Atlantic or Summit and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect their public trading values or merger transaction values. The process, therefore, is not necessarily susceptible to a partial analysis or summary description.

In arriving at its opinions, Sandler O'Neill did not attribute any particular weight to any analysis or factor that it considered. Rather, Sandler O'Neill made its own qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Sandler O'Neill did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinions; rather Sandler O'Neill made its determination as to the fairness of the merger consideration on the basis of its experience and professional judgment after considering the results of all the analyses taken as a whole. Accordingly, Sandler O'Neill believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analysis and opinions. The tables alone do not constitute complete descriptions of the financial analyses presented in such tables. Sandler O'Neill expressed no opinion as to the fairness of the amount or nature of the compensation to be received in the merger by Greater Atlantic's officers, directors or employees, or class of such persons, relative to the compensation to be received in the merger by any other shareholders of Greater Atlantic. Sandler O'Neill's opinion was approved by Sandler O'Neill's fairness opinion committee.

In performing its analysis, Sandler also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Greater Atlantic, Summit and Sandler O'Neill. The analysis performed by Sandler O'Neill is not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analysis. Estimates on the values of companies did not purport to be appraisals or necessarily reflect the prices at which companies or their securities might actually be sold. Such estimates are inherently subject to uncertainty and

actual values

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may be materially different. Accordingly, Sandler O’Neill’s analysis does not necessarily reflect the value of Greater Atlantic’s common stock or Summit’s common stock or the prices at which Greater Atlantic’s or Summit’s common stock may be sold at any time. The analysis of Sandler and the fairness opinion of Sandler O’Neill were among a number of factors taken into consideration by Greater Atlantic’s board in making its determination to adopt the merger agreement and the analysis described below should not be viewed as determinative of the decision of Greater Atlantic’s board with respect to the fairness of the merger.

Summary of Proposal. Sandler O’Neill reviewed the financial terms of the proposed transaction. Pursuant to the merger agreement, each share of Greater Atlantic common stock issued and outstanding immediately prior to the merger will be converted into the right to receive (a) cash in an amount equal to \$1.80 per share and (b) that number of shares of Summit common stock, \$2.50 par value per share, (the “Summit Common Stock”) equal to \$4.20 divided by the average closing price of Summit Common Stock reported on the NASDAQ for the twenty (20) trading days prior to the closing of the Merger provided, however, if the Average Closing Price is less than \$17.82, the exchange ratio will be calculated by dividing \$4.20 by \$17.82. If the Average Closing Price is greater than \$24.10, the exchange ratio will be calculated by dividing \$4.20 by \$24.10. Using Summit’s twenty day trading average as of February 14, 2008 of \$14.66, Sandler O’Neill calculated the aggregate transaction value to be \$15.9 million, or \$5.26 per Greater Atlantic share. Based upon financial information for Greater Atlantic for the twelve months ended September 30, 2007, Sandler O’Neill calculated the following ratios:

Transaction Ratios

Transaction price / Last twelve months’ earnings per share	NM
Transaction price / Book value per share	166%
Transaction price / Tangible book value per share	184%
Tangible book premium/Core Deposits (1)	4.7%
2 Day market premium as of February 14, 2008	6.3%
2 Day market premium as of April 10, 2007 (2)	110.4%

(1) Core deposits exclude time deposits with account balances greater than \$100,000.

(2) Greater Atlantic’s stock price at the time of announcement.

Stock Trading History. Sandler O’Neill also reviewed the history of the publicly reported trading prices of Greater Atlantic’s common stock for three-year period ended April 5, 2007. Sandler O’Neill did not review the updated history of the reported trading prices and volume of Greater Atlantic as Greater Atlantic’s stock price was trading based on the publicly announced merger consideration. Sandler O’Neill also reviewed the updated history of the reported trading prices and volume of Summit’s common stock for the one year and the three year periods ended February 13, 2008. Sandler O’Neill then compared the relationship between the movements in the price of Greater Atlantic’s common stock against the movements in the prices of the Standard & Poor’s 500 Index, the NASDAQ Bank Index, the Standard & Poor’s Bank Index and the performance of a composite peer group - a weighted average (by market capitalization) composite of publicly traded comparable depository institutions selected by Sandler O’Neill. Sandler O’Neill also compared the relationship between the movements in the prices of Summit’s common stock to movements in the prices of the Nasdaq Bank Index, S&P Bank Index, and S&P 500 Index and the performance of a composite peer group - a weighted average (by market capitalization) composite of publicly traded comparable depository institutions selected by Sandler O’Neill. The composition of the peer group for Greater Atlantic is discussed under the relevant section under “Comparable Company Analysis” below. The composition of the peer group for Summit is discussed under the relevant section under “Comparable Company Analysis” below.

The relative performances were as follows:

Greater Atlantic's Stock Performance

	Beginning Index Value April 8, 2004		Ending Index Value April 5, 2007
Greater Atlantic	100.00%	32.2%	
S&P 500 Index	100.00	126.8	
NASDAQ Bank Index	100.00	109.5	
S&P Bank Index	100.00	117.5	
Regional Peer Group Index (1)	100.00	96.0	

(1) Refers to the peer group outlined in the Comparable Group Analysis section below.

Summit's Stock Performance

	Beginning Index Value February 11, 2005		Ending Index Value February 13, 2008
Summit	100.00%	53.6%	
S&P 500 Index	100.00	113.4	
NASDAQ Bank Index	100.00	86.1	
S&P Bank Index	100.00	81.8	
Regional Peer Group Index (1)	100.00	82.7	

(1) Refers to the peer group outlined in the Comparable Group Analysis section below.

Comparable Company Analysis. Sandler O'Neill used publicly available information to compare selected financial and market trading information for Greater Atlantic and Summit to various peer groups selected by Sandler O'Neill. The peer group for Greater Atlantic consisted of the following companies:

American Bank Holdings, Inc.	KS Bancorp, Inc.
Coddle Creek Financial Corp.	SE Financial Corp.
Community Financial Corporation	South Street Financial Corp.
First Keystone Financial, Inc.	Virginia Savings Bank, FSB

First Star Bancorp, Inc.
Independence Federal Savings Bank

Washington Savings Bank, F.S.B.
WVS Financial Corp.

The analysis compared publicly available financial information as of and for the most recently reported twelve-month period and market trading information as of April 10, 2007. The table below compares the data for Greater Atlantic with the median data for the regional peer group.

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Greater Atlantic Comparable Group Analysis

	Greater Atlantic	Regional Peer Group Median
Market Capitalization (in millions)	\$7	\$34
Total assets (in millions)	\$287	\$325
Tangible equity/Tangible assets	2.49%	7.99%
Last twelve months' return on average assets	(1.36%)	0.67%
Last twelve months' return on average equity	(37.18%)	7.91%
Price/Tangible book value per share	100%	126%
Price/Last twelve months' earnings per share	NM	15.6x

The "Regional Peer Group" for Summit consisted of the following companies:

Burke & Herbert Bank & Trust Co.	Middleburg Financial Corporation
Cardinal Financial Corporation	National Bankshares, Incorporated
Eastern Virginia Bankshares, Inc.	Old Point Financial Corporation
First Mariner Bancorp	Shore Bancshares, Inc.
First United Corporation	Virginia Commerce Bancorp, Inc.

The analysis compared publicly available financial information as of and for the most recently reported twelve-month period and market trading information as of February 14, 2008. The table below compares the data for Summit with the median data for the peer group.

Summit Comparable Group Analysis

	Summit	Regional Peer Group Median
	\$108	\$136

Market Capitalization (in millions)		
Total assets (in millions)	\$1,436	\$1,102
Tangible equity/Tangible assets	5.57%	8.85%
Last twelve months' return on average assets	0.50 %	0.98%
Last twelve months' return on average equity	7.34%	10.97%
Price/Tangible book value per share	136%	148%
Price/Last twelve months' earnings per share	16.5x	12.4x
Price/Estimated 2008 earnings per share	7.9x	12.3x

Analysis of Selected Merger Transactions. Sandler O'Neill reviewed 29 merger transactions announced from January 1, 2004 through February 14, 2008 involving acquisitions of banks and thrifts in the United States with announced transaction value less than \$30 million and the selling companies recorded negative earnings for the last twelve month period and the prior two fiscal years. Sandler O'Neill reviewed the multiples of transaction price at announcement to stated book value per share, tangible book value per share, as well as tangible book premium to core deposits and current market price premium, and computed high, low, mean and median multiples and premiums for the transactions.

Comparable Transactions Analysis

	Selected Merger Median
	Multiple
Transaction price/ Book value per share	156%
Transaction price / Tangible book value per share	161%
Tangible book premium / Core deposits (1)	7.9%
Premium to current market price	38.1%

(1) Core deposits exclude time deposits with account balances greater than \$100,000.

Discounted Cash Flow Analysis. Sandler O'Neill performed an analysis to estimate the future stream of after-tax cash flows that Summit would provide to equity holders through 2012 on a stand-alone basis, assuming Summit increased its annual dividend by \$0.02 annually and that Summit performed in accordance with the earnings and growth projections reviewed with Summit's senior management. To approximate the terminal value of Summit Common Stock at December 31, 2012, Sandler O'Neill applied price/earnings multiples ranging from 10x to 20x and multiples of tangible book value ranging from 75% to 200%. The dividend stream and terminal values were then discounted to present values using discount rates ranging from 10% to 16%, which were selected by Sandler O'Neill to reflect different assumptions regarding required rates of return of holders or prospective buyers of Summit's Common Stock. This analysis resulted in the following reference ranges of indicated per share values for Summit's Common Stock:

Terminal Earnings Multiple

Discount Rate	10x	12x	14x	16x	18x	20x
10.0%	\$20.32	\$24.09	\$27.85	\$31.62	\$35.39	\$39.15
11.0%	\$19.45	\$23.05	\$26.65	\$30.25	\$33.85	\$37.45
12.0%	\$18.62	\$22.06	\$25.51	\$28.95	\$32.39	\$35.83
13.0%	\$17.84	\$21.13	\$24.42	\$27.72	\$31.01	\$34.30
14.0%	\$17.09	\$20.24	\$23.40	\$26.55	\$29.70	\$32.85
15.0%	\$16.39	\$19.40	\$22.42	\$25.44	\$28.45	\$31.47
16.0%	\$15.72	\$18.61	\$21.49	\$24.38	\$27.27	\$30.16

Terminal Tangible Book Multiple						
Discount Rate	75%	100%	125%	150%	175%	200%
10.0%	\$11.62	\$15.00	\$18.38	\$21.76	\$25.14	\$28.52
11.0%	\$11.13	\$14.36	\$17.59	\$20.82	\$24.05	\$27.28
12.0%	\$10.67	\$13.76	\$16.85	\$19.94	\$23.02	\$26.11
13.0%	\$10.23	\$13.19	\$16.14	\$19.09	\$22.05	\$25.00
14.0%	\$9.82	\$12.64	\$15.47	\$18.30	\$21.12	\$23.95
15.0%	\$9.42	\$12.13	\$14.83	\$17.54	\$20.24	\$22.95
16.0%	\$9.05	\$11.64	\$14.23	\$16.82	\$19.41	\$22.00

Sandler O'Neill performed a similar analysis assuming Summit's 2010 net income varied from 25% above to 25% below the estimates noted above. This analysis resulted in the following reference ranges of indicated per share values for Summit's common stock, using a discount rate of 12.98%:

Terminal Earnings Multiple						
EPS Projection Change from Base Case	10x	12x	14x	16x	18x	20x
(25.0%)	\$13.25	\$15.64	\$18.02	\$20.40	\$22.78	\$25.16
(20.0%)	\$14.05	\$16.59	\$19.13	\$21.67	\$24.21	\$26.75
(15.0%)	\$14.84	\$17.54	\$20.24	\$22.94	\$25.64	\$28.34
(10.0%)	\$15.64	\$18.49	\$21.35	\$24.21	\$27.07	\$29.93
(5.0%)	\$16.43	\$19.45	\$22.46	\$25.48	\$28.50	\$31.52
0.0%	\$17.22	\$20.40	\$23.58	\$26.75	\$29.93	\$33.10
5.0%	\$18.02	\$21.35	\$24.69	\$28.02	\$31.36	\$34.69
10.0%	\$18.81	\$22.31	\$25.80	\$29.29	\$32.79	\$36.28
15.0%	\$19.61	\$23.26	\$26.91	\$30.56	\$34.22	\$37.87
20.0%	\$20.40	\$24.21	\$28.02	\$31.83	\$35.64	\$39.46
25.0%	\$21.19	\$25.16	\$29.13	\$33.10	\$37.07	\$41.04

In its discussions with the Greater Atlantic board, Sandler O'Neill noted that the discounted cash flow analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Pro Forma Merger Analysis. Sandler O'Neill analyzed certain potential pro forma effects of the merger, assuming (1) a deal price per share of \$5.26; (2) Consideration mix of 65% stock and 35% cash; (3) all options to purchase shares of Greater Atlantic common stock with a strike price lower than the deal price per share are to be cashed out; (4) each of Greater Atlantic and Summit performs in accordance with the earnings projections and estimates discussed above; and (5) the merger closes during the second quarter of 2008. Sandler O'Neill also assumed various purchase accounting adjustments (including amortizable identifiable intangibles created in the merger), charges and transaction costs associated with the merger, and cost savings resulting from the merger (100% of which would be realized in 2008). Based on the assumptions listed above, the analysis indicated that the merger would be dilutive to Summit's estimated 2008 earnings per share and accretive to 2009 earnings per share. The actual results achieved by the

combined company may vary from projected results and the variations may be material.

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Sandler O’Neill’s Compensation and Other Relationships with Greater Atlantic and Summit. Greater Atlantic has agreed to pay Sandler O’Neill a monthly retainer of \$10,000 each month (“General Advisory Services Fee”) and will continue to do so until the closing of the transaction. Sandler O’Neill will also be paid a transaction fee in connection with the merger of \$150,000, plus a potential incentive fee if the Aggregate Purchase Price is over \$17,000,000. It is agreed that one-half of the General Advisory Services Fee shall be credited against the \$150,000 transaction fee. A fee of \$100,000 has been paid to Sandler O’Neill for rendering its fairness opinions. In connection with the Pasadena, Maryland branch sale, Greater Atlantic has agreed to pay Sandler O’Neill a fee of \$77,281, which is equal to 0.15% of the total deposits in the branch sale transaction. Half of such branch sale transaction fee was paid upon signing of the definitive agreement and the remaining amount was paid the day of closing of the branch sale transaction. Greater Atlantic has also agreed to reimburse certain of Sandler O’Neill reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler O’Neill and its affiliates and their respective partners, directors, officers, employees, agents and controlling persons against certain expenses and liabilities, including liabilities under the securities laws.

In the ordinary course of its business as a broker-dealer, Sandler O’Neill may purchase securities from and sell securities to Greater Atlantic and Summit and their affiliates. Sandler O’Neill may also actively trade the debt and/or equity securities of Greater Atlantic or Summit or their affiliates for its own account or for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Interests of Certain Persons in the Merger

Certain members of Greater Atlantic’s management have interests in the merger in addition to their interests as shareholders of Greater Atlantic. These interests are described below. In each case, the Greater Atlantic board of directors was aware of these potential interests, and considered them, among other matters, in approving the merger agreement and the transactions contemplated thereby.

Employment and Severance Agreements. After the effective date of the merger, the employment of certain employees of Greater Atlantic may be terminated in a manner which will entitle them to receive termination benefits provided under existing employment agreements with Greater Atlantic. The terms of such termination benefits for each employee are set forth below.

Amos Employment Agreement. Effective November 1, 1997, Greater Atlantic Bank entered into an employment agreement with Carroll E. Amos, President and Chief Executive Officer of Greater Atlantic Bank. Under the employment agreement, if, following a change in control (as defined in the employment agreement), Mr. Amos voluntarily resigns or his employment is terminated involuntarily for reasons other than cause, Mr. Amos (or in the event of his death, his beneficiary) would be entitled to a lump sum cash severance payment equal to the greater of: (i) the remaining payments due for the term of the employment agreement, or (ii) two times the average of Mr. Amos’ annual compensation for the three years preceding the change in control. For purposes of the employment agreement, the merger with Summit constitutes a change in control. In addition to a cash severance payment, the employment agreement provides that Greater Atlantic Bank or its successor will cause to be continued Mr. Amos’ life, health, dental and disability insurance coverage for thirty-six months following his termination of employment in connection with a change in control. That insurance coverage is required to be provided under terms substantially identical to the coverage maintained by Greater Atlantic Bank prior to Mr. Amos’ termination date. In the event Mr. Amos’ employment is voluntarily or involuntarily terminated following the merger by and between Summit and Greater Atlantic, Mr. Amos would be entitled to a lump sum cash payment and health and welfare benefits equal to approximately \$394,000.

Senior Officers’ Severance Compensation Plan. Effective on December 1, 1999, Greater Atlantic Bank implemented an Employee Severance Compensation Plan (the “Officer Plan”), to provide severance benefits to the following senior

officers who are terminated, voluntarily or involuntarily from employment with Greater Atlantic Bank within one year of a change in control (as defined in the Officer

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Plan) of Greater Atlantic Bank or Greater Atlantic: Edward C. Allen, Justin R. Golden, Gary L. Hobert, Robert W. Neff and David E. Ritter. The severance benefits are paid in a lump sum cash payment within thirty days after termination equal in amount to the compensation paid to such participant during the twelve months immediately preceding the date of termination. The merger would constitute a change in control under the Officer Plan. Accordingly, if the employment of the participants is terminated within one year of the merger, then each Participant will receive the following severance benefits: Edward C. Allen - \$121,000, Justin R. Golden - \$101,000, Gary L. Hobert - \$135,000, Robert W. Neff - \$130,000 and David E. Ritter - \$114,000.

Conversion of Stock Options. The merger agreement provides that each stock option granted to officers, employees and directors of Greater Atlantic under Greater Atlantic's stock option plan and outstanding prior to the effective date of the merger will vest and holders of such options shall be entitled to receive cash in an amount equal to the difference between the value of (a) the merger consideration and (b) the applicable exercise price (rounded to the nearest cent) for each outstanding option granted by Greater Atlantic to purchase shares of Greater Atlantic common stock. The following table sets forth the cash that will be paid to each executive officer of Greater Atlantic upon consummation of the merger in accordance with the terms of the merger agreement and assumes that the value for each share of stock of Greater Atlantic that will be exchanged in the merger is \$6.00.

GREATER ATLANTIC FINANCIAL CORP.
Option Payouts at Merger

Employee	# of options	Exercise Price (per share)	Value of Merger Consideration (per share)	Cash Payout
Carroll E. Amos	8,666	\$ 4.00	\$ 6.00	\$ 17,332.00
Robert W. Neff	8,000	4.00	6.00	16,000.00
David E. Ritter	8,000	4.00	6.00	16,000.00
Edward C. Allen	9,000	4.00	6.00	18,000.00
Justin R. Golden	8,000	4.00	6.00	16,000.00
Gary L. Hobert	10,000	5.31	6.00	6,900.00

Employee Benefit Plans. Summit intends to provide the continuing employees of Greater Atlantic with employee benefit plans substantially similar to those provided to the employees of Summit. Employees of Greater Atlantic will receive credit for their service to Greater Atlantic in determining their eligibility and vesting in the benefit plans provided by Summit.

Conditions of the Merger

The respective obligations of Summit and Greater Atlantic to consummate the merger are subject to the satisfaction of certain mutual conditions, including the following:

- The shareholders of Greater Atlantic approve the merger agreement and the transactions contemplated thereby at the special meeting of shareholders for Greater Atlantic;
- All regulatory approvals required by law to consummate the transactions contemplated by the merger agreement are obtained from the Federal Reserve Board and any other appropriate federal and/or state regulatory agencies without unreasonable conditions, and all waiting periods after such approvals required by law or regulation expire;
- The registration statement (of which this proxy statement/prospectus is a part) registering shares of Summit common stock to be issued in the merger is declared effective and not subject to a stop order or any threatened stop order;
- There shall be no actual or threatened litigation, investigations or proceedings challenging the validity of, or damages in connection with, the merger that would have a material adverse effect with respect to the interests of Summit or Greater Atlantic or impose a term or condition that shall be deemed to materially adversely impact the economic or business benefits of the merger;
- The absence of any statute, rule, regulation, judgment, decree, injunction or other order being enacted, issued, promulgated, enforced or entered by a governmental authority effectively prohibiting consummation of the merger;
- All permits or other authorizations under state securities laws necessary to consummate the merger and to issue the shares of Summit common stock to be issued in the merger being obtained and remaining in full force and effect; and
- Authorization for the listing on the NASDAQ Capital Market of the shares of Summit common stock to be issued in the merger.

In addition to the mutual covenants described above, the obligation of Summit to consummate the merger is subject to the satisfaction, unless waived, of the following other conditions:

- The representations and warranties of Greater Atlantic made in the merger agreement are true and correct as of the date of the merger agreement and as of the effective time of the merger and Summit receives a certificate of the chief executive officer and the chief financial officer of Greater Atlantic to that effect;
- Greater Atlantic performs in all material respects all obligations required to be performed under the merger agreement prior to the effective time of the merger and delivers to Summit a certificate of its chief executive officer and chief financial to that effect; and
- Summit shall have received an opinion of Hunton & Williams, special counsel to Summit, dated as of the effective time of the merger, that the merger constitutes a “reorganization” under Section 368 of the Internal Revenue Code.

In addition to the mutual covenants described above, Greater Atlantic’s obligation to complete the merger is subject to the satisfaction, unless waived, of the following other conditions:

- The representations and warranties of Summit made in the merger agreement are true and correct as of the date of the merger agreement and as of the effective time of the merger and Greater Atlantic receives a certificate of the chief executive officer and chief financial officer of Summit to that effect; and
- Summit performs in all material respects all obligations required to be performed under the merger agreement prior to the effective time of the merger and delivers to Greater Atlantic a certificate of its chief executive officer and chief financial officer to that effect.

Representations and Warranties

The merger agreement contains representations and warranties by Summit and Greater Atlantic. These representations and warranties are qualified by a materiality standard, which means that Summit or Greater Atlantic is not in breach of a representation or warranty unless the existence of any fact, event or circumstance, individually, or taken together with other facts, events or circumstances has had or is reasonably likely to have a material adverse effect on Summit or Greater Atlantic. These include, among other things, representations and warranties by Summit and Greater Atlantic to each other as to:

- organization and good standing of each entity and its subsidiaries;
 - each entity's capital structure;
- each entity's authority relative to the execution and delivery of, and performance of its obligations under, the merger agreement;
- absence of material adverse changes since September 30, 2006, or December 31, 2006, for Greater Atlantic and Summit, respectively;
 - consents and approvals required;
 - regulatory matters;
- accuracy of documents, including financial statements and other reports, filed by each company with the Securities and Exchange Commission ("SEC");
 - absence of defaults under contracts and agreements;
 - absence of environmental problems;
- absence of conflicts between each entity's obligations under the merger agreement and its charter documents and contracts to which it is a party or by which it is bound;
 - litigation and related matters;
 - taxes and tax regulatory matters;
 - compliance with the Sarbanes-Oxley Act and accounting controls;
- absence of brokerage commissions, except as disclosed for financial advisors;
 - employee benefit matters;
- books and records fully and accurately maintained and fairly present events and transactions; and
 - insurance matters.

In addition, Greater Atlantic represents and warrants to Summit that, except as disclosed, neither Greater Atlantic nor any of its subsidiaries are parties to any interest rate swaps, caps, floors, option agreements, futures and forward contract and other similar risk management agreements. Summit represents and warrants to Greater Atlantic that Summit has taken all action to exempt the merger agreement and the merger from the requirements of takeover laws and has sources of capital to pay the cash consideration and to effect the merger.

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the closing in any of the following ways.

The merger agreement may be terminated by mutual written consent of Greater Atlantic and Summit.

The merger agreement may be terminated by either Greater Atlantic or Summit if:

the approval of any governmental entity required for consummation of the merger is denied by a final nonappealable action of such governmental entity;

- the merger has not been completed on or before March 31, 2008;

there has been a breach by the other party of any of its obligations under the merger agreement, which breach cannot be or has not been cured within 30 days following written notice to the breaching party of such breach; or

- the merger agreement is not approved by the shareholders of Greater Atlantic.

The merger agreement may be terminated by Summit if Greater Atlantic's board of directors fails to recommend the merger or withdraws, modifies or changes such recommendation in a manner adverse to Summit.

The merger agreement may be terminated by Greater Atlantic, if the Greater Atlantic board of directors determines that Greater Atlantic has received an unsolicited proposal that if consummated would result in a transaction more favorable to Greater Atlantic's shareholders from a financial point of view, provided that Summit does not make a counteroffer that is at least as favorable to the other proposal and Greater Atlantic pays the termination fee described below.

Effect of Termination; Termination Fee

The provisions of the merger agreement relating to expenses and termination fees will continue in effect notwithstanding termination of the merger agreement. If the merger agreement is validly terminated, the merger agreement will become void without any liability on the part of any party except termination will not relieve a breaching party from liability for any willful breach of the merger agreement.

Greater Atlantic has agreed to pay a cash termination fee to Summit equal to \$750,000 if:

- the merger agreement is terminated for failure to obtain the approval of Greater Atlantic's shareholders, and before such time a competing acquisition proposal for Greater Atlantic has been made public and not withdrawn; or
- Greater Atlantic terminates the merger agreement to accept a proposal by a third party that it believes is superior to Summit's offer set forth in the merger agreement.

This termination fee would be payable as follows: (i) \$250,000 no later than two (2) business days after the date of termination, (ii) \$100,000 on the date that is one (1) year after the termination date, (iii) \$100,000 on the date that is two (2) years after the termination date, and (iv) \$300,000 on the date that is three (3) years after the termination date.

Greater Atlantic also has agreed to pay a cash termination fee to Summit equal to \$250,000 if:

- the merger agreement is terminated because Greater Atlantic's board fails to recommend, withdraws, modifies, or changes its recommendation of the merger before the special meeting;

- Summit terminates the merger agreement due to a breach by Greater Atlantic of any representation, warranty, covenant or other agreement; or
- the merger agreement is terminated due to a failure to consummate the merger by March 31, 2008, unless the failure of the merger to be consummated by that date arises out of or results from the knowing action or inaction of Summit.

This termination fee would be payable no later than two (2) business days after the date of termination.

Waiver and Amendment

Prior to the effective time of the merger, any provision of the merger agreement may be waived by the party benefiting by the provision or amended or modified by an agreement in writing between the parties, except that, after the special meeting, the merger agreement may not be amended if it would violate the Delaware General Corporation Law or the West Virginia Business Corporation Act.

Indemnification

Summit has agreed to indemnify the directors, officers and employees of Greater Atlantic for a period of three (3) years from the effective time of the merger to the fullest extent that Greater Atlantic is permitted or required to indemnify (and advance expenses to) its directors, officers and employees under the laws of the State of Delaware and Greater Atlantic's Articles of Incorporation and Bylaws.

Acquisition Proposals

Greater Atlantic has agreed that it will not, and that it will cause its officers, directors, agents, advisors, and affiliates not to: solicit or encourage inquiries or proposals with respect to engage in any negotiations concerning, or provide any confidential information to any person relating to any proposal to acquire the stock or assets of Greater Atlantic or other business combination transactions with Greater Atlantic, unless the Greater Atlantic board of directors concludes in good faith, after consultation with and consideration of the advice of outside counsel, that the failure to enter into such discussions or negotiations or resolving to accept such acquisition proposal, would constitute a breach of its fiduciary duties to shareholders under applicable law. If the board of directors of Greater Atlantic is obligated by its fiduciary duties to accept a third party proposal that it believes is superior to Summit's offer set forth in the merger agreement, Greater Atlantic is obligated to pay to Summit the termination fee equal to \$750,000. See "Effect of Termination; Termination Fee" beginning on page 61.

Closing Date; Effective Time

The merger will be consummated and become effective upon the issuance of a certificate of merger by the West Virginia Secretary of State and the Delaware Division of Corporations (or on such other date as may be specified in the articles of merger to be filed with the West Virginia Secretary of State and the Delaware Division of Corporations). Unless otherwise agreed to by Summit or Greater Atlantic, the closing of the merger will take place on the fifth business day to occur after the last of the conditions to the merger has been satisfied or waived, or such other date to which Summit and Greater Atlantic agree in writing.

Regulatory Approvals

The merger and the other transactions contemplated by the merger agreement require the approval of the Federal Reserve Board. As a bank holding company, Summit is subject to regulation under the Bank Holding Company Act

of 1956. Greater Atlantic Bank is a federally-chartered savings bank, regulated by the Office of Thrift Supervision. Summit Community Bank is a West Virginia

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banking corporation, is a non-member bank and is subject to the State Banking Code of West Virginia. Summit and Greater Atlantic have filed all required applications seeking approval of the merger with the Federal Reserve.

Under the Bank Holding Company Act, the Federal Reserve Board is required to examine the financial and managerial resources and future prospects of the combined organization and analyze the capital structure and soundness of the resulting entity. The Federal Reserve Board has the authority to deny an application if it concludes that the combined organization would have inadequate capital. In addition, the Federal Reserve Board can withhold approval of the merger if, among other things, it determines that the effect of the merger would be to substantially lessen competition in the relevant market. Further, the Federal Reserve must consider whether the combined organization meets the requirements of the Community Reinvestment Act of 1977 by assessing the involved entities' records of meeting the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. The Federal Reserve has ninety (90) days from the date of filing the application to act on the application.

On October 2, 2007, Summit filed an application with the Federal Reserve seeking approval of the merger. On November 2, 2007, the Federal Reserve requested additional information from Summit to complete the processing of the application, including additional pro forma financial information, cash flow projections, and an action plan with respect to the integration of Greater Atlantic's operations. At the time Summit received the request for additional information, Summit was negotiating the settlement of the Corinthian litigation and Summit was uncertain as to whether it would exercise the cash alternative or elect to acquire Commonwealth Savingsshares Corporation. Accordingly, Summit was unable to respond immediately to the Federal Reserve's request for additional information.

On December 18, 2007, Summit requested the Federal Reserve to suspend processing of the application until the staff of the Federal Reserve and Summit consented to the continuation of the processing of the application. Summit made that request in order to gain sufficient time to respond to the Federal Reserve's request for additional information, to obtain a commitment for the issuance of \$10 million in subordinated debt and to provide sufficient time for the Federal Reserve to review the application within the Federal Reserve's established ninety (90) day processing period.

On January 14, 2008, and January 28, 2008, Summit filed additional information with the Federal Reserve, including updated pro forma financial information, which included the proposed subordinated debt issuance, and cash flow projections that the Federal Reserve has requested as of that date. As of the mailing date of this proxy statement/prospectus, Summit has filed the supplementary information that the Federal Reserve has requested as of that date. The Federal Reserve has informed Summit that it will review the information that has been filed in support of the application and, if it deems the application complete, will reactivate Summit's application immediately before rendering a decision on it. Summit has requested that the Federal Reserve render a decision on the application before March 31, 2008.

The merger cannot be consummated prior to receipt of all required approvals. There can be no assurance that required regulatory approvals for the merger will be obtained and, if the merger is approved, as to the date of such approvals or whether the approvals will contain any unacceptable conditions. Summit and Greater Atlantic are not aware of any governmental approvals or actions that may be required for consummation of the merger other than as described above. Should any other approval or action be required, it is presently contemplated that such approval or action would be sought. There can be no assurance that any necessary regulatory approvals or actions will be timely received or taken, that no action will be brought challenging such approval or action or, if such a challenge is brought, as to the result thereof, or that any such approval or action will not be conditioned in a manner that would cause the parties to abandon the merger.

The approval of any application merely implies the satisfaction of regulatory criteria for approval, which does not include review of the merger from the standpoint of the adequacy of the cash

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consideration or the exchange ratio for converting Greater Atlantic common stock to Summit common stock. Furthermore, regulatory approvals do not constitute an endorsement or recommendation of the merger.

Conduct of Business Pending the Merger

The merger agreement contains reciprocal forbearances made by Greater Atlantic and Summit to each other. Greater Atlantic and Summit have agreed that, until the effective time of the merger, each of them and each of their subsidiaries, without the prior written consent of the other, will not:

- Conduct business other than in the ordinary and usual course or fail to use reasonable efforts to preserve intact their business organizations and assets, or take any action reasonably likely to have an adverse effect upon its ability to perform any of its material obligations under the merger agreement;
- Except as required by applicable law or regulation, implement or adopt any material change in its interest rate or other risk management policies, practices or procedures, fail to follow existing policies or practices with respect to managing exposure to interest rate and other risks, or fail to use commercially reasonable means to avoid any material increase in its aggregate exposure to interest rate risk; or
- Take any action while knowing that such action would, or is reasonably likely to, prevent or impede the merger from qualifying as a merger within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended, or knowingly take any action that is intended or is reasonably likely to result in any of its representations and warranties set forth in the merger agreement being or becoming untrue in any material respect at any time at or prior to the effective time, any of the conditions to the merger not being satisfied, or a material violation of any provision of the merger agreement except, in each case, as may be required by applicable law or regulation.

Greater Atlantic has also agreed that, prior to the effective time, without the prior written consent of Summit, it will not:

- Other than pursuant to rights previously disclosed and outstanding on the date of the merger agreement, issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional shares of Greater Atlantic common stock or any rights to purchase Greater Atlantic common stock, enter into any agreement with respect to the foregoing, or permit any additional shares of Greater Atlantic common stock to become subject to new grants of employee or director stock options, other rights or similar stock-based employee rights;
- Make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on, any shares of Greater Atlantic stock or directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its capital stock;
- Enter into or amend or renew any employment, consulting, severance or similar agreements or arrangements with any director, officer or employee of Greater Atlantic or its subsidiaries, or grant any salary or wage increase or increase any employee benefit (including incentive or bonus payments), except for (i) normal individual payments of incentives and bonuses to employees in the ordinary course of business consistent with past practice, not to exceed \$10,000 in the aggregate, (ii) normal individual payment of incentives and bonuses to employees under Greater Atlantic Bank's branch incentive

plan, not to exceed \$30,000 per quarter in the aggregate, (iii) normal individual increases in compensation to employees in the ordinary course of business consistent with past practices, (iv) other changes required by applicable law, (v) to satisfy previously disclosed contractual obligations, and (vi) grants of awards to newly hired employees consistent with past practices;

- Enter into, establish, adopt or amend (except as may be required by applicable law or to satisfy previously disclosed contractual obligations existing as of the date of the merger agreement) any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement (or similar arrangement) related thereto, in respect of any director, officer or employee of Greater Atlantic or its subsidiaries, or take any action to accelerate the vesting or exercisability of stock options, restricted stock or other compensation or benefits payable thereunder;
- Except as previously disclosed or in connection with the consummation of the sale of the Pasadena Branch, sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any of its assets, deposits, business or properties except in the ordinary course of business and in a transaction that is not material to it and its subsidiaries taken as a whole;
- Except as previously disclosed, acquire (other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary and usual course of business consistent with past practice) all or any portion of the assets, business, deposits or properties of any other entity;
- Amend Greater Atlantic's certificate of incorporation or bylaws or the articles of incorporation or bylaws (or similar governing documents) of any of Greater Atlantic's subsidiaries;
- Implement or adopt any change in its accounting principles, practices or methods, other than as may be required by generally accepted accounting principles;
- Except in the ordinary course of business consistent with past practice, enter into or terminate any material contract or amend or modify in any material respect any of its existing material contracts;
- Except in the ordinary course of business consistent with past practice, settle any claim, action or proceeding, except for any claim, action or proceeding that does not involve precedent for other material claims, actions or proceedings and that involve solely money damages in an amount, individually or in the aggregate for all such settlements, that is not material to Greater Atlantic and its subsidiaries, taken as a whole;
- Make any loans in a principal amount in excess of \$750,000, or make any loans outside the District of Columbia, Delaware, Maryland, Pennsylvania, Virginia and West Virginia;
 - Incur any indebtedness for borrowed money other than in the ordinary course of business; or
 - Agree or commit to do any of the foregoing.

Summit has agreed that, prior to the effective time, without the prior written consent of Greater Atlantic, it will not:

- Make, declare, pay or set aside for payment any extraordinary dividend; or
- Agree or commit to do any of the foregoing.

Accounting Treatment

The merger will be accounted for under the “purchase” method of accounting. Under the purchase method of accounting, the tangible assets and liabilities of Greater Atlantic, as of the completion of the merger, will be recorded at their fair values as well as any identifiable intangible assets. Any remaining excess purchase price will be allocated to goodwill and will not be amortized. Instead, goodwill is evaluated for impairment annually. Financial statements of Summit issued after the consummation of the merger will reflect such values and will not be restated retroactively to reflect the historical position or results of operations of Greater Atlantic. The operating results of Greater Atlantic will be reflected in Summit’s consolidated financial statements from and after the date the merger is consummated.

Management and Operations after the Merger

Board of Directors. The current board of directors of Summit will continue to serve as the board of directors after the merger.

Management. The current executive officers of Summit will continue to serve as executive officers after the Merger.

Resales of Summit Common Stock

The shares of Summit common stock to be issued to shareholders of Greater Atlantic under the merger agreement have been registered under the Securities Act of 1933 and may be freely traded without restriction by holders, including holders who were affiliates of Greater Atlantic on the date of the special meeting. All directors and executive officers of Greater Atlantic are considered affiliates of Greater Atlantic for this purpose.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

General

The following summary sets forth the material U.S. federal income tax consequences of the merger to the holders of Greater Atlantic common stock who exchange such stock for a combination of the cash and Summit common stock. The tax consequences under state, local and foreign laws are not addressed in this summary. The following summary is based upon the Internal Revenue Code of 1986, as amended, Treasury regulations, administrative rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly with retroactive effect. Such a change could affect the continuing validity of this summary. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

The following summary addresses only shareholders who are citizens or residents of the United States who hold their Greater Atlantic common stock as a capital asset. It does not address all the tax consequences that may be relevant to

particular shareholders in light of their individual circumstances or to shareholders that are subject to special rules, including, without limitation: financial institutions; tax-exempt organizations; S corporations, partnerships or other pass-through entities (or an investor in an S

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corporation, partnership or other pass-through entities); insurance companies; mutual funds; dealers in stocks or securities, or foreign currencies; foreign holders; a trader in securities who elects the mark-to-market method of accounting for the securities; persons that hold shares as a hedge against currency risk, a straddle or a constructive sale or conversion transaction; holders who acquired their shares pursuant to the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan; holders of Greater Atlantic stock options, stock warrants or debt instruments; and holders subject to the alternative minimum tax.

The Merger

No ruling has been, or will be, sought from the Internal Revenue Service as to the U.S. federal income tax consequences of the merger. Consummation of the merger is conditioned upon Summit's receiving an opinion from Hunton & Williams, LLP to the effect that, based upon facts, representations and assumptions set forth in such opinions, the merger constitutes a reorganization within the meaning of Section 368 of the Internal Revenue Code. The issuance of the opinion is conditioned on, among other things, such tax counsel's receipt of representation letters from each of Greater Atlantic or Summit, in each case in form and substance reasonably satisfactory to such counsel. Opinions of counsel are not binding on the Internal Revenue Service.

Based upon the above assumptions and qualifications, for U.S. federal income tax purposes the merger will constitute a reorganization within the meaning of Section 368 of the Internal Revenue Code. Each of Greater Atlantic and Summit will be a party to the merger within the meaning of Section 368(b) of the Internal Revenue Code, and neither of Greater Atlantic or Summit will recognize any gain or loss as a result of the merger.

Consequences to Shareholders

Exchange of Greater Atlantic Common Stock for Summit Common Stock and Cash. A holder of Greater Atlantic common stock who exchanges his or her Greater Atlantic common stock actually owned for a combination of cash and common stock of Summit will recognize income or gain in an amount equal to the lesser of (a) the amount of cash received, or (b) the gain realized on the exchange. The gain realized on the exchange will equal the fair market value of Summit common stock received plus the amount of cash received, less the holder's adjusted tax basis in the shares of Greater Atlantic common stock exchanged by the holder. No loss may be recognized by a holder of Greater Atlantic common stock from the combined distribution of cash and Summit common stock or the stock distribution.

Cash in Lieu of Fractional Shares. Holders of Greater Atlantic common stock who receive cash in lieu of fractional shares of Summit common stock in the merger generally will be treated as if the fractional shares of Summit common stock had been distributed to them as part of the merger, and then redeemed by Summit in exchange for the cash actually distributed in lieu of the fractional shares, with the redemption generally qualifying as an "exchange" under Section 302 of the Internal Revenue Code, as described below. Consequently, those holders generally will recognize capital gain or loss with respect to the cash payments they receive in lieu of fractional shares measured by the difference between the amount of cash received and the tax basis allocated to the fractional shares.

Possible Treatment of Cash as a Dividend. Whether the cash received by a holder of Greater Atlantic common stock, in those situations described in the immediately preceding two paragraphs, will be treated as capital gain or as ordinary dividend income is determined under the principles of Section 302 of the Internal Revenue Code. In applying these principles, the holder is treated as if shares of Summit common stock having a fair market value equal to the cash paid to the holder had been distributed by Summit to the holder with such shares of Summit common stock then being redeemed by Summit in return for the cash. If this hypothetical redemption constitutes an "exchange" under Section 302 of the Internal Revenue Code, taking into account the holder's actual and constructive ownership of Greater Atlantic common stock under Section 318 of the Internal Revenue Code, the holder of Greater

Atlantic common stock who receives cash will recognize capital gain measured by the difference between that holder's adjusted basis for the Greater Atlantic common stock exchanged and the cash received. If the hypothetical redemption does not qualify as an "exchange" under Section 302 of the Internal Revenue Code, the cash received by the holder will be treated as ordinary dividend income, generally to the extent of the holder's ratable share of accumulated earnings and profits. To the extent the cash distribution exceeds the holder's ratable share of accumulated earnings and profits, the amount received will be applied against and reduce the holder's adjusted basis in his or her stock and any excess will be treated as gain from the sale or exchange of the stock.

In general, whether this hypothetical redemption constitutes an "exchange" under Section 302 of the Internal Revenue Code will depend upon whether and to what extent the hypothetical redemption reduces the holder's percentage stock ownership in Summit. The hypothetical redemption will be treated as an "exchange" if, under the principles of Section 302 of the Internal Revenue Code, the hypothetical redemption is (a) "substantially disproportionate," (b) "not essentially equivalent to a dividend" or (c) results in a "complete termination" of the holder's interest in Summit common stock.

In general, the determination of whether the hypothetical redemption will be "substantially disproportionate" will require a comparison of (x) the percentage of the outstanding voting stock of Summit that the holder of Greater Atlantic common stock is deemed to actually and constructively own immediately before the hypothetical redemption by Summit and (y) the percentage of the outstanding voting stock of Summit actually and constructively owned by the holder immediately after the hypothetical redemption by Summit. Generally, the hypothetical redemption will be "substantially disproportionate" to a holder of Greater Atlantic common stock if the percentage described in (y) above is less than 80% of the percentage described in (x) above.

Whether the hypothetical redemption is "not essentially equivalent to a dividend" with respect to the holder will depend on the holder's particular circumstances. In order for the hypothetical redemption to be "not essentially equivalent to a dividend," the hypothetical redemption must result in a "meaningful reduction" in the holder's percentage stock ownership of the merged company's common stock. The Internal Revenue Service has ruled that a minority shareholder in a publicly traded corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a "meaningful reduction" generally if such shareholder has some reduction in such shareholder's percentage stock ownership. Holders should consult their tax advisors as to the applicability of the ruling to their own individual circumstances.

The hypothetical redemption will result in a "complete termination" of the holder's interest in Summit common stock if all of the shares actually owned by the holder are exchanged pursuant to the merger and the holder is eligible to waive, and effectively waives, the attribution of shares constructively owned by the holder in accordance with the procedures described in Section 302(c)(2) of the Internal Revenue Code. Only family attribution, as referred to below, may be waived under Section 302(c)(2) of the Internal Revenue Code.

Taxation of Capital Gain. Any capital gain recognized by any holder of Greater Atlantic common stock under the above discussion will be long-term capital gain if the holder has held the Greater Atlantic common stock for more than twelve months at the time of the exchange. In the case of a non-corporate holder, that long-term capital gain may be subject to a maximum federal income tax of 15%. The deductibility of capital losses by shareholders may be limited.

Basis in Summit Common Stock. Each holder's aggregate tax basis in Summit common stock received in the merger will be the same as the holder's aggregate tax basis in the Greater Atlantic common stock exchanged, decreased by the amount of any cash received in the merger and by the amount of any tax basis allocable to any fractional share interest for which cash is received and increased by any gain recognized in the exchange. The holding period of Summit

common stock received by a holder in the merger will include the holding period of the Greater Atlantic common stock exchanged in the merger

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to the extent the Greater Atlantic common stock exchanged is held as a capital asset at the time of the merger.

Constructive Ownership. In applying the constructive ownership provisions of Section 318 of the Internal Revenue Code, a holder of Greater Atlantic common stock may be deemed to own stock that is owned directly or indirectly by other persons, such as certain family members and entities such as trusts, corporations, partnerships or other entities in which the holder has an interest. Since the constructive ownership provisions are complex, holders should consult their tax advisors as to the applicability of these provisions.

Backup Withholding and Reporting Requirements

Holders of Greater Atlantic common stock, other than certain exempt recipients, may be subject to backup withholding at a rate of 28% with respect to any cash payment received in the merger. However, backup withholding will not apply to any holder who either (a) furnishes a correct taxpayer identification number and certifies that he or she is not subject to backup withholding by completing the substitute Form W-9 that will be included as part of the election form and the transmittal letter, or (b) otherwise proves to Summit and its exchange agent that the holder is exempt from backup withholding.

Shareholders will also be required to file certain information with their federal income tax returns and to retain certain records with regard to the merger.

The discussion of U.S. federal income tax consequences set forth above is for general information only and does not purport to be a complete analysis or listing of all potential tax effects that may apply to a holder of Greater Atlantic common stock. We strongly encourage shareholders of Greater Atlantic to consult their tax advisors to determine the particular tax consequences to them of the merger, including the application and effect of federal, state, local, foreign and other tax laws.

INFORMATION ABOUT
SUMMIT FINANCIAL GROUP, INC. AND
GREATER ATLANTIC FINANCIAL CORP.

Summit Financial Group, Inc.

Summit is a West Virginia corporation registered as a bank holding company pursuant to the Bank Holding Company Act of 1956, as amended. Summit was incorporated on March 3, 1987, organized on March 5, 1987, and began conducting business on March 5, 1987. At December 31, 2006, Summit has one banking subsidiary “doing business” under the name of Summit Community Bank. Summit Community Bank offers a full range of commercial and retail banking services and products.

As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, Summit’s present business is community banking. As of September 30, 2007, Summit’s consolidated assets approximated \$1.3 billion and total shareholders’ equity approximated \$93.5 million. At September 30, 2007, Summit’s loan portfolio, net of unearned income, was \$995 million and its deposits were \$829 million.

The principal executive offices of Summit are located in Moorefield, West Virginia at 300 North Main Street. The telephone number for Summit’s principal executive offices is (304) 530-1000. Summit operates 15 full service offices - 9 located throughout West Virginia and 6 throughout Northern Virginia and the Shenandoah Valley.

Greater Atlantic Financial Corp.

Greater Atlantic is a savings and loan holding company organized under the laws of the State of Delaware and is registered under the federal Home Owners’ Loan Act. It has one subsidiary, Greater Atlantic Bank, which has four offices in Virginia and an office in Maryland through which all of its business is conducted.

Greater Atlantic is engaged in the business of offering banking services to the general public. Through its subsidiary, Greater Atlantic offers checking accounts, savings and time deposits, and commercial, real estate, personal, home improvement, automobile and other installment and term loans. It also offers financial services, travelers’ checks, safe deposit boxes, collection, notary public and other customary bank services (with the exception of trust services) to its customers. The principal types of loans that the banks make are commercial loans, commercial and residential real estate loans and loans to individuals for household, family and other consumer expenditures.

As of September 30, 2007, Greater Atlantic reported, on a consolidated basis, total assets of approximately \$246 million, net loans of \$176.1 million, deposits of \$198 million and shareholders’ equity of \$9.6 million.

The principal executive offices of Greater Atlantic Financial Corp. are located at 10700 Parkridge Boulevard, Reston, Virginia 20191, telephone number (703) 391-1300.

DESCRIPTION OF
SUMMIT FINANCIAL GROUP INC. STOCK

General

The authorized capital stock of Summit consists of 20 million shares of common stock, par value \$2.50 per share, and 250,000 shares of preferred stock, \$1.00 par value per share. Summit has 7,402,666 shares of common stock issued (including no shares held as treasury shares), and no shares of preferred stock as of September 30, 2007. The outstanding shares of common stock are held by 1,309 shareholders of record, as well as 1,056 shareholders in street name as of September 30, 2007. All outstanding shares of Summit common stock are fully paid and nonassessable. The unissued portion of Summit's authorized common stock (subject to registration approval by the SEC) and any treasury shares are available for issuance as the board of directors of Summit determines advisable.

Summit has also established a stock option plan as incentive for certain eligible officers. It has 349,080 stock options issued and outstanding as of September 30, 2007.

Common Stock

Voting Rights. All voting rights are vested in the holders of Summit common stock. On all matters subject to a vote of shareholders, the shareholders of Summit will be entitled to one vote for each share of common stock owned. Shareholders of Summit have cumulative voting rights with regard to election of directors.

Dividend Rights. The shareholders of Summit are entitled to receive dividends when and as declared by its board of directors. Dividends have been paid semi-annually. Summit paid a dividend of \$0.17 per share in the first half of 2007. Dividends were \$ 0.32 per share in 2006, \$0.30 per share in 2005 and \$0.26 per share in 2004. The payment of dividends is subject to the restrictions set forth in the West Virginia Corporation Act and the limitations imposed by the FDIC.

Payment of dividends by Summit is dependent upon receipt of dividends from its banking subsidiary. Payment of dividends by Summit's banking subsidiary is regulated by the FDIC and generally, the prior approval of the FDIC is required if the total dividends declared by a state non-member bank in any calendar year exceeds its net profits, as defined, for that year combined with its retained net profits for the preceding two years. Additionally, prior approval of the FDIC is required when a state non-member bank has deficit retained earnings but has sufficient current year's net income, as defined, plus the retained net profits of the two preceding years. The FDIC may prohibit dividends if it deems the payment to be an unsafe or unsound banking practice. The FDIC has issued guidelines for dividend payments by state non-member banks emphasizing that proper dividend size depends on the bank's earnings and capital.

Liquidation Rights. Upon any liquidation, dissolution or winding up of its affairs, the holders of Summit common stock are entitled to receive pro rata all of the assets of Summit for distribution to shareholders. There are no redemption or sinking fund provisions applicable to the common stock.

Assessment and Redemption. Shares of Summit common stock presently outstanding are validly issued, fully paid and nonassessable. There is no provision for any voluntary redemption of Summit common stock.

Transfer Agent and Registrar. The transfer agent and registrar for Summit's common stock is Registrar and Transfer Company.

Preferred Stock

Summit's Board of Directors has the authority to issue preferred stock of Summit in one or more series. Upon issuance, all shares of preferred stock will be of equal rank and will be identical, except as to the following relative rights and preferences which may be fixed and determined by the Board of Directors, as to which there may be variations between different series:

1. the rate of dividends;
2. whether shares may be redeemed and, if so, the redemption price and the terms and conditions of redemption;
3. the amount payable upon shares in event of voluntary and involuntary liquidation;
4. sinking fund provisions, if any, for the redemption or purchase of shares;
5. the terms and conditions, if any, on which shares may be converted; and
6. voting rights, if any.

The Board of Directors authorized a series of preferred stock consisting of up to Forty Thousand (40,000) shares, par value \$1.00 per share, designated and known as "Rockingham National Bank Series Convertible Preferred Stock". These shares were offered in connection with the development of a banking office in the Harrisonburg and Rockingham County, Virginia area. All of the shares issued in connection with this offering have been converted to common shares of Summit. Summit has no plans to issue any shares of the Rockingham National Bank Series Convertible Preferred Stock.

Preemptive Rights

No holder of any share of the capital stock of Summit has any preemptive right to subscribe to an additional issue of its capital stock or to any security convertible into such stock.

Indemnification and Limitations on Liability of Officers and Directors

As permitted by the West Virginia Business Corporation Act, the articles of incorporation of Summit contain provisions that indemnify its directors and officers to the fullest extent permitted by West Virginia law. These provisions do not limit or eliminate the rights of Summit or any shareholder to seek an injunction or any other non-monetary relief in the event of a breach of a director's or officer's fiduciary duty. In addition, these provisions apply only to claims against a director or officer arising out of his role as a director or officer and do not relieve a director or officer from liability if he engaged in willful misconduct or a knowing violation of the criminal law or any federal or state securities law.

In addition, the articles of incorporation of Summit provide for the indemnification of both directors and officers for expenses that they incur in connection with the defense or settlement of claims asserted against them in their capacities as directors and officers. This right of indemnification extends to judgments or penalties assessed against them. Summit has limited its exposure to liability for indemnification of directors and officers by purchasing directors and officers liability insurance coverage.

The rights of indemnification provided in the articles of incorporation of Summit are not exclusive of any other rights that may be available under any insurance or other agreement, by vote of shareholders or disinterested directors or otherwise.

Shares Eligible for Future Sale

All of the shares that will be exchanged for shares of Summit common stock upon consummation of the merger will be freely tradable without restriction or registration under the Securities Act, except for shares owned by “affiliates” as described under “Resales of Summit Common Stock” on page 66.

Summit cannot predict the effect, if any, that future sales of shares of its common stock, or the availability of shares for future sales, will have on the market price prevailing from time to time. Sales of substantial amounts of shares of our common stock, or the perception that such sales could occur, could adversely affect the prevailing market price of the shares.

COMPARATIVE RIGHTS OF SHAREHOLDERS

The rights of Summit's shareholders are governed by the West Virginia Business Corporation Act and the rights of Greater Atlantic's shareholders are governed by the Delaware General Corporation Law. The rights of shareholders under both corporations are also governed by their respective articles/certificate of incorporation and bylaws. Following the merger, the rights of Greater Atlantic's shareholders will be governed by the articles of incorporation and bylaws of Summit, and by the West Virginia Business Corporation Act. This summary does not purport to be a complete discussion of, and is qualified in its entirety by reference to, Greater Atlantic's articles of incorporation and bylaws, Summit's articles of incorporation and bylaws and West Virginia and Delaware law.

Authorized Capital Stock

Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

20,000,000 shares of common stock, \$2.50 par value per share, and 250,000 shares of preferred stock, \$1.00 par value per share.	10,000,000 shares of common stock, \$0.01 par value per share, and 2,500,000 shares of preferred stock, no par value per share.
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Size of Board of Directors

Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

Summit's bylaws provide that the board of directors shall consist of at least 9 and no more than 21 directors. Summit's board of directors currently consists of 16 individuals, and immediately following the merger will consist of 16 individuals.	The bylaws of Greater Atlantic provide that the number of directors shall be such number as the majority of the whole board shall from time to time have designated, and in the absence of such designation, shall be 5. The board currently consists of 5 directors.
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Cumulative Voting for Directors

Cumulative voting entitles each shareholder to cast an aggregate number of votes equal to the number of voting shares held, multiplied by the number of directors to be elected. Each shareholder may cast all of his or her votes for one nominee or distribute them among two or more nominees, thus permitting holders of less than a majority of the outstanding shares of voting stock to achieve board representation. Where cumulative voting is not permitted, holders of all outstanding shares of voting stock of a corporation elect the entire board of directors of the corporation, thereby precluding the election of any directors by the holders of less than a majority of the outstanding shares of voting stock.

Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

Summit stockholders are allowed to cumulate their votes in the election of directors. Each share of Summit stock may be voted for as many individuals as there are directors to be elected. Directors are elected by a plurality of the votes cast by the holders entitled to vote at the meeting.	Greater Atlantic stockholders may not cumulate their votes for the election of directors. Directors are elected by a plurality of the votes cast by the holders entitled to vote at the meeting.
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Classes of Directors

<p>Summit Financial Group, Inc.</p> <p>Summit's articles of incorporation provide that the board of directors shall be divided into three (3) classes, consisting of an equal number of directors per class. The term of office of directors of one class shall expire at each annual meeting of shareholders.</p>	<p>Greater Atlantic Financial Corp.</p> <p>The bylaws of Greater Atlantic provide that the board of directors shall be divided into three classes, with one class elected at each annual meeting.</p>
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Qualifications of Directors

<p>Summit Financial Group, Inc.</p> <p>Summit's bylaws require that a person own a minimum of 2,000 shares of stock of Summit to be qualified as a director.</p>	<p>Greater Atlantic Financial Corp.</p> <p>None.</p>
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Filling Vacancies on the Board

<p>Summit Financial Group, Inc.</p> <p>Summit's bylaws provide that each vacancy existing on the board of directors and any directorship to be filled by reason of an increase in the number of directors, unless the articles of incorporation or bylaws provide that a vacancy shall be filled in some other manner, may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the board of directors at a regular or special meeting of the board of directors. Any directorship to be filled by reason of a vacancy may be filled for the unexpired term of his predecessor in office.</p>	<p>Greater Atlantic Financial Corp.</p> <p>Greater Atlantic's bylaws provide that, unless the board of directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such director's successor shall have been duly elected and qualified.</p>
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Removal of Directors

<p>Summit Financial Group, Inc.</p> <p>Under West Virginia law, any member of the board may be removed, with or without cause, by the affirmative vote of a majority of all the votes entitled to be cast for the election of directors; provided, however, that a director may not be removed if the number of votes</p>	<p>Greater Atlantic Financial Corp.</p> <p>Under Delaware law, subject to the rights of preferred stockholders, any director, or the entire board of directors, may be removed from office at any time, but only for cause and only by the affirmative vote of at least 80% of the voting power of the then-outstanding shares of</p>
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sufficient to elect the director under cumulative capital stock entitled to vote generally in the voting is voted against the director's removal. election of directors voting together as a single class.

Notice of Shareholder Proposals and Director Nominations

Summit Financial Group, Inc.

Summit's articles of incorporation provide that shareholders may make a nomination for director provided that such nomination or nominations must be made in writing and delivered or mailed to, the President of Summit no later than 30 days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than thirty (30) days notice of the meeting is given to shareholders, such nomination or nominations shall be mailed or delivered to the President of Summit no later than the fifth (5th) day following the day on which the notice of meeting was mailed.

Greater Atlantic Financial Corp.

For business to be properly brought before an annual meeting by a stockholder, the business must relate to a proper subject matter for stockholder action and the stockholder must have given timely notice thereof in writing to the Secretary of Greater Atlantic. To be timely, a stockholder's notice must be delivered or mailed to and received at the principal executive offices of Greater Atlantic not less than ninety (90) days prior to the date of the annual meeting; provided, however, that in the event that less than one hundred (100) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter such stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on Greater Atlantic's books, of the stockholder proposing such business; (iii) the class and number of shares of Greater Atlantic's capital stock that are beneficially owned by such stockholder; and (iv) any material interest of such stockholder in such business.

Nominations of persons for election to the board of directors may be made by any stockholder entitled to vote for the election of directors at the meeting if made by timely notice in writing to the Secretary of Greater Atlantic. To be timely, a stockholder's notice shall be delivered or mailed to and received at the principal executive offices of Greater Atlantic not less than ninety (90) days prior to the date of the meeting; provided, however, that in the event that less than one hundred

(100) days' notice or prior disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following

Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth: (i) as to each person whom such stockholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (ii) as to the stockholder giving the notice (x) the name and address, as they appear on Greater Atlantic's books, of such stockholder and (y) the class and number of shares of Greater Atlantic's capital stock that are beneficially owned by such stockholder.

Anti-Takeover Provisions - Business Combinations

Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

Summit's articles of incorporation provide that at least 66 2/3% of the authorized, issued and outstanding voting shares of Summit must approve certain "business combinations" unless the "business combination" has been previously approved by at least 66 2/3% of the board of directors of Summit, in which case only a simple majority vote of the shareholders shall be required.

Summit's articles of incorporation additionally provide that neither Summit nor any of its subsidiaries shall become a party to any "business combination" unless certain fair price requirements are satisfied. West Virginia corporate law does not contain statutory provisions concerning restrictions on business combinations.

Greater Atlantic's certificate of incorporation provides that at least 80% of the voting power of the then outstanding shares of voting stock must approve certain "business combinations" involving an "interested stockholder." However, this vote requirement is not applicable to any particular business combination, and such business combination shall require only the vote of a majority of the outstanding shares of capital stock entitled to vote, if a majority of directors not affiliated with the interested stockholder approves the business combination, or certain price and procedure requirements are met. An "interested stockholder" generally means a person who is a greater than 10% stockholder of Greater Atlantic or who is an affiliate of Greater Atlantic and at any time within the past two years was a greater than 10% stockholder of Greater Atlantic.

Shareholder Action Without a Meeting

Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

Summit's bylaws provide that any action required to be taken at a meeting of the shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote on the matter at issue.

Under Delaware law, unless limited by the certificate of incorporation, any action that could be taken by shareholders at a meeting may be taken without a meeting if a consent (or consents) in writing, setting forth the action so taken, is signed by the holders of record of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Greater Atlantic's certificate of incorporation does not contain a provision limiting such action.

Calling Special Meetings of Shareholders

Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

Special meetings of the shareholders may be called by the president or by the board of directors, and shall be called by the President if the holders of at least 10% of all the votes entitled to be cast on an issue to be considered at the proposed special meeting sign, date and deliver to Summit one or more written demands for the meeting describing the purpose or purposes for which it shall be held.

Special meetings of stockholders may be called only by the board of directors pursuant to a resolution adopted by a majority of the total number of directors which Greater Atlantic would have if there were no vacancies on the board of directors.

Notice of Meetings

Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

Summit's bylaws require that the notice of annual and special meetings be given by mailing to each shareholder a written notice specifying the time and place of such meeting, and, in the case of special meetings, the business to be transacted. The notice must be mailed to the last addresses of the shareholders as they respectively appear upon the books of the Summit not less than 10 nor more than 60 days before the date of such meeting.

Greater Atlantic's bylaws provide that written notice of the place, date, and time of all meetings of the stockholders shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise required by law (meaning, as required from time to time by the Delaware General Corporation Law or the certificate of incorporation).

Vote Required for Amendments to Articles
of Incorporation and Certain Transactions

Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

Summit's articles of incorporation require the affirmative vote of holders of at least 66 2/3% of the then outstanding voting shares of Summit; provided, however, such vote shall not be required for any such amendment, change or repeal recommended to the stockholders by the favorable vote of not less than 66 2/3% of the directors of Summit, and any such amendment shall require only a majority vote.

West Virginia law provides that on matters other than the election of directors and certain extraordinary corporate actions, if a quorum is present, then action on a matter is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the vote of a greater number is required by law or the articles of incorporation or bylaws. The articles of incorporation or bylaws of Summit do not require a greater number. An abstention is not considered a "vote cast" for purposes of the voting requirements, but a stockholder who abstains in person or by proxy is considered present for purposes of the quorum requirement.

The articles of incorporation of Summit provide that at least 66 2/3% of the authorized, issued and outstanding voting shares of Summit must approve any merger or consolidation of Summit with another corporation or any sale, lease or exchange by liquidation or otherwise of all or substantially all of the assets of Summit unless such transaction has been previously approved by at least 66 2/3% of the board of directors in which case a simple majority vote of the shareholders shall be required.

Greater Atlantic's certificate of incorporation reserves the right to amend or repeal any provision in the certificate of Incorporation in the manner prescribed by the laws of the State of Delaware; provided, however, that, notwithstanding any other provision of the certificate of incorporation or any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of the holders of at least 80% of the voting power of all of the then-outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, are required to amend or repeal certain articles.

Delaware law provides that any amendment to the certificate of incorporation must first be proposed by the board of directors in a resolution setting forth the proposed amendment, declaring its advisability and submitting it to the stockholders entitled to vote on approval of the amendment. It must then be submitted to the stockholders at the next annual meeting, or at a special meeting called for the purpose of considering the amendment or submitted for adoption by written consent. The affirmative vote required is a majority of the outstanding shares entitled to vote thereon.

Amendment of Bylaws

Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

Under West Virginia law both the board of directors and stockholders have the power to amend the bylaws. Summit's bylaws provide that the bylaws may only be altered, amended or repealed and new bylaws may only be adopted by the board of directors at a regular or special meeting of the board of directors by a vote of three fourths of the board of directors or by a majority of the stockholders.

The bylaws of Greater Atlantic provide that the board of directors may amend, alter or repeal the bylaws at any meeting of the board, provided notice of the proposed change was given not less than two (2) days prior to the meeting. The stockholders shall also have power to amend, alter or repeal the bylaws at any meeting of stockholders provided notice of the proposed change was given in the notice of the meeting, and provided there is the vote of at least 80% of the voting power of all the then-outstanding shares of the voting stock, voting together as a single class.

Appraisal Rights

Summit Financial Group, Inc.

Under West Virginia law, stockholders are generally entitled to object and receive payment of the fair value of their stock in the event of any of the following corporate actions: merger, transfer of all or substantially all of the corporation's assets, participation in share exchange as the corporation the stock of which is to be acquired, or an amendment to the articles of incorporation that reduces the number of shares of a class or series owned by stockholders to a fraction of a share if the corporation has the obligation or right to repurchase the fractional shares.

Greater Atlantic Financial Corp.

Delaware law provides that stockholders of a corporation who are voting on a merger or consolidation generally are entitled to dissent from the transaction and obtain payment of the fair value of their shares (so-called "appraisal rights"). Appraisal rights do not apply if, however, (1) the shares are listed on a national securities exchange or are held by 2,000 or more holders of record (not currently the case with respect to Greater Atlantic's common stock) and (2) except for cash in lieu of fractional share interests, the shares are being exchanged for the shares of the surviving corporation of the merger or the shares of any other corporation, which shares of such other corporation will, as of the effective date of the merger or consolidation, be listed on a national securities exchange or be held of record by more than 2,000 holders. Appraisal rights also are not available to a corporation's stockholders when the corporation will be the surviving corporation and a vote of its stockholders is not required to approve the merger.

Delaware law also provides that any corporation may provide in its certificate of incorporation that appraisal rights shall be available in connection with amendments to its certificate of incorporation, any merger to which the corporation is a party or the sale of all or substantially all of the corporation's assets. Greater Atlantic's certificate of incorporation contains no such provision.

Dividends

Summit Financial Group, Inc.

A West Virginia corporation generally may pay dividends in cash, property or its own shares except when the corporation is unable to pay its debts as they become due in the usual course of business or the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of the dividend, to satisfy any stockholders who have rights superior to those receiving the dividend. Summit's articles of incorporation provide that preferred stock will not pay any dividends.

Greater Atlantic Financial Corp.

Under Delaware law, stockholders are entitled, when declared by the board of directors, to receive dividends, subject to any restrictions contained in the certificate of incorporation and subject to any rights or preferences of any series of preferred stock. There are no express restrictions regarding dividends in Greater Atlantic's certificate of incorporation.

Discharge of Duties; Exculpation and Indemnification

Summit Financial Group, Inc.

West Virginia law requires that a director of a West Virginia corporation discharge duties as a director in good faith, in a manner reasonably believed to be in the best interest of the corporation and with the care that a person in a like position would reasonably believe appropriate under similar circumstances. Summit's articles of incorporation provide that each director or officer of Summit shall be indemnified for costs and expenses arising out of any civil suit or proceeding against the director or officer by reason of being a director or officer of Summit provided the director or officer acted in good faith and in a manner which the director or officer reasonably believed to be in or not opposed to the best interests of the corporation.

With respect to any criminal proceeding, a director or officer shall be entitled to indemnification if such person had no reasonable cause to believe his or her conduct was unlawful.

However, a director or officer shall not be indemnified if he or she is adjudged in such suit or proceeding to be liable for gross

Greater Atlantic Financial Corp.

The Delaware General Corporation Law requires directors to discharge their duties as a director in good faith, on an informed basis, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner reasonably believed to be in the best interests of the corporation.

Delaware law provides that a corporation may indemnify any director made party to any proceeding by reason of service in that capacity if the person acted in good faith and in a manner the person reasonably believed to be in the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful.

Delaware law also provides that a corporation may not indemnify a director in respect to any claim, issue or matter as to which the director has been adjudged to be liable to the corporation unless and only to the extent that, the Court of Chancery or court where such action was brought determines indemnity is proper. Furthermore, directors shall be

negligence or willful misconduct in indemnified where they have been successful
performance of a duty owed to the corporation. on the merits or otherwise.

Greater Atlantic's certificate of incorporation
provides that the corporation shall indemnify

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Summit Financial Group, Inc.

Greater Atlantic Financial Corp.

any director made party to a proceeding because he or she is or was serving as director against all expense, liability and loss to the fullest extent authorized by Delaware law.

Greater Atlantic's certificate of incorporation also provides that a director shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) for unlawful payment of dividends or unlawful stock purchases or redemption; or (iv) for any transaction from which the director derived an improper personal benefit.

ADJOURNMENT OF THE MEETING

In the event that there are not sufficient votes to constitute a quorum or to approve the matters to be considered at the time of the special meeting, the merger agreement will not be approved unless the special meeting is adjourned to a later date or dates in order to permit further solicitation of proxies. In order to allow proxies that have been received at the time of the meeting to be voted for an adjournment, if necessary, Greater Atlantic is submitting the question of adjournment to its shareholders as a separate matter for their consideration. The board of directors of Greater Atlantic recommends that its shareholders vote FOR the adjournment proposal. If it is necessary to adjourn a meeting, no notice of such adjourned meeting is required to be given to the company's shareholders, other than an announcement at the special meeting of the place, date and time to which the meeting is adjourned, if the meeting is adjourned for 30 days or less.

The board of directors of Greater Atlantic recommends that you vote "FOR" approval of this proposal.

LEGAL MATTERS

Hunton & Williams LLP will opine as to the qualification of the merger as a reorganization and the tax treatment of the consideration paid in connection with the merger under the Internal Revenue Code. Bowles Rice McDavid Graff & Love LLP has opined as to the legality of the common stock of Summit offered by this proxy statement/prospectus. Bowles Rice McDavid Graff & Love LLP rendered legal services to Summit and its subsidiaries during 2007 and it is expected that the firm will continue to render certain services to both in the future. The fees paid to Bowles Rice McDavid Graff & Love LLP represented less than 5% of Bowles Rice McDavid Graff & Love LLP's and Summit's revenues for 2007.

EXPERTS

The consolidated financial statements of Summit appearing in Summit's Annual Report (Form 10-K) for the year ended December 31, 2006, as amended on September 26, 2007 on Form 10-K/A, and Summit management's assessment of effectiveness of internal control over financial reporting as of December 31, 2006, included therein, have been audited by Arnett & Foster P.L.L.C., independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and management's assessment are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Greater Atlantic and subsidiaries as of September 30, 2007 and 2006, and for each of the three years in the period ended September 30, 2007, attached to this proxy statement/prospectus and the registration statement on Form S-4, as amended, as Annex D, have been attached hereto and to the registration statement in reliance upon the report of BDO Seidman, LLP, independent registered public accountants, and upon the authority of BDO Seidman, LLP as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Summit has filed with the SEC under the Securities Act a registration statement on Form S-4 to register the shares of Summit common stock to be issued to Greater Atlantic's shareholders in connection with the merger. The registration statement, including the exhibits and schedules thereto, contains additional relevant information about Summit and its common stock. The rules and regulations of the SEC allow Summit and Greater Atlantic to omit certain information included in the registration statement from this proxy statement/prospectus. This proxy statement/prospectus is part of

the registration statement and is a prospectus of Summit in addition to being Greater Atlantic's proxy statement for its special meeting.

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Both Summit (File No. 0-16587) and Greater Atlantic (File No. 0-26467) file reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934. You may read and copy this information at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet web site that contains reports, proxy statements and other information about issuers, like Summit and Greater Atlantic, who file electronically with the SEC. The address of that site is www.sec.gov. Each of Summit and Greater Atlantic also posts its SEC filings on its web site. The website addresses are www.summitfgi.com and www.gab.com, respectively. Information contained on the Summit website or the Greater Atlantic website is not incorporated by reference into this proxy statement/prospectus, and you should not consider information contained in its website as part of this proxy statement/prospectus. You can also inspect reports, proxy statements and other information that Summit and Greater Atlantic have filed with the SEC at the Financial Industry Regulatory Authority, 1735 K Street, Washington, D.C. 20096.

The SEC allows Summit to “incorporate by reference” information into this proxy statement/prospectus. This means that we can disclose important information to you by referring you to another document filed separately by Summit with the SEC. The information incorporated by reference is considered to be a part of this proxy statement/prospectus, except for any information that is superceded by information that is included in this proxy statement/prospectus.

This proxy statement/prospectus incorporates by reference the documents listed below that Summit previously filed with the SEC:

Quarterly Report on Form 10-Q Quarter ended March 31, 2007, as amended September 26, 2007, Quarter ended June 30, 2007, as amended on September 26, 2007, and Quarter ended September 30, 2007.

Annual Report on Form 10-K Year ended December 31, 2006, as amended on September 26, 2007.

Definitive Proxy Materials for the 2007 Annual Meeting of Shareholders Filed on April 11, 2007.

Current Reports on Form 8-K Filed on January 26, 2007, April 13, 2007, April 20, 2007, April 30, 2007, July 20, 2007, July 27, 2007, August 22, 2007, October 19, 2007, October 30, 2007, November 23, 2007, December 10, 2007, December 20, 2007, and February 5, 2008.

Greater Atlantic previously filed with the SEC the document listed below which is attached to this proxy statement/prospectus for your reference:

Annual Report on Form 10-K Year ended September 30, 2007.

Neither Summit nor Greater Atlantic has authorized anyone to give any information or make any representation about the merger or the companies that is different from, or in addition to, that contained in

this proxy statement/prospectus or in any of the materials that we have incorporated into this proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. Information in this proxy statement/prospectus about Summit has been supplied by Summit and information about Greater Atlantic has been supplied by Greater Atlantic. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus unless the information specifically indicates that another date applies.

OTHER MATTERS

The board of directors knows of no other matters that may come before this meeting. If any matters other than those referred to should properly come before the meeting, it is the intention of the persons named in the enclosed proxy to vote such proxy in accordance with their best judgment.

By Order of the Board of Directors

Edward C. Allen, Secretary

ANNEX A

AGREEMENT AND PLAN OF REORGANIZATION

dated as of April 12, 2007

by and between

SUMMIT FINANCIAL GROUP, INC.

AND

GREATER ATLANTIC FINANCIAL CORP.

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ANNEX A. FORM OF SUPPLEMENT FOR MERGER SUB ACCESSION
TO MERGER AGREEMENT

EXHIBITFORM OF GAFC AFFILIATE LETTER
A.

AGREEMENT AND PLAN OF REORGANIZATION, dated as of April 12, 2007 (this “Agreement”), by and between GREATER ATLANTIC FINANCIAL CORP. (“GAFC”) and SUMMIT FINANCIAL GROUP, INC. (“Summit”).

RECITALS

- A. GAFC. GAFC is a Delaware corporation, having its principal place of business in Reston, Virginia.
- B. Summit. Summit is a West Virginia corporation, having its principal place of business in Charleston, West Virginia.
- C. Intentions of the Parties. It is the intention of the parties to this Agreement that the business combination contemplated hereby be treated as a “reorganization” under Section 368 of the Internal Revenue Code of 1986, as amended.
- D. Board Action. The respective Boards of Directors of each of Summit and GAFC have determined that it is advisable and in the best interests of their respective companies and their stockholders to consummate the strategic business combination transaction provided for herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, representations, warranties and agreements contained herein the parties agree as follows:

ARTICLE I

Certain Definitions

1.01 Certain Definitions. The following terms are used in this Agreement with the meanings set forth below:

“Acquisition Proposal” means any tender or exchange offer, proposal for a merger, consolidation or other business combination involving GAFC or any of its Subsidiaries or any proposal or offer to acquire in any manner a substantial equity interest in, or a substantial portion of the assets or deposits of, GAFC or any of its Subsidiaries, other than the transactions contemplated by this Agreement.

“Adjusted Shareholders’ Equity” has the meaning set forth in Section 4.01(c).

“Adjustment Date” has the meaning set forth in Section 4.01(c).

“Agreement” means this Agreement, as amended or modified from time to time in accordance with Section 10.02.

“Average Closing Price” has the meaning set forth in Section 4.01(a).

“Bank Merger” has the meaning set forth in Section 3.01(a).

“Bank Merger Effective Date” has the meaning set forth in Section 3.02.

“Benchmark Equity” has the meaning set forth in Section 4.01(c).

“Cash Consideration” has the meaning set forth in Section 4.01(a)

“Code” means the Internal Revenue Code of 1986, as amended.

“Compensation and Benefit Plans” has the meaning set forth in Section 6.03(m).

“Consultants” has the meaning set forth in Section 6.03(m).

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“Core Deposits” means all deposits (as defined in 12 U.S.C. Section 1813(1)) of GAFC shown on the books and records of GAB, including but not limited to all interest posted thereon accrued but unpaid interest and both collected and uncollected funds (including overdrawn accounts), together with GAB’s rights and responsibilities under any customer agreement evidencing or relating thereto, but excluding (i) deposit accounts associated with a public body, including but not limited to any municipal, county, state or federal government, and (ii) brokered deposits and (iii) wholesale deposits, but including corporate sweep accounts.

“Costs” has the meaning set forth in Section 7.11(a).

“Directors” has the meaning set forth in Section 6.03(m).

“Disclosure Schedule” has the meaning set forth in Section 6.01.

“Dissenters’ Shares” has the meaning set forth in Section 4.07.

“DGCL” means the Delaware General Corporation Law, as amended.

“DOL” means the United States Department of Labor.

“Effective Date” has the meaning set forth in Section 2.02(a).

“Effective Time” means the effective time of the Merger, as provided for in Section 2.02(a).

“Employees” has the meaning set forth in Section 6.03(m).

“Environmental Laws” means all applicable local, state and federal environmental, health and safety laws and regulations, including, without limitation, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, the Federal Clean Air Act, and the Occupational Safety and Health Act, each as amended, regulations promulgated thereunder, and state counterparts.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” has the meaning set forth in Section 6.03(m)(i).

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“Exchange Agent” has the meaning set forth in Sections 4.04(a).

“Exchange Fund” has the meaning set forth in Section 4.04(a).

“Exchange Ratio” has the meaning set forth in Section 4.01(a).

“GAB” means Greater Atlantic Bank, a federally-chartered savings bank.

“GAAP” means generally accepted accounting principles in the United States.

“GAFC” has the meaning set forth in the preamble to this Agreement.

“GAFC Affiliate” has the meaning set forth in Section 7.07(a).

“GAFC Board” means the Board of Directors of GAFC.

“GAFC By-Laws” means the By-laws of GAFC, as amended.

“GAFC Certificate” means the Certificate of Incorporation of GAFC, as amended.

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“GAFC Common Stock” means the common stock, par value \$0.01 per share, of GAFC.

“GAFC Meeting” has the meaning set forth in Section 7.02.

“GAFC Stock Option” has the meaning set forth in Section 4.05.

“GAFC Stock Plans” has the meaning set forth in Section 4.05.

“GAFC Trust Preferred Securities” means preferred shares of stock issued by Greater Atlantic Financial Corporation Capital Trust I, a second tier business trust subsidiary of GAFC.

“GAFC Warrant” has the meaning set forth in Section 4.06.

“Governmental Authority” means any court, administrative agency or commission or other federal, state or local governmental authority or instrumentality.

“Guarantee” shall mean the Guarantee executed by GAFC in connection with the issuance of the GAFC Trust Preferred Securities.

“Indenture” shall mean the Trust Indenture executed by GAFC in connection with the issuance of the GAFC Trust Preferred Securities.

“IRS” has the meaning set forth in Section 6.03(m).

“Indemnified Party” has the meaning set forth in Section 7.11(a).

“Insurance Amount” has the meaning set forth in Section 7.11(b).

“Lien” means any charge, mortgage, pledge, security interest, restriction, claim, lien, or encumbrance,

“Material Adverse Effect” means, with respect to Summit or GAFC, any effect that (i) is material and adverse to the financial position, results of operations or business of Summit and its Subsidiaries taken as a whole or GAFC and its Subsidiaries taken as a whole, respectively, or (ii) would materially impair the ability of either Summit or GAFC to perform its obligations under this Agreement or otherwise materially threaten or materially impede the consummation of the Merger and the other transactions contemplated by this Agreement; provided, however, that Material Adverse Effect shall not be deemed to include the impact of (a) changes in banking and similar laws of general applicability or interpretations thereof by courts or governmental authorities, except to the extent such changes have a disproportionate impact on Summit or GAFC, as the case may be, relative to the overall effects on the banking industry, (b) changes in generally accepted accounting principles or regulatory accounting requirements applicable to banks and their holding companies generally, except to the extent changes have a disproportionate impact on Summit or GAFC, as the case may be, relative to the overall effect on the banking industry, (c) any modifications or changes to valuation policies and practices in connection with the Merger or restructuring charges taken in connection with the Merger, in each case in accordance with generally accepted accounting principles, (d) actions and omissions of Summit or GAFC taken with the prior written consent of the other in contemplation of the transactions contemplated hereby, (e) changes in economic conditions affecting financial institutions generally, including, without limitation, changes in market interest rates or the projected future interest rate environment, except to the extent that such changes have a disproportionate impact on Summit or GAFC, as the case may be, relative to the overall effect on the banking industry or (f) direct effects of compliance with this Agreement on the financial condition and operating performance of the parties, including, without limitation, expenses incurred by the parties in consummating the

transactions contemplated by this Agreement.

“Merger” has the meaning set forth in Section 2.01(b).

“Merger Consideration” has the meaning set forth in Section 4.01(a).

“Merger Sub” means a Delaware corporation, and/or one or more other corporations or limited liability companies to be organized under the corporate laws of the State of Delaware by Summit prior to the Effective Time.

“NASDAQ” means The NASDAQ Stock Market, Inc.’s Capital Market.

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“New Certificate” has the meaning set forth in Section 4.04(a).

“Old Certificate” has the meaning set forth in Section 4.04(a).

“Pasadena Branch” means the branch banking office owned by GAFC and located in Pasadena, Maryland.

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Plan” has the meaning set forth in Section 6.03(m).

“Person” means any individual, bank, corporation, limited liability company, partnership, association, joint-stock company, business trust or unincorporated organization.

“Previously Disclosed” by a party shall mean information set forth in its Disclosure Schedule or in Summit’s or GAFC’s SEC Documents.

“Proxy Statement” has the meaning set forth in Section 7.03(a).

“Registration Statement” has the meaning set forth in Section 7.03(a).

“Regulatory Authorities” has the meaning set forth in Section 6.03(i).

“Rights” means, with respect to any Person, securities or obligations convertible into or exercisable or exchangeable for, or giving any person any right to subscribe for or acquire, or any options, calls or commitments relating to, or any stock appreciation right or other instrument the value of which is determined in whole or in part by reference to the market price or value of, shares of capital stock of such person.

“SEC” means the Securities and Exchange Commission.

“Secretary of State” means the Secretary of State of the State of Delaware.

“Section 9.03(a) Fee” has the meaning set forth in Section 9.03(a).

“Section 9.03(b) Fee” has the meaning set forth in Section 9.03(b).

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

“Shareholders’ Equity” means the total shareholders equity presented on GAFC’s balance sheet as of a given date as calculated according to GAAP.

“Stock Consideration” has the meaning set forth in Section 4.01(a).

“Stock Option Consideration” has the meaning set forth in Section 4.05.

“Subsidiary” and “Significant Subsidiary” have the meanings ascribed to them in Rule 1-02 Section 210.1-(2)(w) of Regulation S-X of the SEC.

“Surviving Corporation” has the meaning set forth in Section 2.01(b).

“Summit” has the meaning set forth in the preamble to this Agreement.

“Summit Bank” means Summit Community Bank, a commercial bank chartered under the laws of the State of West Virginia.

“Summit Board” means the Board of Directors of Summit.

“Summit Common Stock” means the common stock, par value \$2.50 per share, of Summit.

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“Summit Compensation and Benefit Plans” has the meaning set forth in Section 6.04(k)(i).

“Summit Consultants” has the meaning set forth in Section 6.04(k)(i).

“Summit Directors” has the meaning set forth in Section 6.04(k)(i).

“Summit Employees” has the meaning set forth in Section 6.04(k)(i).

“Summit ERISA Affiliate” has the meaning set forth in Section 6.04(k)(iii).

“Summit ERISA Affiliate Plan” has the meaning set forth in Section 6.04(k)(iii).

“Summit Pension Plan” has the meaning set forth in Section 6.04(k)(ii).

“Summit’s SEC Documents” has the meaning set forth in Section 6.04(g).

“Superior Proposal” has the meaning set forth in Section 9.01(f).

“Takeover Laws” has the meaning set forth in Section 6.03(o).

“Tax” and “Taxes” means all federal, state, local or foreign taxes, charges, fees, levies or other assessments, however denominated, including, without limitation, all net income, gross income, gains, gross receipts, sales, use, ad valorem, goods and services, capital, production, transfer, franchise, windfall profits, license, withholding, payroll, employment, disability, employer health, excise, estimated, severance, stamp, occupation, property, environmental, unemployment or other taxes, custom duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority whether arising before, on or after the Effective Date.

“Tax Returns” means any return, amended return or other report (including elections, declarations, disclosures, schedules, estimates and information returns) required to be filed with respect to any Tax.

“Treasury Stock” shall mean shares of GAFC Common Stock held by GAFC or any of its Subsidiaries in each case other than in a fiduciary capacity or as a result of debts previously contracted in good faith.

ARTICLE II

The Merger

2.01 The Merger. (a) Prior to the Effective Time, Summit shall take any and all action necessary (i) duly to organize the Merger Sub for the purpose of consummating the Merger; (ii) to cause Merger Sub to become a party to this Agreement, to be evidenced by the execution by the Merger Sub of a supplement to this Agreement in substantially the form of Annex A and delivery thereof to GAFC; and (iii) to cause Merger Sub to take all actions necessary or proper to comply with the obligations of Summit and such Merger Sub to consummate the transactions contemplated hereby.

(b) At the Effective Time, GAFC shall merge with and into Merger Sub (the “Merger”), the separate corporate existence of GAFC shall cease and Merger Sub shall survive and continue to exist as a Delaware corporation (Merger Sub, as the surviving corporation in the Merger, sometimes being referred to herein as the “Surviving Corporation”). Summit may at any time prior to the Effective Time change the method of effecting the combination

with GAFC (including, without limitation, the provisions of this Article II other than sub-sections (i), (ii), (iii) and (iv) hereof) if and to the extent it deems such change to be necessary, appropriate or desirable; provided, however, that no such change shall (i) cause the approval of the stockholders of Summit to be required as a condition to the Merger, (ii) alter or change the amount or kind of Merger Consideration (as hereinafter defined), or the relative proportions of cash and Summit Common Stock included therein, (iii) adversely affect the tax treatment of GAFC's stockholders as a result of receiving the Merger Consideration or (iv) materially impede or delay consummation of the transactions contemplated by this Agreement; and provided further, that Summit shall provide GAFC prior written notice of such change and the reasons therefore. Immediately following the Merger, Surviving Corporation shall merge with and into Summit, the separate corporate existence of the Merger Sub shall cease and Summit shall survive and continue to exist as a West Virginia corporation.

(c) Subject to the satisfaction or waiver of the conditions set forth in Article VIII, the Merger shall become effective upon the occurrence of the filing in the office of the Secretary of State of a certificate of merger in accordance with Section 252 of the DGCL or such later date and time as may be set forth in such certificate of merger. The Merger shall have the effects prescribed in the DGCL.

(d) The Certificate of Incorporation of Merger Sub, as in effect immediately prior to the Effective Time, shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended in accordance with applicable law.

2.02 Effective Date and Effective Time. (a) Subject to the satisfaction or waiver of the conditions set forth in Article VIII, the parties shall cause the effective date of the Merger (the “Effective Date”) to occur on (i) the fifth business day to occur after the last of the conditions set forth in Article VIII shall have been satisfied or waived in accordance with the terms of this Agreement, other than those conditions that by their nature are to be satisfied at the closing of the Merger (or, at the election of Summit, on the last business day of the month in which such fifth business day occurs), or (ii) such other date to which the parties may agree in writing. The time on the Effective Date when the Merger shall become effective is referred to as the “Effective Time.”

(b) Notwithstanding any other provision in this Agreement to the contrary, if Summit shall exercise its right to delay the Effective Date pursuant to Section 2.02(a), and a record date for any dividend or other distribution in respect of the Summit Common Stock is taken during the period of such delay such that the GAFC stockholders will not be entitled to participate in such dividend, each stockholder of GAFC shall be entitled to receive, upon surrender of the Old Certificates and compliance with the other provisions of Article IV, a payment equal to the amount and kind of dividend or other distribution that such holder would have received had such holder been a holder of record of the shares of Summit Common Stock issuable to such holder in the Merger on the record date for such dividend or other distribution.

ARTICLE III

The Bank Merger

3.01 The Bank Merger. (a) Immediately after the Effective Time, GAB, a wholly-owned subsidiary of GAFC, shall merge with and into Summit Bank, a wholly-owned subsidiary of Summit (the “Bank Merger”), the separate existence of GAB shall cease and Summit Bank shall survive and continue to exist as a state chartered banking corporation. Summit may at any time prior to the Effective Time, change the method of effecting the combination with GAB (including without limitation the provisions of this Article III other than sub-sections (i), (ii) and (iii) hereof) if and to the extent it deems such changes necessary, appropriate or desirable; provided, however that no such change shall (i) alter or change the amount or kind of Merger Consideration, or the relative proportions of cash and Summit Common Stock included therein, (ii) adversely affect the tax treatment of GAFC’s stockholders as a result of receiving the Merger Consideration or (iii) materially impede or delay consummation of the transactions contemplated by this Agreement, and provided further, that Summit shall provide GAFC with prior written notice of such change and the reasons therefore.

(b) Subject to the satisfaction or waiver of the conditions set forth in Article VIII, the Bank Merger shall become effective upon the occurrence of the filing in the Office of the Secretary of State of West Virginia of articles of merger in accordance with the laws of the West Virginia or such later date and time as may be set forth in such articles and the issuance of a certificate of merger by the Secretary of State of West Virginia. The Bank Merger shall have the effects prescribed in the West Virginia General Corporation Act.

3.02 Effective Date and Effective Time. Subject to the satisfaction or waiver of the conditions set forth in Article VIII, the parties shall cause the effective date of the Bank Merger (the “Bank Merger Effective Date”) to occur

on the Effective Date or such later date to which the parties may agree in writing.

ARTICLE IV

Consideration; Exchange Procedures

4.01 Merger Consideration. Subject to the provisions of this Agreement, at the Effective Time, automatically by virtue of the Merger and without any action on the part of any Person:

(a) Stock Consideration and Cash Consideration. Each holder of a share of GAFC Common Stock (other than GAFC or its subsidiaries or Summit and its subsidiaries, except for shares held by them in a fiduciary capacity, and

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Dissenters' Shares) shall receive in respect thereof, subject to the limitations set forth in this Agreement and any adjustment pursuant to Section 4.01 (c), (i) the number of shares of Summit Stock (the "Stock Consideration") equal to \$3.22, divided by the average closing price (the "Average Closing Price") of Summit Common Stock reported on the NASDAQ for the twenty (20) trading days prior to the Closing (the "Exchange Ratio") and (ii) \$1.38 in cash without interest (the "Cash Consideration"). The Cash Consideration and the Stock Consideration are sometimes referred to herein collectively as the "Merger Consideration."

(b) **Stock Collar.** If the Average Closing Price is less than \$17.82, then the Exchange Ratio shall be seventy percent of the Merger Consideration divided by \$17.82. If the Average Closing Price is greater than \$24.10 then the Exchange Ratio will be seventy percent of the Merger Consideration divided by \$24.10.

(c) **Adjustment to Merger Consideration for Decrease or Increase in GAFC's Shareholder's Equity.** If, as of the end of the month in which the sale of the Pasadena Branch is consummated (the "Adjustment Date"), GAFC's Shareholders' Equity adjusted to exclude (i) accumulated other comprehensive income or loss, (ii) Merger restructuring charges and/or Merger-related expenses incurred at the request of Summit on or prior to the Adjustment Date, and (iii) employee severance charges incurred by GAB on or prior to the Adjustment Date (excluding any charges relating to employee terminations for "cause" as defined in GAB's Employee Severance Compensation Plan (the "Adjusted Shareholder's Equity")) is:

(i) less than Six Million Seven Hundred Thousand Dollars (\$6,700,000) (the "Benchmark Equity"), then the aggregate value of the Merger Consideration shall be reduced one dollar for every dollar by which the Adjusted Shareholders' Equity is less than the Benchmark Equity; or

(ii) more than the Benchmark Equity, then the aggregate value of the Merger Consideration shall be increased one dollar for every dollar by which the Adjusted Shareholders' Equity exceeds the Benchmark Equity, but only to the extent that the amount by which the Adjusted Shareholders' Equity exceeds the Benchmark Equity is attributable to the sale of the Pasadena Branch after deducting all Taxes, if any, due and payable with the Tax Returns filed by GAFC for the tax year in which such sale is consummated.

If the aggregate value of the Merger Consideration shall be adjusted pursuant to this Section 4.01(c), then the Stock Consideration and the Cash Consideration constituting the Merger Consideration, as so adjusted, shall be paid in the same proportion as the Stock Consideration and the Cash Consideration would have been paid pursuant to Section 4.01(a) without any adjustment pursuant to this Section 4.01(c).

(d) **Outstanding Summit Stock.** Each share of Summit Common Stock issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding and unaffected by the Merger.

(e) **Treasury Shares.** Each share of GAFC Common Stock held as Treasury Stock immediately prior to the Effective Time shall be canceled and retired at the Effective Time and no consideration shall be issued in exchange therefore.

(f) **Merger Sub.** Each share of capital stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall remain outstanding and unaffected by the merger, and no consideration shall be issued in exchange therefore.

4.02 **Rights as Stockholders; Stock Transfers.** At the Effective Time, holders of GAFC Common Stock shall cease to be, and shall have no rights as, stockholders of GAFC, other than to receive the Merger Consideration and any dividend or other distribution with respect to such GAFC Common Stock with a record date occurring prior to the Effective Time, the payment, if any, in lieu of certain dividends on Summit Common Stock provided for in Section

2.02(b), and the consideration provided under this Article IV. After the Effective Time, there shall be no transfers on the stock transfer books of GAFC or the Surviving Corporation of shares of GAFC Common Stock.

4.03 Fractional Shares. Notwithstanding any other provision hereof, no fractional shares of Summit Common Stock and no certificates or scrip therefore, or other evidence of ownership thereof, will be issued in the Merger; instead, Summit shall pay to each holder of GAFC Common Stock who would otherwise be entitled to a fractional share of Summit Common Stock (after taking into account all Old Certificates registered in the name of such holder) an amount in cash (without interest) determined by multiplying such fraction by the closing price of Summit Common Stock as reported by NASDAQ reporting system (as reported in the Wall Street Journal) on the Effective Date.

4.04 Exchange Procedures. (a) At or prior to the Effective Time, Summit shall deposit, or shall cause to be deposited, with Registrar and Transfer Company or a bank or trust company designated by Summit and reasonably satisfactory to GAFC (the "Exchange Agent"), for the benefit of the holders of certificates formerly representing shares of GAFC Common Stock ("Old Certificates"), for exchange in accordance with this Article IV, (i) certificates representing the shares of Summit Common Stock ("New Certificates"), (ii) an amount of cash necessary to pay the cash portion of the Merger Consideration and any payments required by Section 2.02(b) and (iii) an amount of cash necessary for payments required by Section 4.03 (the "Exchange Fund"). The Exchange Fund will be distributed in accordance with the Exchange Agent's normal and customary procedures established in connection with merger transactions.

(b) As soon as practicable after the Effective Time, and in no event later than five business days thereafter, Summit shall cause the Exchange Agent to mail to each holder of record of one or more Old Certificates a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Old Certificates shall pass, only upon delivery of the Old Certificates to the Exchange Agent) and instructions for use in effecting the surrender of the Old Certificates in exchange for New Certificates, if any, that the holders of the Old Certificates are entitled to receive pursuant to Article IV, and the cash, if any, that the holders of the Old Certificates are entitled to receive pursuant to Article IV, any cash in lieu of fractional shares into which the shares of GAFC Common Stock represented by the Old Certificates shall have been converted pursuant to this Agreement and any payment required pursuant to Section 2.02(b) of this Agreement. Upon proper surrender of an Old Certificate for exchange and cancellation to the Exchange Agent, together with such properly completed letter of transmittal, duly executed, the holder of such Old Certificates shall be entitled to receive in exchange therefore (i) a New Certificate representing that number of whole shares of Summit Common Stock that such holder has the right to receive pursuant to Article IV, if any, (ii) a check representing the amount of the cash that such holder is entitled to receive pursuant to Article IV, if any, (iii) a check representing the amount of any cash in lieu of fractional shares which such holder has the right to receive in respect of the Old Certificates surrendered pursuant to the provisions of this Article IV, and (iv) any payment required by Section 2.02(b), and the Old Certificates so surrendered shall forthwith be cancelled.

(c) Neither the Exchange Agent, if any, nor any party hereto shall be liable to any former holder of GAFC Common Stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

(d) No dividends or other distributions with respect to Summit Common Stock with a record date occurring after the Effective Time shall be paid to the holder of any unsurrendered Old Certificate representing shares of GAFC Common Stock converted in the Merger into the right to receive shares of such Summit Common Stock until the holder thereof shall be entitled to receive New Certificates in exchange therefore in accordance with the procedures set forth in this Section 4.05. After becoming so entitled in accordance with this Section 4.05, the record holder thereof also shall be entitled to receive any such dividends or other distributions by the Exchange Agent, without any interest thereon, which theretofore had become payable with respect to shares of Summit Common Stock such holder had the right to receive upon surrender of the Old Certificates.

(e) Any portion of the Exchange Fund that remains unclaimed by the stockholders of GAFC for twelve months after the Effective Time shall be paid to Summit. Any stockholders of GAFC who have not theretofore complied with this Article IV shall thereafter look only to Summit for payment of the Merger Consideration, cash in lieu of any fractional shares and unpaid dividends and distributions on Summit Common Stock deliverable in respect of each share of GAFC Common Stock such stockholder holds as determined pursuant to this Agreement, in each case, without any interest thereon.

(f) In the event any Old Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Old Certificate to be lost, stolen or destroyed and, if reasonably required by Summit

or the Exchange Agent, the posting by such person of a bond in such amount as Summit may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such Old Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Old Certificate the Merger Consideration deliverable in respect thereof pursuant to this Agreement.

4.05 Options. At the Effective Time, each outstanding option (each, a “GAFC Stock Option”) to purchase shares of GAFC Common Stock under any and all plans of GAFC under which stock options have been granted and are outstanding (collectively, the “GAFC Stock Plans”) shall vest and holders of GAFC Stock Options shall be entitled to receive cash in an amount equal to the difference between the value of (a) the Merger Consideration and (b) the applicable exercise price (rounded to the nearest cent) for each outstanding GAFC Stock Option (the “Stock Option Consideration”). At or prior to the Effective Time, GAFC shall use its reasonable best efforts, including using its reasonable best efforts to obtain any necessary consents from optionees, with respect to the GAFC Stock Plans to permit Summit to pay the Stock Option

Consideration pursuant to this Section. At the Effective Time, Summit shall have no obligation to make any additional grants or awards under the GAFC Stock Plans.

4.06 Warrants. At the Effective Time, each outstanding warrant (each, a “GAFC Warrant”) to purchase shares of GAFC Common Stock under any and all plans of GAFC under which warrants have been granted and are outstanding (collectively, the “GAFC Warrants”) shall vest and holders of GAFC Warrants shall be entitled to receive cash in an amount equal to the difference between the value of (a) the Merger Consideration and (b) the applicable exercise price (rounded to the nearest cent) for each outstanding GAFC Warrant (the “Warrant Consideration”). At or prior to the Effective Time, GAFC shall use its reasonable best efforts, including using its reasonable best efforts to obtain any necessary consents from optionees, with respect to the GAFC Stock Plans to permit Summit to pay the Warrant Consideration pursuant to this Section. At the Effective Time, Summit shall have shall have no obligation to make any additional grants or awards under the GAFC Warrants.

4.07 Dissenters’ Rights. Notwithstanding any other provision of this Agreement to the contrary, shares of GAFC Common Stock that are outstanding immediately prior to the Effective Time and which are held by stockholders who shall have not voted in favor of the Merger or consented thereto in writing and who properly shall have demanded appraisal for such shares in accordance with the DGCL (collectively, the “Dissenters’ Shares”) shall not be converted into or represent the right to receive the Merger Consideration. Such stockholders instead shall be entitled to receive payment of the appraised value of such shares held by them in accordance with the provisions of the DGCL, except that all Dissenters’ Shares held by stockholders who shall have failed to perfect or who effectively shall have withdrawn or otherwise lost their rights to appraisal of such shares under the DGCL shall thereupon be deemed to have been converted into and to have become exchangeable, as of the Effective Time, for the right to receive, without any interest thereon, the Merger Consideration upon surrender in the manner provided in Section 4.05 of the Old Certificates that, immediately prior to the Effective Time, evidenced such shares.

ARTICLE V

Actions Pending the Effective Time

5.01 Forebearances of GAFC. From the date hereof until the Effective Time, except as expressly contemplated by this Agreement or Previously Disclosed, without the prior written consent of Summit, GAFC will not, and will cause each of its Subsidiaries not to:

- (a) Ordinary Course. Conduct the business of GAFC and its Subsidiaries other than in the ordinary and usual course or fail to use reasonable efforts to preserve intact their business organizations and assets and maintain their rights, franchises and existing relations with customers, suppliers, employees and business associates, or take any action reasonably likely to have an adverse affect upon GAFC’s ability to perform any of its material obligations under this Agreement.
- (b) Capital Stock. Other than pursuant to Rights Previously Disclosed and outstanding on the date hereof, (i) issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional shares of GAFC Common Stock or any Rights, (ii) enter into any agreement with respect to the foregoing, or (iii) permit any additional shares of GAFC Common Stock to become subject to new grants of employee or director stock options, other Rights or similar stock-based employee rights.
- (c) Dividends, Etc. (a) Make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on any shares of GAFC Common Stock, or (b) directly or indirectly adjust, split, combine,

redeem, reclassify, purchase or otherwise acquire, any shares of its capital stock.

(d) Compensation; Employment Agreements; Etc. Enter into or amend or renew any employment, consulting, severance or similar agreements or arrangements with any director, officer or employee of GAFC or its Subsidiaries, or grant any salary or wage increase or increase any employee benefit (including incentive or bonus payments), except (i) for normal individual payments of incentives and bonuses to employees in the ordinary course of business consistent with past practice, not to exceed \$10,000 in the aggregate, (ii) for normal individual payments of incentives and bonuses to employees under GAB's branch incentive plan, not to exceed \$30,000 per quarter in the aggregate, (iii) for normal individual increases in compensation to employees in the ordinary course of business consistent with past practice, (iv) for other changes that are required by applicable law, (v) to satisfy Previously Disclosed contractual obligations existing as of the date hereof, or (vi) for grants of awards to newly hired employees consistent with past practice.

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- (e) Benefit Plans. Enter into, establish, adopt or amend (except (i) as may be required by applicable law or (ii) to satisfy Previously Disclosed contractual obligations existing as of the date hereof) any pension, retirement, stock option, stock purchase, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement (or similar arrangement) related thereto, in respect of any director, officer or employee of GAFC or its Subsidiaries, or take any action to accelerate the vesting or exercisability of stock options, restricted stock or other compensation or benefits payable thereunder.
- (f) Dispositions. Except as Previously Disclosed or in connection with the consummation of the sale of the Pasadena Branch, sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any of its assets, deposits, business or properties except in the ordinary course of business and in a transaction that is not material to it and its Subsidiaries taken as a whole.
- (g) Acquisitions. Except as Previously Disclosed, acquire (other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary and usual course of business consistent with past practice) all or any portion of, the assets, business, deposits or properties of any other entity.
- (h) Governing Documents. Amend the GAFC Certificate, GAFC By-laws or the certificate of incorporation or by-laws (or similar governing documents) of any of GAFC's Subsidiaries.
- (i) Accounting Methods. Implement or adopt any change in its accounting principles, practices or methods, other than as may be required by generally accepted accounting principles.
- (j) Contracts. Except in the ordinary course of business consistent with past practice, enter into or terminate any material contract (as defined in Section 6.03(k)) or amend or modify in any material respect any of its existing material contracts.
- (k) Claims. Except in the ordinary course of business consistent with past practice, settle any claim, action or proceeding, except for any claim, action or proceeding which does not involve precedent for other material claims, actions or proceedings and which involve solely money damages in an amount, individually or in the aggregate for all such settlements, that is not material to GAFC and its Subsidiaries, taken as a whole.
- (l) Adverse Actions. (a) Take any action while knowing that such action would, or is reasonably likely to, prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368 of the Code; or (b) knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties set forth in this Agreement being or becoming untrue subject to the standard set forth in Section 6.02, at any time at or prior to the Effective Time, (ii) any of the conditions to the Merger set forth in Article VIII not being satisfied or (iii) a material violation of any provision of this Agreement except, in each case, as may be required by applicable law or regulation.
- (m) Risk Management. Except as required by applicable law or regulation, (i) implement or adopt any material change in its interest rate and other risk management policies, procedures or practices; (ii) fail to follow its existing policies or practices with respect to managing its exposure to interest rate and other risk; or (iii) fail to use commercially reasonable means to avoid any material increase in its aggregate exposure to interest rate risk.
- (n) Indebtedness. Incur any indebtedness for borrowed money other than in the ordinary course of business.

(o) Loans. Make any loans in a principal amount in excess of \$750,000, or make any loans outside of the District of Columbia, Delaware, Maryland, Pennsylvania, Virginia and West Virginia.

(p) Commitments. Agree or commit to do any of the foregoing.

5.02 Forebearances of Summit. From the date hereof until the Effective Time, except as expressly contemplated by this Agreement, without the prior written consent of GAFC, Summit will not, and will cause each of its Subsidiaries not to:

(a) Ordinary Course. Conduct the business of Summit and its Subsidiaries other than in the ordinary and usual course or fail to use reasonable efforts to preserve intact their business organizations and assets and maintain their rights,

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franchises and existing relations with customers, suppliers, employees and business associates, or take any action reasonably likely to have an adverse effect upon Summit's ability to perform any of its material obligations under this Agreement.

(b) Extraordinary Dividends. Make, declare, pay or set aside for payment any extraordinary dividend.

(c) Adverse Actions. (a) Take any action while knowing that such action would, or is reasonably likely to, prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368 of the Code; or (b) knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties set forth in this Agreement being or becoming untrue, subject to the standard set forth in Section 6.02, at any time at or prior to the Effective Time, (ii) any of the conditions to the Merger set forth in Article VIII not being satisfied or (iii) a material violation of any provision of this Agreement except, in each case, as may be required by applicable law or regulation; provided.

(d) Commitments. Agree or commit to do any of the foregoing.

ARTICLE VI

Representations and Warranties

6.01 Disclosure Schedules. On or prior to the date hereof, Summit has delivered to GAFC a schedule and GAFC has delivered to Summit a schedule (respectively, its "Disclosure Schedule") setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in Section 6.03 or 6.04 or to one or more of its covenants contained in Article V; provided, that (a) no such item is required to be set forth in a Disclosure Schedule as an exception to a representation or warranty if its absence could not be reasonably likely to result in the related representation or warranty being deemed untrue or incorrect under the standard established by Section 6.02, and (b) the mere inclusion of an item in a Disclosure Schedule as an exception to a representation or warranty shall not be deemed an admission by a party that such item represents a material exception or fact, event or circumstance or that such item is reasonably likely to result in a Material Adverse Effect on the party making the representation. All of GAFC's representations, warranties and covenants contained in this Agreement are qualified by reference to the Disclosure Schedule and none thereof shall be deemed to be untrue or breached as a result of effects arising solely from actions taken in compliance with a written request of Summit.

6.02 Standard. No representation or warranty of GAFC or Summit contained in Section 6.03 or 6.04 shall be deemed untrue or incorrect, and no party hereto shall be deemed to have breached a representation or warranty, as a consequence of the existence of any fact, event or circumstance unless such fact, circumstance or event, individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty contained in Section 6.03 or 6.04 has had or is reasonably likely to have a Material Adverse Effect. For purposes of this Agreement, "knowledge" shall mean (i) with respect to Summit, actual knowledge of H. Charles Maddy, III, and Robert S. Tissue, and (ii) with respect to GAFC, actual knowledge of Carroll E. Amos, Edward C. Allen, David E. Ritter, Robert W. Neff and Gary L. Hobert.

6.03 Representations and Warranties of GAFC. Subject to Sections 6.01 and 6.02 and except as Previously Disclosed, GAFC hereby represents and warrants to Summit:

(a) Organization and Standing. GAFC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. GAFC is duly qualified to do business and is in good standing in the Commonwealth of Virginia and in any foreign jurisdictions where its ownership or leasing of property or assets or the

conduct of its business requires it to be so qualified.

(b) Capitalization. As of March 31, 2007, the authorized capital stock of GAFC consists of (i) 10,000,000 shares of GAFC Common Stock, of which 3,024,220 shares were outstanding and no shares were held in treasury, and (ii) 2,500,000 shares of preferred stock, \$0.01 par value, none of which are issued and outstanding or held in treasury as of the date hereof. As of the date hereof, except pursuant to the terms of options, stock, and warrants issued pursuant to the GAFC Stock and/or Warrant Plans, GAFC does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of GAFC Common Stock or any other equity securities of GAFC or any of its Subsidiaries or any securities representing the right to purchase or otherwise receive any shares of GAFC Common Stock or other equity securities of GAFC or any of its Subsidiaries. As of March 31, 2007, GAFC has 340,171 shares of GAFC Common Stock (with a weighted average strike price of \$6.94 per share) which are issuable and reserved for issuance upon the exercise of GAFC Stock Options and GAFC Warrants. The outstanding shares of

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GAFC Common Stock have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights).

(c) **Subsidiaries.** (i) GAFC has Previously Disclosed a list of all of its Subsidiaries together with the jurisdiction of organization of each such Subsidiary. (A) GAFC owns, directly or indirectly, all the issued and outstanding equity securities of each of its Subsidiaries, (B) no equity securities of any of its Subsidiaries are or may become required to be issued (other than to it or its wholly-owned Subsidiaries) by reason of any Right or otherwise, (C) there are no contracts, commitments, understandings or arrangements by which any of such Subsidiaries is or may be bound to sell or otherwise transfer any equity securities of any such Subsidiaries (other than to it or its wholly-owned Subsidiaries), (D) there are no contracts, commitments, understandings, or arrangements relating to its rights to vote or to dispose of such securities and (E) all the equity securities of each Subsidiary held by GAFC or its Subsidiaries are fully paid and nonassessable and are owned by GAFC or its Subsidiaries free and clear of any Liens.

(ii) GAFC has Previously Disclosed a list of all equity securities, or similar interests of any Person or any interest in a partnership or joint venture of any kind, other than its Subsidiaries, that it beneficially owns, directly or indirectly, as of March 28, 2007.

(iii) Each of GAFC's Subsidiaries has been duly organized and is validly existing in good standing under the laws of the jurisdiction of its organization, and is duly qualified to do business and in good standing in the jurisdictions where its ownership or leasing of property or the conduct of its business requires it to be so qualified.

(d) **Corporate Power.** Each of GAFC and its Subsidiaries has the corporate power and authority to carry on its business as it is now being conducted and to own all its properties and assets; and GAFC has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby.

(e) **Corporate Authority.** Subject to receipt of the requisite approval of this Agreement (including the agreement of merger set forth herein) by the holders of a majority of the outstanding shares of GAFC Common Stock entitled to vote thereon (which is the only vote of GAFC stockholders required thereon), the execution and delivery of this Agreement and the transactions contemplated hereby have been authorized by all necessary corporate action of GAFC and the GAFC Board. Assuming due authorization, execution and delivery by Summit, this Agreement is a valid and legally binding obligation of GAFC, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles). The GAFC Board of Directors has received the written opinion of Sandler O'Neill & Partners, L.P. to the effect that as of the date hereof the consideration to be received by the holders of GAFC Common Stock in the Merger is fair to the holders of GAFC Common Stock from a financial point of view.

(f) **Consents and Approvals; No Defaults.** (i) No consents or approvals of, or filings or registrations with, any Governmental Authority or with any third party are required to be made or obtained by GAFC or any of its Subsidiaries in connection with the execution, delivery or performance by GAFC of this Agreement or to consummate the Merger except for (A) filings of applications or notices with federal and state banking and insurance authorities and (B) the filing of a certificate of merger with the Secretary of State pursuant to the DGCL and the issuance of a certificate of merger in connection therewith. As of the date hereof, GAFC is not aware of any reason why the approvals set forth in Section 8.01(b) will not be received without the imposition of a condition, restriction or requirement of the type described in Section 8.01(b).

(ii) Subject to receipt of the regulatory approvals referred to in the preceding paragraph, and expiration of related waiting periods, the execution, delivery and performance of this Agreement and the consummation of the transactions

contemplated hereby do not and will not (A) constitute a breach or violation of, or a default under, or give rise to any Lien, any acceleration of remedies or any right of termination under, any law, rule or regulation or any judgment, decree, order, governmental permit or license, or any agreement, indenture or instrument of GAFC or of any of its Subsidiaries or to which GAFC or any of its Subsidiaries or properties is subject or bound, (B) constitute a breach or violation of, or a default under, the GAFC Certificate or the GAFC By-Laws, or (C) require any consent or approval under any such law, rule, regulation, judgment, decree, order, governmental permit or license or any agreement, indenture or instrument.

(g) Financial Reports; Absence of Certain Changes or Events. (i) GAFC's Annual Report on Form 10-K for the fiscal years ended September 30, 2004, 2005 and 2006, and all other reports, registration statements, definitive proxy statements or information statements filed or to be filed by it or any of its Subsidiaries subsequent to September 30, 2003, under the Securities Act or under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act in the form filed or to be filed (collectively

“GAFC’s SEC Documents”), as of the date filed, (A) as to form complied or will comply in all material respects with the applicable requirements under the Securities Act or the Exchange Act, as the case may be, and (B) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and each of the balance sheets or statements of condition of GAFC contained in or incorporated by reference into any of GAFC’s SEC Documents (including the related notes and schedules thereto) fairly presents, or will fairly present, the financial position of GAFC and its Subsidiaries as of its date, and each of the statements of income or results of operations and changes in stockholders’ equity and cash flows or equivalent statements of GAFC in any of GAFC’s SEC Documents (including any related notes and schedules thereto) fairly presents, or will fairly present, the results of operations, changes in stockholders’ equity and cash flows, as the case may be, of GAFC and its Subsidiaries for the periods to which they relate, and in each case were prepared in accordance with generally accepted accounting principles consistently applied during the periods involved, except in each case as may be noted therein, and subject to normal year-end audit adjustments in the case of unaudited statements.

(ii) GAFC’s Disclosure Schedule lists, and GAFC has delivered or previously made available to Summit, copies of the documentation creating or governing all securitization transactions and “off-balance sheet arrangements” (as defined in Item 303(c) of Regulation S-K) effected by GAFC or its Subsidiaries, since September 30, 2006. BDO Siedman, LLP, which has expressed its opinion with respect to the financial statements of GAFC and its Subsidiaries (including the related notes) included in the GAFC SEC Documents is and has been throughout the periods covered by such financial statements (A) a registered public accounting firm (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act of 2002, (B) “independent” with respect to GAFC within the meaning of Regulation S-X and C in compliance with subsection (g) through (l) of Section 10A of the Exchange Act and the related rules of the SEC and the Public Accounting Oversight Board.

(iii) Except as disclosed on Disclosure Schedule 6.03(g), GAFC has on a timely basis filed all forms, reports and documents required to be filed by it with the SEC since September 30, 2004. GAFC’s Disclosure Schedule lists, and, except to the extent available in full without redaction on the SEC’s web site through the Electronic Data Gathering, Analysis and Retrieval System (“EDGAR”) two days prior to the date of this Agreement, GAFC has delivered or previously made available to Summit copies in the form filed with the SEC of (A) GAFC’s Annual Reports on Form 10-K for each fiscal year of the Company beginning since September 30, 2003, (B) its Quarterly Reports on form 10-Q for each of the first three fiscal quarters in each of the fiscal years of the GAFC referred to in clause (A) above, (C) all proxy statements relating to GAFC’s meetings of stockholders (whether annual or special) held, and all information statements relating to stockholder consents since the beginning of the first fiscal year referred to in clause above, (D) all certifications and statements required by (x) the SEC’s Order dated June 27, 2002, pursuant to Section 21(a)(1) of the Exchange Act (File No. 4-460), (y) Rule 13a-14 or 15d-14 under the Exchange Act or (z) 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act of 2002) with respect to any report referred to above, (E) all other forms, reports, registration statements and other documents (other than preliminary materials if the corresponding definitive materials have been provided to Summit pursuant to this Section 6.03(g)(iii), filed by GAFC with the SEC since the beginning of the first fiscal year referred above, and (E) all comment letters received by GAFC from the Staff of the SEC since December 31, 2004, and all responses to such comment letters by or on behalf of GAFC.

(iv) Except as Previously Disclosed, GAFC maintains disclosure controls and procedures required by Rule 13a-15 or 15d-15 under the Exchange Act; such controls and procedures are effective to ensure that all material information concerning GAFC and its subsidiaries is made known on a timely basis to the individuals responsible for the preparation of the Company’s filings with the SEC and other public disclosure documents. GAFC’s Disclosure Schedule lists, and GAFC has delivered to Summit copies of, all written descriptions of, and all policies, manuals and other documents promulgating, such disclosure controls and procedures. To GAFC’s knowledge, each director and executive officer of GAFC has filed with the SEC on a timely basis all statements required by Section 16(a) of the Exchange Act and the rules and regulations thereunder since September 30, 2004. As used in this Section 6.03(q), the

term “file” shall be broadly construed to include any manner in which a document or information is furnished, supplied or otherwise made available to the SEC.

(v) Since September 30, 2006, GAFC and its Subsidiaries have not incurred any liability other than in the ordinary course of business consistent with past practice or for legal, accounting, and financial advisory fees and out-of-pocket expenses in connection with the transactions contemplated by this Agreement.

(vi) Since September 30, 2006, (A) GAFC and its Subsidiaries have conducted their respective businesses in the ordinary and usual course consistent with past practice (excluding matters related to this Agreement and the transactions contemplated hereby) and (B) no event has occurred or circumstance arisen that, individually or taken together with all other facts, circumstances and events (described in any paragraph of Section 6.03 or otherwise), is reasonably likely to have a Material Adverse Effect with respect to GAFC.

(h) **Litigation.** No litigation, claim or other proceeding before any court or Governmental Authority is pending against GAFC or any of its Subsidiaries and, to GAFC's knowledge, no such litigation, claim or other proceeding has been threatened.

(i) **Regulatory Matters.** (i) Neither GAFC nor any of its Subsidiaries or properties is a party to or is subject to any order, decree, agreement, memorandum of understanding or similar arrangement with, or a commitment letter or similar submission to, or extraordinary supervisory letter from, any federal or state governmental agency or authority charged with the supervision or regulation of financial institutions (or their holding companies) or issuers of securities or engaged in the insurance of deposits (including, without limitation, the Office of the Thrift Supervision, the Federal Reserve Board and the Federal Deposit Insurance Corporation) or the supervision or regulation of it or any of its Subsidiaries (collectively, the "Regulatory Authorities").

(ii) Except as disclosed on Disclosure Schedule 6.03(i), neither GAFC nor any of its Subsidiaries has been advised by any Regulatory Authority that such Regulatory Authority is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such order, decree, agreement, memorandum of understanding, commitment letter, supervisory letter or similar submission.

(iii) GAFC is not a financial holding company as defined by the Gramm-Leach-Bliley Act of 1999.

(j) **Compliance with Laws.** Each of GAFC and its Subsidiaries:

(i) is in compliance in all material respects with all applicable federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable thereto or to the employees conducting such businesses, including, without limitation, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act and all other applicable fair lending laws and other laws relating to discriminatory business practices;

(ii) has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Authorities that are required in order to permit them to own or lease their properties and to conduct their businesses as presently conducted; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect and, to GAFC's knowledge, no suspension or cancellation of any of them is threatened;

(iii) Except as disclosed on Disclosure Schedule 6.03(j), GAFC has received, since December 31, 2005, no notification or communication from any Governmental Authority (A) asserting that GAFC or any of its Subsidiaries is not in compliance with any of the statutes, regulations, or ordinances which such Governmental Authority enforces or (B) threatening to revoke any license, franchise, permit, or governmental authorization (nor, to GAFC's knowledge, do any grounds for any of the foregoing exist); and

(iv) Since July 1, 2001, is in compliance with the privacy provisions of the Gramm-Leach-Bailey Act, and all other applicable laws relating to consumer privacy.

(k) **Material Contracts; Defaults.** Except for this Agreement and the definitive agreement with respect to the sale of the Pasadena Branch, neither GAFC nor any of its Subsidiaries is a party to, bound by or subject to any agreement, contract, arrangement, commitment or understanding (whether written or oral) (i) that is a "material contract" within the meaning of Item 601(b)(10) of the SEC's Regulation S-K or (ii) that restricts or limits in any way the conduct of business by it or any of its Subsidiaries (including without limitation a non-compete or similar provision). Neither GAFC nor any of its Subsidiaries is in default under any contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its respective assets, business,

or operations may be bound or affected, or under which it or its respective assets, business, or operations receive benefits, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default.

(l) No Brokers. No action has been taken by GAFC that would give rise to any valid claim against any party hereto for a brokerage commission, finder's fee or other like payment with respect to the transactions contemplated by this Agreement, excluding a Previously Disclosed fee to be paid to Sandler O'Neill & Partners, L.P.

(m) Employee Benefit Plans. (i) GAFC has Previously Disclosed a complete and accurate list of all existing bonus, incentive, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership,

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stock bonus, stock purchase, restricted stock, stock option, severance, welfare and fringe benefit plans, employment or severance agreements and all similar practices, policies and arrangements in which any current or former employee (the “Employees”), current or former consultant (the “Consultants”) or current or former director (the “Directors”) of GAFC or any of its Subsidiaries participates or to which any such Employees, Consultants or Directors are a party (the “Compensation and Benefit Plans”). Neither GAFC nor any of its Subsidiaries has any commitment to create any additional Compensation and Benefit Plan or to modify or change any existing Compensation and Benefit Plan.

(ii) Each Compensation and Benefit Plan has been operated and administered in all material respects in accordance with its terms and with applicable law, including, but not limited to, ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act, or any regulations or rules promulgated thereunder, and all filings, disclosures and notices required by ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act and any other applicable law have been timely made. Each Compensation and Benefit Plan which is an “employee pension benefit plan” within the meaning of Section 3(2) of ERISA (a “Pension Plan”) and which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter or has applied for a favorable determination letter in compliance with the Code (including a determination that the related trust under such Compensation and Benefit Plan is exempt from tax under Section 501(a) of the Code) from the Internal Revenue Service (“IRS”), and GAFC is not aware of any circumstances likely to result in the revocation of any existing favorable determination letter or in not receiving a favorable determination letter. There is no material pending or, to the knowledge of GAFC, threatened legal action, suit or claim relating to the Compensation and Benefit Plans other than routine claims for benefits. Neither GAFC nor any of its Subsidiaries has engaged in a transaction, or omitted to take any action, with respect to any Compensation and Benefit Plan that would reasonably be expected to subject GAFC or any of its Subsidiaries to a tax or penalty imposed by either Section 4975 of the Code or Section 502 of ERISA, assuming for purposes of Section 4975 of the Code that the taxable period of any such transaction expired as of the date hereof.

(iii) No Compensation and Benefit Plans currently maintained, or maintained within the last six years, by GAFC or any of its Subsidiaries or any entity (and “ERISA Affiliate”) which is considered one employer with GAFC under Section 4001(a)(14) of ERISA or Section 414(b) or (c) of the Code is or was subject to Title IV of ERISA or is or was a multiemployer plan under Subtitle E of Title IV of ERISA. To the knowledge of GAFC, there is no pending investigation or enforcement action by the PBGC, the DOL or IRS or any other governmental agency with respect to any Compensation and Benefit Plan.

(iv) All contributions required to be made under the terms of any Compensation and Benefit Plan or any employee benefit arrangements under any collective bargaining agreement to which GAFC or any of its Subsidiaries is a party have been timely made or have been reflected on GAFC’s financial statements. None of GAFC, any of its Subsidiaries or any ERISA Affiliate (x) has provided, or would reasonably be expected to be required to provide, security to any Pension Plan pursuant to Section 401(a)(29) of the Code, and (y) has taken any action, or omitted to take any action, that has resulted, or would reasonably be expected to result, in the imposition of a lien under Section 412(n) of the Code or pursuant to ERISA.

(v) Neither GAFC nor any of its Subsidiaries has any obligations to provide retiree health and life insurance or other retiree death benefits under any Compensation and Benefit Plan, other than benefits mandated by Section 4980B of the Code, and each such Compensation and Benefit Plan may be amended or terminated without incurring liability thereunder. There has been no communication to Employees by GAFC or any of its Subsidiaries that would reasonably be expected to promise or guarantee such Employees retiree health or life insurance or other retiree death benefits on a permanent basis.

(vi) GAFC and its Subsidiaries do not maintain any Compensation and Benefit Plans covering foreign Employees.

(vii) With respect to each Compensation and Benefit Plan, if applicable, GAFC has provided or made available to Summit, true and complete copies of existing: (A) Compensation and Benefit Plan documents and amendments thereto; (B) trust instruments and insurance contracts; (C) two most recent Forms 5500 filed with the IRS; (D) most recent actuarial report and financial statement; (E) the most recent summary plan description; (F) most recent determination letter issued by the IRS; (G) any Form 5310 or Form 5330 filed with the IRS; and (H) most recent nondiscrimination tests performed under ERISA and the Code (including 401(k) and 401(m) tests).

(viii) Except as Previously Disclosed, the consummation of the transactions contemplated by this Agreement would not, directly or indirectly (including, without limitation, as a result of any termination of employment prior to

or following the Effective Time) reasonably be expected to (A) entitle any Employee, Consultant or Director to any payment (including severance pay or similar compensation) or any increase in compensation, (B) result in the vesting or acceleration of any benefits under any Compensation and Benefit Plan or (C) result in any material increase in benefits payable under any Compensation and Benefit Plan.

(ix) Neither GAFC nor any of its Subsidiaries maintains any compensation plans, programs or arrangements the payments under which would not reasonably be expected to be deductible as a result of the limitations under Section 162(m) of the Code and the regulations issued thereunder.

(x) As a result, directly or indirectly, of the transactions contemplated by this Agreement (including, without limitation, as a result of any termination of employment prior to or following the Effective Time), none of Summit, GAFC or the Surviving Corporation, or any of their respective Subsidiaries will be obligated to make a payment that would be characterized as an “excess parachute payment” to an individual who is a “disqualified individual” (as such terms are defined in Section 280G of the Code), without regard to whether such payment is reasonable compensation for personal services performed or to be performed in the future.

(n) Labor Matters. Neither GAFC nor any of its Subsidiaries is a party to or is bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is GAFC or any of its Subsidiaries the subject of a proceeding asserting that it or any such Subsidiary has committed an unfair labor practice (within the meaning of the National Labor Relations Act) or seeking to compel GAFC or any such Subsidiary to bargain with any labor organization as to wages or conditions of employment, nor is there any strike or other labor dispute involving it or any of its Subsidiaries pending or, to GAFC’s knowledge, threatened, nor is GAFC aware of any activity involving its or any of its Subsidiaries’ employees seeking to certify a collective bargaining unit or engaging in other organizational activity.

(o) Takeover Laws. GAFC has taken all action required to be taken by it in order to exempt this Agreement and the transactions contemplated hereby from, and this Agreement and the transactions contemplated hereby are exempt from, the requirements of any “moratorium”, “control share”, “fair price”, “affiliate transaction”, “business combination” or other antitakeover laws and regulations of any state applicable to GAFC (collectively, “Takeover Laws”), including, without limitation, Section 203 of the DGCL.

(p) Environmental Matters. To GAFC’s knowledge, neither the conduct nor operation of GAFC or its Subsidiaries nor any condition of any property presently or previously owned, leased or operated by any of them (including, without limitation, in a fiduciary or agency capacity), or on which any of them holds a Lien, violates or violated Environmental Laws and to GAFC’s knowledge, no condition has existed or event has occurred with respect to any of them or any such property that, with notice or the passage of time, or both, is reasonably likely to result in liability under Environmental Laws. To GAFC’s knowledge, neither GAFC nor any of its Subsidiaries has received any notice from any person or entity that GAFC or its Subsidiaries or the operation or condition of any property ever owned, leased, operated, or held as collateral or in a fiduciary capacity by any of them are or were in violation of or otherwise are alleged to have liability under any Environmental Law, including, but not limited to, responsibility (or potential responsibility) for the cleanup or other remediation of any pollutants, contaminants, or hazardous or toxic wastes, substances or materials at, on, beneath, or originating from any such property.

(q) Tax Matters. (i) All Tax Returns that are required to be filed by or with respect to GAFC and its Subsidiaries have been duly filed, (ii) all Taxes shown to be due on the Tax Returns referred to in clause (i) have been paid in full, (iii) the Tax Returns referred to in clause (i) have been examined by the Internal Revenue Service or the appropriate state, local or foreign taxing authority or the period for assessment of the Taxes in respect of which such Tax Returns were required to be filed has expired, (iv) all deficiencies asserted or assessments made as a result of such examinations have been paid in full, (v) no issues that have been raised by the relevant taxing authority in connection

with the examination of any of the Tax Returns referred to in clause (i) are currently pending, and (vi) no waivers of statutes of limitation have been given by or requested with respect to any Taxes of GAFC or its Subsidiaries. GAFC has made available to Summit true and correct copies of the United States Federal Income Tax Returns filed by GAFC and its Subsidiaries for each of the three most recent fiscal years ended on or before December 31, 2004. Neither GAFC nor any of its Subsidiaries has any liability with respect to income, franchise or similar Taxes that accrued on or before December 31, 2005 in excess of the amounts accrued with respect thereto that are reflected in the financial statements of GAFC as of December 31, 2002 for each of the three years in the period ended December 31, 2004. As of the date hereof, neither GAFC nor any of its Subsidiaries has any reason to believe that any conditions exist that might prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

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(ii) No Tax is required to be withheld pursuant to Section 1445 of the Code as a result of the transfer contemplated by this Agreement.

(r) Risk Management Instruments. Except as disclosed on Disclosure Schedule 6.03(r), neither GAFC nor any of its Subsidiaries are parties to any interest rate swaps, caps, floors, option agreements, futures and forward contracts and other similar risk management arrangements, whether entered into for GAFC's own account, or for the account of one or more of GAFC's Subsidiaries or their customers.

(s) Books and Records. The books and records of GAFC and its Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein and they fairly reflect the substance of events and transactions included therein.

(t) Insurance. GAFC Previously Disclosed all of the insurance policies, binders, or bonds maintained by GAFC or its Subsidiaries. GAFC and its Subsidiaries are insured with insurers believed to be reputable against such risks and in such amounts as the management of GAFC reasonably has determined to be prudent in accordance with industry practices. All such insurance policies are in full force and effect; GAFC and its Subsidiaries are not in material default thereunder; and all claims thereunder have been filed in due and timely fashion.

(u) Disclosure. The representations and warranties contained in this Section 6.03 do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 6.03, in light of the circumstances in which they are made, not misleading.

6.04 Representations and Warranties of Summit. Subject to Sections 6.01 and 6.02 and except as Previously Disclosed, Summit hereby represents and warrants to GAFC:

(a) Organization and Standing. Summit is a corporation duly organized, validly existing and in good standing under the laws of the State of West Virginia. Summit is duly qualified to do business and is in good standing in the foreign jurisdictions where its ownership or leasing of property or assets or the conduct of its business requires it to be so qualified.

(b) Capitalization. (i) As of December 31, 2006, the authorized capital stock of Summit consists solely of 20,000,000 shares of Summit Common Stock, of which as of March 6, 2007, 7,084,980 shares, were outstanding, and 250,000 shares of Summit Preferred Stock, of which none are issued and outstanding. As of the date hereof, except as set forth in its Disclosure Schedule, Summit does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of Summit Common Stock or any other equity securities of Summit or any of its Subsidiaries or any securities representing the right to purchase or otherwise receive any shares of Summit Common Stock or other equity securities of Summit or any of its Subsidiaries. As of December 31, 2006, Summit has 349,080 shares of Summit Common Stock which are issuable and reserved for issuance upon exercise of Summit Stock Options. The outstanding shares of Summit Common Stock have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights).

(ii) The shares of Summit Common Stock to be issued in exchange for shares of GAFC Common Stock in the Merger, when issued in accordance with the terms of this Agreement, will be duly authorized, validly issued, fully paid and nonassessable, with no personal liability attaching to the ownership thereof, subject to no preemptive rights and authorized for trading on the NASDAQ Capital Market.

(c) **Subsidiaries.** Each of Summit's Subsidiaries has been duly organized and is validly existing in good standing under the laws of the jurisdiction of its organization, and is duly qualified to do business and is in good standing in the jurisdictions where its ownership or leasing of property or the conduct of its business requires it to be so qualified and it owns, directly or indirectly, all the issued and outstanding equity securities of each of its Significant Subsidiaries.

(d) **Corporate Power.** Each of Summit and its Subsidiaries has the corporate power and authority to carry on its business as it is now being conducted and to own all its properties and assets; and Summit has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby.

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(e) Corporate Authority. This Agreement and the transactions contemplated hereby have been authorized by all necessary corporate action of Summit and the Summit Board. Shareholder approval of the transactions contemplated hereby is not required. Assuming due authorization, execution and delivery by GAFC, this Agreement is a valid and legally binding agreement of Summit, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles).

(f) Consents and Approvals; No Defaults. (i) No consents or approvals of, or filings or registrations with, any Governmental Authority or with any third party are required to be made or obtained by Summit or any of its Subsidiaries in connection with the execution, delivery or performance by Summit of this Agreement or to consummate the Merger except for (A) filings of applications and notices with the federal and state banking and insurance authorities; (B) filings with the NASDAQ Capital Market regarding the Summit Common Stock to be issued in the Merger; (C) the filing and declaration of effectiveness of the Registration Statement; (D) the filing of a certificate of merger with the Secretary of State pursuant to the DGCL and the issuance of the related certificate of merger; (E) such filings as are required to be made or approvals as are required to be obtained under the securities or "Blue Sky" laws of various states in connection with the issuance of Summit Stock in the Merger; and (F) receipt of the approvals set forth in Section 8.01(b). As of the date hereof, Summit is not aware of any reason why the approvals set forth in Section 8.01(b) will not be received without the imposition of a condition, restriction or requirement of the type described in Section 8.01(b).

(ii) Subject to the satisfaction of the requirements referred to in the preceding paragraph and expiration of the related waiting periods, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby do not and will not (A) constitute a breach or violation of, or a default under, or give rise to any Lien, any acceleration of remedies or any right of termination under, any law, rule or regulation or any judgment, decree, order, governmental permit or license, or agreement, indenture or instrument of Summit or of any of its Subsidiaries or to which Summit or any of its Subsidiaries or properties is subject or bound, (B) constitute a breach or violation of, or a default under, the certificate of incorporation or by-laws (or similar governing documents) of Summit or any of its Subsidiaries, or (C) require any consent or approval under any such law, rule, regulation, judgment, decree, order, governmental permit or license, agreement, indenture or instrument.

(g) Financial Reports and SEC Documents; Absence of Certain Changes or Events. (i) Summit's Annual Report on Form 10-K for the fiscal years ended December 31, 2004, 2005 and 2006, and all other reports, registration statements, definitive proxy statements or information statements filed or to be filed by it or any of its Subsidiaries subsequent to December 31, 2004, under the Securities Act or under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act in the form filed or to be filed (collectively "Summit's SEC Documents"), as of the date filed, (A) as to form complied or will comply in all material respects with the applicable requirements under the Securities Act or the Exchange Act, as the case may be, and (B) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and each of the balance sheets or statements of condition of Summit contained in or incorporated by reference into any of Summit's SEC Documents (including the related notes and schedules thereto) fairly presents, or will fairly present, the financial position of Summit and its Subsidiaries as of its date, and each of the statements of income or results of operations and changes in stockholders' equity and cash flows or equivalent statements of Summit in any of Summit's SEC Documents (including any related notes and schedules thereto) fairly presents, or will fairly present, the results of operations, changes in stockholders' equity and cash flows, as the case may be, of Summit and its Subsidiaries for the periods to which they relate, in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except in each case as may be noted therein, and subject to normal year-end audit adjustments in the case of unaudited statements. Summit's Disclosure Schedule lists, and upon request, Summit has delivered to GAFC, copies of the documentation creating or governing all securitization transactions and "off-balance sheet arrangements" (as defined in

Item 303(c) of Regulation S-K) effected by Summit or its Subsidiaries, since December 31, 2006. Arnett & Foster, which has expressed its opinion with respect to the financial statements of Summit and its Subsidiaries (including the related notes) included in the Summit SEC Documents is and has been throughout the periods covered by such financial statements (x) a registered public accounting firm (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act of 2002), (y) “independent” with respect to Summit within the meaning of Regulation S-Y, and Z in compliance with subsection (g) through (l) of Section 10A of the Exchange Act and the related rules of the SEC and the Public Accounting Oversight Board.

(ii) Since December 31, 2006, Summit and its Subsidiaries have not incurred any liability other than in the ordinary course of business consistent with past practice.

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- (iii) Since December 31, 2006, (A) Summit and its Subsidiaries have conducted their respective businesses in the ordinary and usual course consistent with past practice (excluding matters related to this Agreement and the transactions contemplated hereby) and (B) no event has occurred or circumstance arisen that, individually or taken together with all other facts, circumstances and events (described in any paragraph of Section 6.04 or otherwise), is reasonably likely to have a Material Adverse Effect with respect to Summit.
- (h) **Litigation.** Except as Previously Disclosed, no litigation, claim or other proceeding before any court or Governmental Authority is pending against Summit or any of its Subsidiaries and, to the best of Summit's knowledge, no such litigation, claim or other proceeding has been threatened.
- (i) **Regulatory Matters.** (i) Neither Summit nor any of its Subsidiaries or properties is a party to or is subject to any order, decree, agreement, memorandum of understanding or similar arrangement with, or a commitment letter or similar submission to, or extraordinary supervisory letter from, any Regulatory Authority.
- (ii) Neither Summit nor any of its Subsidiaries has been advised by any Regulatory Authority that such Regulatory Authority is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such order, decree, agreement, memorandum of understanding, commitment letter, supervisory letter or similar submission.
- (j) **Laws.** Each of Summit and its Subsidiaries:
- (i) is in compliance with all applicable federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable thereto or to the employees conducting such businesses, including, without limitation, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act and all other applicable fair lending laws and other laws relating to discriminatory business practices;
- (ii) has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Authorities that are required in order to permit them to own or lease their properties and to conduct their businesses substantially as presently conducted; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect and, to the best of its knowledge, no suspension or cancellation of any of them is threatened;
- (iii) has received, since December 31, 2004, no notification or communication from any Governmental Authority (A) asserting that Summit or any of its Subsidiaries is not in compliance with any of the statutes, regulations, or ordinances which such Governmental Authority enforces or (B) threatening to revoke any license, franchise, permit, or governmental authorization (nor, to Summit's knowledge, do any grounds for any of the foregoing exist); and
- (iv) since July 1, 2001, is in compliance with the privacy provisions of the Gramm-Leach-Bliley Act, and all other applicable laws relating to consumer privacy.
- (k) **Employee Benefit Plans.** (i) Summit's Disclosure Schedule contains a complete and accurate list of all existing bonus, incentive, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, severance, welfare and fringe benefit plans, employment or severance agreements and all similar practices, policies and arrangements in which any current or former employee (the "Summit Employees"), current or former consultant (the "Summit Consultants") or current or former director (the "Summit Directors") of Summit or any of its Subsidiaries participates or to which any Summit Employees, Summit Consultants or Summit Directors are a party (the "Summit Compensation and Benefit Plans").

(ii) Each Summit Compensation and Benefit Plan has been operated and administered in all material respects in accordance with its terms and with applicable law, including, but not limited to, ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act, or any regulations or rules promulgated thereunder, and all filings, disclosures and notices required by ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act and any other applicable law have been timely made. Each Compensation and Benefit Plan which is an “employee pension benefit plan” within the meaning of Section 3(2) of ERISA (a “Summit Pension Plan”) and which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter (including a determination that the related trust under such Summit Compensation and Benefit Plan is exempt from tax under Section 501(a) of the Code) from the IRS, and Summit is not aware of any circumstances likely to result in revocation of any such favorable determination letter. There is no material pending or, to the knowledge of Summit, threatened legal action, suit or claim

relating to the Summit Compensation and Benefit Plans other than routine claims for benefits. Neither Summit nor any of its Subsidiaries has engaged in a transaction, or omitted to take any action, with respect to any Summit Compensation and Benefit Plan that would reasonably be expected to subject Summit or any of its Subsidiaries to a tax or penalty imposed by either Section 4975 of the Code or Section 502 of ERISA, assuming for purposes of Section 4975 of the Code that the taxable period of any such transaction expired as of the date hereof.

(iii) No liability (other than for payment of premiums to the PBGC which have been made or will be made on a timely basis) under Title IV of ERISA has been or is expected to be incurred by Summit or any of its Subsidiaries with respect to any ongoing, frozen or terminated “single-employer plan”, within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them, or any single-employer plan of any entity (an “Summit ERISA Affiliate”) which is considered one employer with Summit under Section 4001(a)(14) of ERISA or Section 414(b) or (c) of the Code (an “Summit ERISA Affiliate Plan”). None of Summit, any of its Subsidiaries or any Summit ERISA Affiliate has contributed, or has been obligated to contribute, to a multiemployer plan under Subtitle E of Title IV of ERISA at any time since September 26, 1980. No notice of a “reportable event”, within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived, has been required to be filed for any Summit Compensation and Benefit Plan or by any Summit ERISA Affiliate Plan within the 12-month period ending on the date hereof, and no such notice will be required to be filed as a result of the transactions contemplated by this Agreement. The PBGC has not instituted proceedings to terminate any Pension Plan or Summit ERISA Affiliate Plan and, to Summit’s knowledge, no condition exists that presents a material risk that such proceedings will be instituted. To the knowledge of Summit, there is no pending investigation or enforcement action by the PBGC, the DOL or IRS or any other governmental agency with respect to any Summit Compensation and Benefit Plan. Under each Summit Pension Plan and Summit ERISA Affiliate Plan, as of the date of the most recent actuarial valuation performed prior to the date of this Agreement, the actuarially determined present value of all “benefit liabilities”, within the meaning of Section 4001(a)(16) of ERISA (as determined on the basis of the actuarial assumptions contained in such actuarial valuation of such Summit Pension Plan or Summit ERISA Affiliate Plan), did not exceed the then current value of the assets of such Summit Pension Plan or Summit ERISA Affiliate Plan and since such date there has been neither an adverse change in the financial condition of such Summit Pension Plan or Summit ERISA Affiliate Plan nor any amendment or other change to such Pension Plan or ERISA Affiliate Plan that would increase the amount of benefits thereunder which reasonably could be expected to change such result.

(iv) All contributions required to be made under the terms of any Summit Compensation and Benefit Plan or Summit ERISA Affiliate Plan or any employee benefit arrangements under any collective bargaining agreement to which Summit or any of its Subsidiaries is a party have been timely made or have been reflected on Summit’s financial statements. Neither any Summit Pension Plan nor any Summit ERISA Affiliate Plan has an “accumulated funding deficiency” (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA and all required payments to the PBGC with respect to each Summit Pension Plan or Summit ERISA Affiliate Plan have been made on or before their due dates. None of Summit, any of its Subsidiaries or any Summit ERISA Affiliate (x) has provided, or would reasonably be expected to be required to provide, security to any Summit Pension Plan or to any Summit ERISA Affiliate Plan pursuant to Section 401(a)(29) of the Code, and (y) has taken any action, or omitted to take any action, that has resulted, or would reasonably be expected to result, in the imposition of a lien under Section 412(n) of the Code or pursuant to ERISA.

(v) Neither Summit nor any of its Subsidiaries has any obligations to provide retiree health and life insurance or other retiree death benefits under any Summit Compensation and Benefit Plan, other than benefits mandated by Section 4980B of the Code, and each such Summit Compensation and Benefit Plan may be amended or terminated without incurring liability thereunder. There has been no communication to Employees by Summit or any of its Subsidiaries that would reasonably be expected to promise or guarantee such Employees retiree health or life insurance or other retiree death benefits on a permanent basis.

(vi) Summit and its Subsidiaries do not maintain any Summit Compensation and Benefit Plans covering foreign Employees.

(vii) With respect to each Summit Compensation and Benefit Plan, if applicable, Summit has provided or made available to GAFC, true and complete copies of existing: (A) Summit Compensation and Benefit Plan documents and amendments thereto; (B) trust instruments and insurance contracts; (C) two most recent Forms 5500 filed with the IRS; (D) most recent actuarial report and financial statement; (E) the most recent summary plan description; (F) forms filed with the PBGC (other than for premium payments); (G) most recent determination letter issued by the IRS; (H) any Form 5310 or Form 5330 filed with the IRS; and (I) most recent nondiscrimination tests performed under ERISA and the Code (including 401(k) and 401(m) tests).

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(viii) The consummation of the transactions contemplated by this Agreement would not, directly or indirectly (including, without limitation, as a result of any termination of employment prior to or following the Effective Time) reasonably be expected to (A) entitle any Summit Employee, Summit Consultant or Summit Director to any payment (including severance pay or similar compensation) or any increase in compensation, (B) result in the vesting or acceleration of any benefits under any Summit Compensation and Benefit Plan or (C) result in any material increase in benefits payable under any Summit Compensation and Benefit Plan.

(ix) Neither Summit nor any of its Subsidiaries maintains any compensation plans, programs or arrangements the payments under which would not reasonably be expected to be deductible as a result of the limitations under Section 162(m) of the Code and the regulations issued thereunder.

(x) As a result, directly or indirectly, of the transactions contemplated by this Agreement (including, without limitation, as a result of any termination of employment prior to or following the Effective Time), none of Summit, GAFC or the Surviving Corporation, or any of their respective Subsidiaries will be obligated to make a payment that would be characterized as an “excess parachute payment” to an individual who is a “disqualified individual” (as such terms are defined in Section 280G of the Code), without regard to whether such payment is reasonable compensation for personal services performed or to be performed in the future.

(l) No Brokers. No action has been or will be taken by Summit that would give rise to any valid claim against any party hereto for a brokerage commission, finder’s fee or other like payment with respect to the transactions contemplated by this Agreement.

(m) Takeover Laws. Summit has taken all action required to be taken by it in order to exempt this Agreement and the transactions contemplated hereby from, and this Agreement and the transactions contemplated hereby are exempt from, the requirements of any Takeover Laws applicable to Summit.

(n) Environmental Matters. To Summit’s knowledge, neither the conduct nor operation of Summit or its Subsidiaries nor any condition of any property presently or previously owned, leased or operated by any of them (including, without limitation, in a fiduciary or agency capacity), or on which any of them holds a Lien, violates or violated Environmental Laws and to Summit’s knowledge no condition has existed or event has occurred with respect to any of them or any such property that, with notice or the passage of time, or both, is reasonably likely to result in liability under Environmental Laws. To Summit’s knowledge, neither Summit nor any of its Subsidiaries has received any notice from any person or entity that Summit or its Subsidiaries or the operation or condition of any property ever owned, leased, operated, or held as collateral or in a fiduciary capacity by any of them are or were in violation of or otherwise are alleged to have liability under any Environmental Law, including, but not limited to, responsibility (or potential responsibility) for the cleanup or other remediation of any pollutants, contaminants, or hazardous or toxic wastes, substances or materials at, on, beneath, or originating from any such property.

(o) Tax Matters. (i) All Tax Returns that are required to be filed by or with respect to Summit and its Subsidiaries have been duly filed, (ii) all Taxes shown to be due on the Tax Returns referred to in clause (i) have been paid in full, (iii) the Tax Returns referred to in clause (i) have been examined by the Internal Revenue Service or the appropriate state, local or foreign taxing authority or the period for assessment of the Taxes in respect of which such Tax Returns were required to be filed has expired, (iv) all deficiencies asserted or assessments made as a result of such examinations have been paid in full, (v) no issues that have been raised by the relevant taxing authority in connection with the examination of any of the Tax Returns referred to in clause (i) are currently pending, and (vi) no waivers of statutes of limitation have been given by or requested with respect to any Taxes of Summit or its Subsidiaries. Neither Summit nor any of its Subsidiaries has any liability with respect to income, franchise or similar Taxes that accrued on or before the end of the most recent period covered by Summit’s SEC Documents filed prior to the date hereof in excess of the amounts accrued with respect thereto that are reflected in the financial statements included in Summit’s

SEC Documents filed on or prior to the date hereof. As of the date hereof, neither Summit nor any of its Subsidiaries has any reason to believe that any conditions exist that might prevent or impede the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code.

(p) Books and Records. The books and records of Summit and its Subsidiaries have been fully, properly and accurately maintained in all material respects, and there are no material inaccuracies or discrepancies of any kind contained or reflected therein, and they fairly present the substance of events and transactions included therein.

(q) Insurance. Summit's Disclosure Schedule lists all of the insurance policies, binders, or bonds maintained by Summit or its Subsidiaries. Summit and its Subsidiaries are insured with insurers believed to be reputable

against such risks and in such amounts as the management of Summit reasonably has determined to be prudent in accordance with industry practices. All such insurance policies are in full force and effect; Summit and its Subsidiaries are not in material default thereunder; and all claims thereunder have been filed in due and timely fashion.

(r) Disclosure. The representations and warranties contained in this Section 6.04 do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Section 6.04, in light of the circumstances under which they are made, not misleading.

(s) Representations and Warranties of Summit with Respect to Merger Sub

(i) Organization, Standing and Authority. The Merger Sub is or prior to the Effective Time will be duly organized and validly existing in good standing under the laws of the state of its organization, and is or prior to the Effective Time will be duly qualified to do business and in good standing in the jurisdictions where its ownership or leasing of property or the conduct of its business requires it to be so qualified. The Merger Sub will have been organized for the purpose of the transactions contemplated by this Agreement, and no newly chartered Merger Sub will have previously conducted any business or incurred any liabilities.

(ii) Power. The Merger Sub has, or prior to the Effective Time will have, the power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby.

(iii) Authority. This Agreement and the transactions contemplated hereby have been, or prior to the Effective Time will have been, authorized by all requisite action on the part of the Merger Sub and its respective subsidiaries or members. Upon execution and delivery of Annex A, this Agreement will be a valid and legally binding agreement of the Merger Sub enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles).

ARTICLE VII

Covenants

7.01 Reasonable Best Efforts. Subject to the terms and conditions of this Agreement, each of GAFC and Summit agrees to use its reasonable best efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the Merger as promptly as practicable and otherwise to enable consummation of the transactions contemplated hereby and shall cooperate fully with the other party hereto to that end.

7.02 Stockholder Approval. GAFC agrees to take, in accordance with applicable law and the GAFC Certificate and GAFC By-laws, all action necessary to convene an appropriate meeting of its stockholders to consider and vote upon the approval of this Agreement and any other matters required to be approved by GAFC's stockholders for consummation of the Merger (including any adjournment or postponement, the "GAFC Meeting"), as promptly as practicable after the Registration Statement is declared effective. The GAFC Board will recommend that the GAFC stockholders approve and adopt the Agreement and the transactions contemplated hereby, provided that the GAFC Board may fail to make such recommendation, or withdraw, modify or change any such recommendation, if the GAFC Board, after having consulted with and considered the advice of outside counsel, has determined that the making of such recommendation, or the failure to withdraw, modify or change such recommendation, would be reasonably likely to constitute a breach of the fiduciary duties of the members of the GAFC Board under applicable law.

7.03 Registration Statement. (a) Summit agrees to prepare a registration statement on Form S-4 (the "Registration Statement") to be filed by Summit with the SEC in connection with the issuance of Summit Common Stock in the Merger (including the prospectus of Summit and proxy solicitation materials of GAFC constituting a part thereof (the "Proxy Statement") and all related documents). GAFC and Summit agree to cooperate, and to cause their respective Subsidiaries to cooperate, with the other and its counsel and its accountants in the preparation of the Registration Statement and the Proxy Statement; and provided that GAFC and its Subsidiaries have cooperated as required above, Summit agrees to file the Registration Statement (including the Proxy Statement in preliminary form) with the SEC as promptly as reasonably practicable and in any event within forty-five (45) days from the date on which the sale of the Pasadena Branch is consummated. Each of GAFC and Summit agrees to use all reasonable efforts to cause the Registration Statement to be declared effective under the

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Securities Act as promptly as reasonably practicable after filing thereof. Summit also agrees to use all reasonable efforts to obtain, prior to the effective date of the Registration Statement, all necessary state securities law or “Blue Sky” permits and approvals required to carry out the transactions contemplated by this Agreement. GAFC agrees to furnish to Summit all information concerning GAFC, its Subsidiaries, officers, directors and stockholders as may be reasonably requested in connection with the foregoing and shall have the right to review and consult with Summit and approve the form of, and any characterization of such information included in, the Registration Statement prior to its being filed with the SEC.

(b) Each of GAFC and Summit agrees, as to itself and its Subsidiaries, that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in (i) the Registration Statement will, at the time the Registration Statement and each amendment or supplement thereto, if any, becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Proxy Statement and any amendment or supplement thereto will, at the date of mailing to stockholders and at the time of the GAFC Meeting, as the case may be, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading or any statement which, in the light of the circumstances under which such statement is made, will be false or misleading with respect to any material fact, or which will omit to state any material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier statement in the Proxy Statement or any amendment or supplement thereto. Each of GAFC and Summit further agrees that if it shall become aware prior to the Effective Date of any information furnished by it that would cause any of the statements in the Proxy Statement to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, to promptly inform the other party thereof and to take the necessary steps to correct the Proxy Statement.

(c) Summit agrees to advise GAFC, promptly after Summit receives notice thereof, of the time when the Registration Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order or the suspension of the qualification of Summit Stock for offering or sale in any jurisdiction, of the initiation or threat of any proceeding for any such purpose, or of any request by the SEC for the amendment or supplement of the Registration Statement or for additional information.

7.04 Press Releases. Each of GAFC and Summit agrees that it will not, without the prior approval of the other party, file any material pursuant to SEC Rules 165 or 425, or issue any press release or written statement for general circulation relating to the transactions contemplated hereby, except as otherwise required by applicable law or regulation or NASDAQ rules.

7.05 Access; Information. (a) Each of GAFC and Summit agrees that upon reasonable notice and subject to applicable laws relating to the exchange of information, it shall afford the other party and the other party’s officers, employees, counsel, accountants and other authorized representatives, such access during normal business hours throughout the period prior to the Effective Time to the books, records (including, without limitation, tax returns, and, subject to the consent of the independent auditors, work papers of independent auditors), properties, personnel and to such other information as any party may reasonably request and, during such period, it shall furnish promptly to such other party (i) a copy of each material report, schedule and other document filed by it pursuant to the requirements of federal or state securities or banking laws, and (ii) all other information concerning the business, properties and personnel of it as the other may reasonably request.

(b) Each agrees that it will not, and will cause its representatives not to, use any information obtained pursuant to this Section 7.05 (as well as any other information obtained prior to the date hereof in connection with the entering into of this Agreement) for any purpose unrelated to the consummation of the transactions contemplated by this Agreement. Subject to the requirements of law, each party will keep confidential, and will cause its representatives to

keep confidential, all information and documents obtained pursuant to this Section 7.05 (as well as any other information obtained prior to the date hereof in connection with the entering into of this Agreement) unless such information (i) was already known to such party, (ii) becomes available to such party from other sources not known by such party to be bound by a confidentiality obligation, (iii) is disclosed with the prior written approval of the party to which such information pertains or (iv) is or becomes readily ascertainable from published information or trade sources. In the event that this Agreement is terminated or the transactions contemplated by this Agreement shall otherwise fail to be consummated, each party shall promptly cause all copies of documents or extracts thereof containing information and data as to another party hereto to be returned to the party which furnished the same. No investigation by either party of the business and affairs of the other shall affect or be deemed to modify or waive any representation, warranty, covenant or agreement in this Agreement, or the conditions to either party's obligation to consummate the transactions contemplated by this Agreement.

(c) During the period from the date of this Agreement to the Effective Time, each party shall promptly furnish the other with copies of all monthly and other interim financial statements produced in the ordinary course of business as, the same shall become available.

7.06 Acquisition Proposals. GAFC agrees that it shall not, and shall cause its Subsidiaries and its Subsidiaries' officers, directors, agents, advisors and affiliates not to, solicit or encourage inquiries or proposals with respect to, or engage in any negotiations concerning, or provide any confidential information to, or have any discussions with any person relating to, any Acquisition Proposal. It shall immediately cease and cause to be terminated any activities, discussions or negotiations conducted prior to the date of this Agreement with any parties other than Summit with respect to any of the foregoing and shall use its reasonable best efforts to enforce any confidentiality or similar agreement relating to an Acquisition Proposal. Notwithstanding the foregoing, if, at any time the GAFC Board determines in good faith, after consultation with outside counsel, that failure to do so would be reasonably likely to constitute a breach of its fiduciary duties under applicable law, GAFC, in response to a written Acquisition Proposal that was unsolicited or that did not otherwise result from a breach of this Section 7.06, may furnish non-public information with respect to GAFC to the Person who made such Acquisition Proposal and participate in negotiations regarding such Acquisition Proposal.

7.07 Affiliate Agreements. (a) Not later than the 15th day prior to the mailing of the Proxy Statement, GAFC shall deliver to Summit a schedule of each person that, to the best of its knowledge, is or is reasonably likely to be, as of the date of the GAFC Meeting, deemed to be an "affiliate" of GAFC (each, a "GAFC Affiliate") as that term is used in Rule 145 under the Securities Act.

(b) GAFC shall use its reasonable best efforts to cause each person who may be deemed to be a GAFC Affiliate to execute and deliver to Summit on or before the date of mailing of the Proxy Statement an agreement in the form attached hereto as Exhibit A.

7.08 Takeover Laws. No party hereto shall take any action that would cause the transactions contemplated by this Agreement to be subject to requirements imposed by any Takeover Law and each of them shall take all necessary steps within its control to exempt (or ensure the continued exemption of) the transactions contemplated by this Agreement from any applicable Takeover Law, as now or hereafter in effect.

7.09 Certain Policies. Immediately prior to the Effective Date, GAFC shall, consistent with generally accepted accounting principles and on a basis mutually satisfactory to it and Summit, modify and change its loan, litigation and real estate valuation policies and practices (including loan classifications and levels of reserves) so as to be applied on a basis that is consistent with that of Summit and shall make appropriate accruals for any employee benefits, plans, arrangements or obligations assumed by Summit under this Agreement; provided, however, that GAFC shall not be obligated to take any such action pursuant to this Section 7.09 unless and until Summit acknowledges that all conditions to its obligation to consummate the Merger have been satisfied and certifies to GAFC that Summit's representations and warranties, subject to Section 6.02, are true and correct as of such date and that Summit is otherwise material in compliance with this Agreement. Summit and GAFC also shall consult with respect to the character, amount, and timing of restructuring and Merger-related expense charges to be taken by each of them in connection with the transactions contemplated by this Agreement and shall take such charges in accordance with GAAP as may be mutually agreed upon by them. GAFC's representations, warranties and covenants contained in this Agreement shall not be deemed to be untrue or breached in any respect for any purpose as a consequence of any modifications or changes undertaken solely on account of this Section 7.09.

7.10 Regulatory Applications. (a) Summit and GAFC and their respective Subsidiaries shall cooperate and use their respective reasonable best efforts to prepare all documentation, to effect all filings and to obtain all permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary to consummate the

transactions contemplated by this Agreement. Each of Summit and GAFC shall have the right to review in advance, and to the extent practicable each will consult with the other, in each case subject to applicable laws relating to the exchange of information, with respect to, all material written information submitted to any third party or any Governmental Authority in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the parties hereto agrees to act reasonably and as promptly as practicable. Each party hereto agrees that it will consult with the other party hereto with respect to the obtaining of all material permits, consents, approvals and authorizations of all third parties and Governmental Authorities necessary or advisable to consummate the transactions contemplated by this Agreement and each party will keep the other party apprised of the status of material matters relating to completion of the transactions contemplated hereby.

(b) Each party agrees, upon request, to furnish the other party with all information concerning itself, its Subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with any filing, notice or application made by or on behalf of such other party or any of its Subsidiaries to any third party or Governmental Authority.

7.11 Indemnification. (a) Following the Effective Date and for a period of three (3) years thereafter, Summit shall indemnify, defend and hold harmless the present directors, officers and employees of GAFC and its Subsidiaries (each, an “Indemnified Party”) against all costs or expenses (including reasonable attorneys’ fees), judgments, fines, losses, claims, damages or liabilities (collectively, “Costs”) incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of actions or omissions occurring at or prior to the Effective Time (including, without limitation, the transactions contemplated by this Agreement) to the fullest extent that GAFC is permitted or required to indemnify (and advance expenses to) its directors and officers under the laws of the State of Delaware, the GAFC Certificate, the GAFC By-Laws and any agreement as in effect on the date hereof; provided that any determination required to be made with respect to whether an officer’s, director’s or employee’s conduct complies with the standards set forth under Delaware law, the GAFC Certificate, the GAFC By-Laws and any agreement shall be made by independent counsel (which shall not be counsel that provides material services to Summit) selected by Summit and reasonably acceptable to such officer or director.

(b) Any Indemnified Party wishing to claim indemnification under Section 7.11(a), upon learning of any claim, action, suit, proceeding or investigation described above, shall promptly notify Summit thereof; provided that the failure so to notify shall not affect the obligations of Summit under Section 7.11(a) unless and to the extent that Summit is actually prejudiced as a result of such failure.

(c) If Summit or any of its successors or assigns shall consolidate with or merge into any other entity and shall not be the continuing or surviving entity of such consolidation or merger or shall transfer all or substantially all of its assets to any entity, then and in each case, proper provision shall be made so that the successors and assigns of Summit shall assume the obligations set forth in this Section 7.11.

(d) The provisions of this Section 7.11 shall survive the Effective Time and are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party and his or her heirs and representatives.

7.12 Benefit Plans. (a) It is the intention of Summit that within a reasonable period of time following the Effective Time (i) it will provide employees of GAFC with employee benefit plans substantially similar in the aggregate to those provided to similarly situated employees of Summit, (ii) Summit shall cause any and all pre-existing condition limitations (to the extent such limitations did not apply to a pre-existing condition under the Compensation and Benefit Plans) and eligibility waiting periods under group health plans to be waived with respect to such participants and their eligible dependents, and (iii) all GAB employees will receive credit for years of service with GAFC and its predecessors prior to the Effective Time for purposes of eligibility and vesting and not for purposes of benefit accrual under Summit’s benefit plans. Summit shall maintain GAFC’s existing employee benefit plans until such time as Summit has provided similar plans to GAFC’s employees as contemplated in the preceding sentence. GAB employees shall not be entitled to accrual of benefits or allocation of contributions under Summit’s benefit plans based on years of service with GAFC and its predecessors prior to the Effective Date.

(b) Immediately prior to the Effective Date, GAFC shall take such action as may be necessary to terminate its 401(k) plan, including accruing the estimated expense associated with terminating the 401(k) plan. Following the receipt of a favorable determination letter from the IRS relating to the termination of the 401(k) plan, the assets of the plan shall be distributed to participants as provided in the plan. Notwithstanding the foregoing, the 401(k) plan trustee may make distributions to all non-continuing GAB employees before the receipt of a favorable determination letter. In the event a favorable ruling is not issued, GAFC agrees that termination of the 401(k) plan shall not occur

and the 401(k) plan shall be merged with Summit's 401(k) plan.

7.13 Notification of Certain Matters. Each of GAFC and Summit shall give prompt notice to the other of any fact, event or circumstance known to it that (i) is reasonably likely, individually or taken together with all other facts, events and circumstances known to it, to result in any Material Adverse Effect with respect to it or (ii) would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein.

7.14 Current Public Information. Summit agrees that it shall, for a period of three (3) years following the Effective Time, use its best efforts to meet the current public information requirements as set forth in paragraph (c) of Rule

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144 promulgated under the Securities Act, and will provide those persons providing affiliate letters pursuant to Section 7.07 with such other information as they may reasonably require and to otherwise cooperate with such persons to facilitate any sales of Summit Common Stock issued to such persons pursuant to this Agreement in compliance with the provisions of Rule 144 and/or Rule 145 promulgated under the Securities Act. The provisions of this Section 7.14 shall survive the Effective Time and are intended to be for the benefit of, and shall be enforceable by, such affiliates of GAFC.

7.15 Contractual Rights of Current Employees. At and following the Effective Time, Summit shall honor, and Summit shall continue to be obligated to perform, in accordance with their terms, all benefit obligations to, and contractual rights of, current and former employees of GAFC and its Subsidiaries existing as of the Effective Date, as well as all employment, severance, deferred compensation, split dollar life insurance or “change-in-control” agreements, plans or policies of GAFC and its Subsidiaries which are Previously Disclosed. Summit acknowledges that the consummation of the Merger will constitute a “change-in-control” of for purposes of any employee benefit plans, agreements and arrangements of GAFC and its Subsidiaries.

7.16 GAFC Trust Preferred Securities.

(a) GAFC shall cooperate with Summit to permit Summit to assume the obligations of GAFC under the Indenture and the Guarantee and to receive the transfer of the Common Securities, as provided in Section 2.03, and to enable Summit to exercise the call feature of the GAFC Trust Preferred Stock, including by causing GAFC's counsel to deliver such opinions as the Trustee may reasonably require with respect to the assumption of the GAFC Trust Preferred Securities.

(b) From and after the date hereof and until and including the Closing Date, GAFC shall (i) pay, or accrue, as applicable, and cause the Trust to pay, or accrue, as applicable, all amounts due (when and as due) and comply, and cause each Trust to comply, with all of its obligations under the Indenture and the Guarantee, and such other transaction documents (together the “Operative Documents”), and (ii) not enter into any agreement (or amend, alter or agree to amend or alter any Operative Document or other agreement) with the Trust.

7.17 Transition. Commencing on the date hereof, and in all cases subject to applicable law and regulation, GAFC shall, and shall cause its Subsidiaries to, cooperate with Summit and its Subsidiaries to facilitate the integration of the parties and their respective businesses effective as of the Closing Date or such later date as may be determined by Summit. Without limiting the generality of the foregoing, from the date hereof through the Closing Date and consistent with the performance of their day-to-day operations and the continuous operation of GAFC and its Subsidiaries in the ordinary course of business, GAFC shall cause the employees and officers of GAFC and its Subsidiaries to use their reasonable best efforts to provide support, including support from its outside contractors and vendors, and to assist Summit in performing all tasks, including equipment installation, reasonably required to result in a successful integration at the Closing or such later date as may be determined by Summit. In addition, GAFC shall cooperate with Summit in seeking to amend certain lease arrangements of GAFC and its Subsidiaries as specified by Summit, such amendments to be effective only upon consummation of the Merger.

ARTICLE VIII

Conditions to Consummation of the Merger

8.01 Conditions to Each Party’s Obligation to Effect the Merger. The respective obligation of each of Summit and GAFC to consummate the Merger is subject to the fulfillment by Summit and GAFC prior to the Effective Time of each of the following conditions:

(a) Stockholder Approval. This Agreement shall have been duly approved by the requisite vote of the stockholders of GAFC.

(b) Regulatory Approvals. All regulatory approvals required to consummate the transactions contemplated hereby shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired and no such approvals shall contain any conditions, restrictions or requirements (other than with respect to the sale of the Pasadena Branch) which the Summit Board reasonably determines in good faith would either before or after the Effective Time have a Material Adverse Effect on the Surviving Corporation and its Subsidiaries taken as a whole.

(c) No Injunction. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and prohibits consummation of the transactions contemplated by this Agreement.

(d) Registration Statement. The Registration Statement shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC.

Blue Sky Approvals. All permits and other authorizations under state securities laws necessary to consummate the transactions contemplated hereby and to issue the shares of Summit Common Stock to be issued in the Merger shall have been received and be in full force and effect.

(f) Listing. To the extent required, the shares of Summit Common Stock to be issued in the Merger shall have been approved for listing on the NASDAQ Capital Market, subject to official notice of issuance.

8.02 Conditions to Obligation of GAFC. The obligation of GAFC to consummate the Merger is also subject to the fulfillment or written waiver by GAFC prior to the Effective Time of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of Summit set forth in this Agreement shall be true and correct, subject to Section 6.02, as of the date of this Agreement and as of the Effective Date as though made on and as of the Effective Date (except that representations and warranties that by their terms speak as of the date of this Agreement or some other date shall be true and correct as of such date), and GAFC shall have received a certificate, dated the Effective Date, signed on behalf of Summit by the Chief Executive Officer and the Chief Financial Officer of Summit to such effect.

(b) Performance of Obligations of Summit. Summit shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Effective Time, and GAFC shall have received a certificate, dated the Effective Date, signed on behalf of Summit by the Chief Executive Officer and the Chief Financial Officer of Summit to such effect.

8.03 Conditions to Obligation of Summit. The obligation of Summit to consummate the Merger is also subject to the fulfillment or written waiver by Summit prior to the Effective Time of each of the following conditions:

(a) Representations and Warranties. The representations and warranties of GAFC set forth in this Agreement shall be true and correct, subject to Section 6.02, as of the date of this Agreement and as of the Effective Date as though made on and as of the Effective Date (except that representations and warranties that by their terms speak as of the date of this Agreement or some other date shall be true and correct as of such date) and Summit shall have received a certificate, dated the Effective Date, signed on behalf of GAFC by the Chief Executive Officer and the Chief Financial Officer of GAFC to such effect.

(b) Performance of Obligations of GAFC. GAFC shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Effective Time, and Summit shall have received a certificate, dated the Effective Date, signed on behalf of GAFC by the Chief Executive Officer and the Chief Financial Officer of GAFC to such effect.

(c) Opinion of Summit's Counsel. Summit and GAFC shall have received an opinion of Hunton & Williams, special counsel to Summit, dated the Effective Date, to the effect that, on the basis of facts, representations and assumptions set forth in such opinion, (i) the Merger constitutes a reorganization under Section 368 of the Code (ii) no gain or loss

will be recognized by stockholders of GAFC who receive shares of Summit Common Stock in exchange for shares of GAFC Common Stock, except that gain or loss may be recognized as to cash received as Merger Consideration and/or in lieu of fractional share interests, and (iii) after the Merger, Summit will be allowed to carry forward GAFC's consolidated net operating losses under Section 382 of the Code. In rendering its opinion, Hunton & Williams may require and rely upon representations contained in letters from Summit and others.

(d) Core Deposits. The balance of Core Deposits shall not be less than \$144 million .

(e) Sale of Branch. At least forty-five (45) days prior to consummation of the Merger, GAB shall have consummated the sale of the Pasadena Branch.

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ARTICLE IX

Termination

9.01 Termination. This Agreement may be terminated, and the Merger may be abandoned:

(a) Mutual Consent. At any time prior to the Effective Time, by the mutual consent of Summit and GAFC, if the Board of Directors of each so determines by vote of a majority of the members of its entire Board.

(b) Breach. At any time prior to the Effective Time, by Summit or GAFC (provided that the party seeking termination is not then in material breach of any representation, warranty, covenant or other agreement contained herein), if its Board of Directors so determines by vote of a majority of the members of its entire Board, in the event of either: (i) a breach by the other party of any representation or warranty contained herein (subject to the standard set forth in Section 6.02), which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach; or (ii) a breach by the other party of any of the covenants or agreements contained herein, which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach, provided that such breach (whether under (i) or (ii)) would be reasonably likely, individually or in the aggregate with other breaches, to result in a Material Adverse Effect.

(c) Delay. At any time prior to the Effective Time, by Summit or GAFC, if its Board of Directors so determines by vote of a majority of the members of its entire Board, in the event that the Acquisition is not consummated by December 31, 2007, except to the extent that the failure of the Acquisition then to be consummated arises out of or results from the knowing action or inaction of the party seeking to terminate pursuant to this Section 9.01(c).

(d) No Approval. By GAFC or Summit, if its Board of Directors so determines by a vote of a majority of the members of its entire Board, in the event (i) the approval of any Governmental Authority required for consummation of the Merger and the other transactions contemplated by this Agreement shall have been denied by final nonappealable action of such Governmental Authority or (ii) the stockholder approval required by Section 8.01(a) herein is not obtained at the GAFC Meeting.

(e) Failure to Recommend, Etc. At any time prior to the GAFC Meeting, by Summit if the GAFC Board shall have failed to make its recommendation referred to in Section 7.02, withdrawn such recommendation or modified or changed such recommendation in a manner adverse in any respect to the interests of Summit.

(f) Superior Proposal. By GAFC, if the GAFC Board so determines by a vote of the majority of the members of its entire board, at any time prior to the GAFC Meeting, in order to concurrently enter into an agreement with respect to an unsolicited Acquisition Proposal that was received and considered by GAFC in compliance with Section 7.06 and that would, if consummated, result in a transaction that is more favorable to GAFC's stockholders from a financial point of view than the Merger (a "Superior Proposal"); provided, however, that (i) this Agreement may be terminated by GAFC pursuant to this Section 9.01(f) only after the fifth business day following Summit's receipt of written notice from GAFC advising Summit that GAFC is prepared to enter into an agreement with respect to a Superior Proposal and only if, during such five business day period Summit elects not to make an offer or Summit does not make an offer to GAFC that the GAFC Board determines in good faith, after consultation with its financial and legal advisors, is at least as favorable as the Superior Proposal.

9.02 Effect of Termination and Abandonment. In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article IX, no party to this Agreement shall have any liability or further obligation to any other party hereunder except (i) as set forth in Section 9.03 and (ii) that termination will not relieve a breaching party from liability for any willful breach of this Agreement giving rise to such termination.

9.03 Fees and Expenses. (a) In the event that this Agreement shall be terminated (i) by either party pursuant to Section 9.01(d)(ii), and, at or prior to the time of the failure of GAFC's stockholders to approve this Agreement and the Merger, an Acquisition Proposal shall have been made public and not withdrawn, or (ii) by GAFC pursuant to Section 9.01(f), then GAFC shall pay Summit in immediately available funds a fee of \$750,000 (the "Section 9.03(a) Fee") as follows: (i) \$250,000 no later than two (2) business days after the date of termination, (ii) \$100,000 on the date that is one (1) year after the termination date, (iii) \$100,000 on the date that is two (2) years after the termination date, and (iv) \$300,000 on the date that is three (3) years after the termination date. Notwithstanding the foregoing, if GAFC consummates the transaction that is the subject of the Acquisition Proposal, then the remaining balance shall be due and payable no later than two (2) business days after consummation.

(b) In the event that (i) this Agreement is terminated pursuant to Section 9.01(e); or (ii) this Agreement is terminated by Summit pursuant to Section 9.01(b); or (iii) this Agreement is terminated pursuant to Section 9.01(c), then, in any such event, GAFC shall pay Summit promptly (but in no event later than two business days after the first of such events shall have occurred) a fee of \$250,000 (the "Section 9.03(b) Fee"), which amount shall be payable in immediately available funds.

(c) In the event that GAFC shall fail to pay the Section 9.03(a) Fee or the Section 9.03(b) Fee when due, the applicable fee shall be deemed to include the costs and expenses actually incurred or accrued by Summit (including, without limitation, fees and expenses of counsel) in connection with the collection of the applicable fee under the enforcement of this Section 9.03, together with interest on such applicable unpaid fee, commencing on the date that the applicable fee became due, at a rate equal to the rate of interest publicly announced by Citibank, N.A., from time to time, in the City of New York, as such bank's Base Rate plus 2.00%.

(d) In no event shall GAFC be obligated to pay both the Section 9.03(a) Fee and the Section 9.03(b) Fee.

ARTICLE X

Miscellaneous

10.01 Survival. No representations, warranties, agreements and covenants contained in this Agreement shall survive the Effective Time (other than Sections 2.02(b), 4.04, 7.11, 7.12, 7.14, 7.15 and this Article X which shall survive the Effective Time) or the termination of this Agreement if this Agreement is terminated prior to the Effective Time (other than Sections 7.03(b), 7.05(b), 9.02, this Article X which shall survive such termination).

10.02 Waiver; Amendment. Prior to the Effective Time, any provision of this Agreement may be (i) waived by the party benefited by the provision, or (ii) amended or modified at any time, by an agreement in writing between the parties hereto executed in the same manner as this Agreement, except that after the GAFC Meeting, this Agreement may not be amended if it would violate the DGCL.

10.03 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute an original.

10.04 Governing Law. This Agreement shall be governed by, and interpreted in accordance with, the laws of the State of Delaware applicable to contracts made and to be performed entirely within such State (except to the extent that mandatory provisions of Federal law are applicable).

10.05 Expenses. Each party hereto will bear all expenses incurred by it in connection with this Agreement and the transactions contemplated hereby, except that printing expenses shall be shared equally between GAFC and Summit.

10.06 Notices. All notices, requests and other communications hereunder to a party shall be in writing and shall be deemed given if personally delivered, telecopied (with confirmation) or mailed by registered or certified mail (return receipt requested) to such party at its address set forth below or such other address as such party may specify by notice to the parties hereto.

If to GAFC, to:

GREATER ATLANTIC FINANCIAL CORP.
10700 Parkridge Boulevard

Suite P50
Reston, Virginia 20191
Attn: Carroll E. Amos
President and Chief Executive Officer

With a copy to:

Muldoon Murphy & Aguggia LLP
5101 Wisconsin Avenue, NW

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Washington, DC 20016
Facsimile: (202) 966-9409
Attn: George W. Murphy, Jr., Esq.

If to Summit, to:

SUMMIT FINANCIAL GROUP, INC.
300 North Main Street
P. O. Box 179
Moorefield, West Virginia 26836
Attn: H. Charles Maddy, III
President and Chief Executive Officer
Robert S. Tissue
Chief Financial Officer

With a copy to:

Bowles Rice McDavid Graff & Love LLP
600 Quarrier Street
P. O. Box 1386
Charleston, West Virginia 25325-1386
Facsimile: (305) 343-3058
Attn: Sandra M. Murphy, Esq.

10.07 Entire Understanding; No Third Party Beneficiaries. This Agreement represents the entire understanding of the parties hereto with reference to the transactions contemplated hereby and this Agreement supersedes any and all other oral or written agreements heretofore made. Except for Sections 7.11 and 7.12, nothing in this Agreement expressed or implied, is intended to confer upon any person, other than the parties hereto or their respective successors, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

10.08 Interpretation; Effect. When a reference is made in this Agreement to Sections, Exhibits or Disclosure Schedules, such reference shall be to a Section of, or Exhibit or Disclosure Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." No provision of this Agreement shall be construed to require GAFC, Summit or any of their respective Subsidiaries, affiliates or directors to take any action which would violate applicable law (whether statutory or common law), rule or regulation.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers, all as of the day and year first above written.

GREATER ATLANTIC FINANCIAL CORP.

By: /s/ Carroll E. Amos
Carroll E. Amos
Title: President and Chief Executive Officer

SUMMIT FINANCIAL GROUP, INC.

By: /s/ H. Charles Maddy, III
H. Charles Maddy, III

Title: President and Chief Executive Officer

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SUPPLEMENT FOR MERGER SUB ACCESSION
TO MERGER AGREEMENT

This SUPPLEMENT FOR MERGER SUB ACCESSION TO MERGER AGREEMENT, dated as of the 22nd day of October, 2007 (this "Supplement"), to the Agreement and Plan of Reorganization, dated as of April 12, 2007 (as may be amended from time to time in accordance with the terms thereof, the "Agreement"), by and between SUMMIT FINANCIAL GROUP, INC., a West Virginia corporation ("Summit") and GREATER ATLANTIC FINANCIAL CORP., a Delaware corporation ("GAFC").

WHEREAS, terms used but not otherwise defined herein have the meanings specified in the Agreement; and

WHEREAS, pursuant to Section 2.01 of the Agreement, Summit has determined to consummate the Merger in part through the merger of GAFC with and into SFG II, Inc., a West Virginia corporation (the "Merger Sub").

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, representations and warranties contained in the Agreement, the parties agree as follows:

1. Agreement. Merger Sub agrees (i) to be bound by and subject to the terms of the Agreement, (ii) to become a party to the Agreement, as provided by Section 2.01 thereof, (iii) to perform all obligations and agreements set forth therein, and (iv) to adopt the Agreement with the same force and effect as if the undersigned were originally a party thereto.
2. Notice. Any notice required to be provided pursuant to Section 10.06 of the Agreement shall be given to the Merger Sub at the following address:

300 North Main Street
P.O. Box 179
Moorefield, West Virginia 26836

IN WITNESS WHEREOF, this Supplement has been duly executed and delivered by the undersigned, duly authorized thereunto as of the date first hereinabove written.

SFG II, INC.

By: /s/ Robert S. Tissue _____
Name: Robert S. Tissue
Title: Vice President

GREATER ATLANTIC FINANCIAL CORP.

By: /s/ Carroll E. Amos _____
Name: Carroll E. Amos
Title: President and Chief Executive Officer

SUMMIT FINANCIAL GROUP, INC.

By: /s/ Robert S. Tissue _____
Name: Robert S. Tissue
Title: Senior Vice President and
Chief Financial Officer

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FORM OF GAFC AFFILIATE LETTER

_____, 2007

SUMMIT FINANCIAL GROUP, INC.
300 North Main Street
Moorefield, West Virginia 26836
Attention: Robert S. Tissue
Chief Financial Officer

Ladies and Gentlemen:

I have been advised that I may be deemed to be, but do not admit that I am, an "affiliate" of GREATER ATLANTIC FINANCIAL CORP. a Delaware corporation ("GAFC"), as that term is defined in Rule 145 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"). I understand that pursuant to the terms of the Agreement and Plan of Reorganization, dated as of _____, 2007 (the "Agreement"), by and between SUMMIT FINANCIAL GROUP, INC., a West Virginia corporation ("Summit"), and GAFC, GAFC plans to merge with and into a wholly-owned subsidiary of Summit (the "Merger").

I further understand that as a result of the Merger, I may receive shares of common stock, par value \$2.50 per share, of Summit ("Summit Stock") in exchange for shares of common stock, par value \$0.01 per share, of GAFC ("GAFC Stock").

I have carefully read this letter and reviewed the Agreement and discussed their requirements and other applicable limitations upon my ability to sell, transfer, or otherwise dispose of Summit Stock, to the extent I felt necessary, with my counsel or counsel for GAFC.

I represent, warrant and covenant with and to Summit that in the event I receive any Summit Stock as a result of the Merger:

1. I shall not make any sale, transfer, or other disposition of such Summit Stock unless (i) such sale, transfer or other disposition has been registered under the Securities Act, (ii) such sale, transfer or other disposition is made in conformity with the provisions of Rule 145 under the Securities Act (as such rule may be amended from time to time), or (iii) in the opinion of counsel in form and substance reasonably satisfactory to Summit, or under a "no-action" letter obtained by me from the staff of the SEC, such sale, transfer or other disposition will not violate or is otherwise exempt from registration under the Securities Act.
2. I understand that Summit is under no obligation to register the sale, transfer or other disposition of shares of Summit Stock by me or on my behalf under the Securities Act or to take any other action necessary in order to make compliance with an exemption from such registration available.
3. I understand that stop transfer instructions will be given to Summit's transfer agent with respect to shares of Summit Stock issued to me as a result of the Merger and that there will be placed on the certificates for such shares, or any substitutions therefor, a legend stating in substance:

The shares represented by this certificate were issued in a transaction to which Rule 145 promulgated under the Securities Act of 1933 applies. The shares represented by this certificate may be transferred only in accordance with the terms of a letter agreement, dated _____, between the registered holder hereof and SUMMIT

FINANCIAL GROUP, INC., a copy of which agreement is on file at the principal offices of SUMMIT FINANCIAL GROUP, INC.”

4. I understand that, unless transfer by me of the Summit Stock issued to me as a result of the Merger has been registered under the Securities Act or such transfer is made in conformity with the provisions of Rule 145(d) under the Securities Act, Summit reserves the right, in its sole discretion, to place the following legend on the certificates issued to my transferee:

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The shares represented by this certificate have not been registered under the Securities Act of 1933 and were acquired from a person who received such shares in a transaction to which Rule 145 under the Securities Act of 1933 applies. The shares have been acquired by the holder not with a view to, or for resale in connection with, any distribution thereof within the meaning of the Securities Act of 1933 and may not be offered, sold, pledged or otherwise transferred except in accordance with an exemption from the registration requirements of the Securities Act of 1933.”

It is understood and agreed that the legends set forth in paragraphs (3) and (4) above shall be removed by delivery of substitute certificates without such legends if I shall have delivered to Summit (i) a copy of a “no action” letter from the staff of the SEC, or an opinion of counsel in form and substance reasonably satisfactory to Summit, to the effect that such legend is not required for purposes of the Act, or (ii) evidence or representations satisfactory to Summit that the Summit Stock represented by such certificates is being or has been sold in conformity with the provisions of Rule 145(d).

I further understand and agree that this letter agreement shall apply to all shares of Summit Stock that I am deemed to beneficially own pursuant to applicable federal securities law.

Very truly yours,

By _____

Name:

Title:

Accepted this ____ day of _____, 2007.

GREATER ATLANTIC FINANCIAL CORP.

By _____

Name: _____

Title: President and Chief Executive Officer

SUMMIT FINANCIAL GROUP, INC.

By _____

Name:

Title:

President and

H. Charles Maddy, III

Chief Executive Officer

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AMENDMENT TO AGREEMENT AND PLAN OF REORGANIZATION

THIS AMENDMENT TO AGREEMENT AND PLAN OF REORGANIZATION (this “Amendment”), dated as of December 6, 2007, is made and entered into by and among SUMMIT FINANCIAL GROUP, INC., a West Virginia corporation (“Summit”), GREATER ATLANTIC FINANCIAL CORP., a Delaware corporation (“Greater Atlantic”) and SFG II, INC., a West Virginia corporation (“SFG”).

WHEREAS, Summit and Greater Atlantic entered into an Agreement and Plan of Reorganization dated as of April 12, 2007 (the “Agreement”); and

WHEREAS, SFG became a party to the Agreement by executing that certain Supplement for Merger Sub Accession to Merger Agreement dated October 22, 2007; and

WHEREAS, pursuant to the terms of the Agreement Greater Atlantic will be merged into SFG with SFG surviving the merger (the “Merger”); and

WHEREAS, the Agreement provides that the Board of Directors of Greater Atlantic or Summit may terminate the Agreement in the event the Merger is not consummated by December 31, 2007; and

WHEREAS, pursuant to Section 10.02 of the Agreement, Summit, Greater Atlantic and SFG have agreed to amend Section 9.01(c) of the Agreement to extend the date on which the Agreement may be terminated if the Merger is not consummated to March 31, 2008.

NOW THEREFORE, for valid consideration, the parties hereto agree as follows:

1. Amendment to the Agreement. Effective as of the date of this Amendment, Section 9.01(c) of the Agreement is amended to read as follows:

“(c) Delay. At any time prior to the Effective Time, by Summit or GFAC, if its Board of Directors so determines by vote of a majority of the members of its entire Board, in the event that the Acquisition is not consummated by March 31, 2008, except to the extent that the failure of the Acquisition then to be consummated arises out of or results from the knowing action or inaction of the party seeking to terminate pursuant to this Section 9.01(c).”

2. Enforceable Documents. Except as modified herein, all terms and conditions of the Agreement, and any and all other documents executed or delivered by or on behalf of Summit, Greater Atlantic or SFG in connection with the Agreement, as the same may be supplemented, modified, amended or extended from time to time, are and shall

remain in full force and effect.

3. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, any party hereto may execute this Amendment by signing any such counterpart.

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IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment as of the date first written above.

SUMMIT FINANCIAL GROUP, INC.

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

GREATER ATLANTIC FINANCIAL CORP.

By: /s/ Carroll E. Amos _____
Name: Carroll E. Amos
Title: President and Chief Executive Officer

SFG II, INC.

By: /s/ H. Charles Maddy, III _____
Name: H. Charles Maddy, III
Title: President

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Section 262 of the Delaware General Corporation Law

DELAWARE CODE ANNOTATED

TITLE 8. CORPORATIONS

CHAPTER 1. GENERAL CORPORATION LAW

SUBCHAPTER IX. MERGER, CONSOLIDATION OR CONVERSION

8 Del. C. § 262 (2008)

§ 262. Appraisal rights

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of § 251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be

either listed on a national securities exchange or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

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(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228 or § 253 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal

proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in this subsection.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for

their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to

stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

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February 15, 2008

Board of Directors
Greater Atlantic Financial Corp.
10700 Parkridge Boulevard
Suite P50
Reston, Virginia 20191

Ladies and Gentlemen:

Greater Atlantic Financial Corp. (“Greater Atlantic”) and Summit Financial Group, Inc. (“Summit”) have entered into an Agreement and Plan of Reorganization, dated as of April 12, 2007, as amended on December 6, 2007 (the “Agreement”), pursuant to which Greater Atlantic will merge with and into a to-be-formed subsidiary of Summit (the “Merger Sub”) with Merger Sub as the surviving entity (the “Merger”). Under the terms of the Agreement, Greater Atlantic sold a branch office located in Pasadena, MD to Bay-Vanguard Federal Savings Bank (the “Branch Sale” and together with the Merger, the “Transactions”). Pursuant to the Agreement, each share of Greater Atlantic common stock, par value \$0.01 per share, issued and outstanding immediately prior to the Merger (the “GAFC Common Stock”), other than certain shares specified in the Agreement, will be converted into the right to receive (a) cash in an amount equal to \$1.80 per share (the “Cash Consideration”) and (b) that number of shares of Summit common stock, \$2.50 par value per share, (the “Summit Common Stock”) equal to \$4.20 (the “Stock Consideration” and together with the Cash Consideration, the “Merger Consideration”), divided by the average closing price (the “Average Closing Price”) of Summit Common Stock reported on the NASDAQ for the twenty (20) trading days prior to the closing of the Merger (the “Exchange Ratio”), provided, however, if the Average Closing Price is less than \$17.82, the Exchange Ratio will be calculated by dividing \$4.20 by \$17.82. If the Average Closing Price is greater than \$24.10 then the Exchange Ratio will be calculated by dividing \$4.20 by \$24.10. Capitalized terms used herein without definition shall have the meanings given to such term in the Agreement. You have requested our opinion as to the fairness, from a financial point of view, of the Merger Consideration to be received in the Merger to the holders of GAFC Common Stock.

Sandler O’Neill & Partners, L.P., as part of its investment banking business, is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. In connection with this opinion, we have reviewed, among other things:

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(i) the Agreement; (ii) certain publicly available financial statements and other historical financial information of Greater Atlantic that we deemed relevant; (iii) certain publicly available financial statements and other historical financial information of Summit Financial that we deemed relevant; (iv) internal financial projections for Greater Atlantic for the years ending December 31, 2007 and 2008 prepared by and reviewed with management of Greater Atlantic and growth and performance projections for Greater Atlantic for the years ending December 31, 2009 and 2010 as provided by and reviewed with management of Greater Atlantic; (v) internal financial projections for Summit for the years ending December 31, 2007 and 2008 prepared by and reviewed with management of Summit and growth and performance projections for Summit for the year ending December 31, 2009 and 2010 as provided by and reviewed with management of Summit; (vi) the pro forma financial impact of the Branch Sale on Greater Atlantic; (vii) the pro forma financial impact of the Merger on Summit, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings determined by the senior managements of Greater Atlantic and Summit; (viii) the publicly reported historical price and trading activity for Greater Atlantic's and Summit's common stock, including a comparison of certain financial and stock market information for Greater Atlantic and Summit with similar publicly available information for certain other companies the securities of which are publicly traded; (ix) the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available; (x) the current market environment generally and the banking environment in particular; and (xi) such other information, financial studies, analyses and investigations and financial, economic and market criteria as we considered relevant. We also discussed with certain members of senior management of Greater Atlantic the business, financial condition, results of operations and prospects of Greater Atlantic and held similar discussions with certain members of senior management of Summit regarding the business, financial condition, results of operations and prospects of Summit.

In performing our review, we have relied upon the accuracy and completeness of all of the financial and other information that was available to us from public sources, that was provided to us by Greater Atlantic and Summit or their respective representatives or that was otherwise reviewed by us and have assumed such accuracy and completeness for purposes of rendering this opinion. We have further relied on the assurances of the respective managements of Greater Atlantic and Summit that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. We have not been asked to and have not undertaken an independent verification of any of such information and we do not assume any responsibility or liability for the accuracy or completeness thereof. We did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Greater Atlantic, Summit or any of their respective subsidiaries, or the collectibility of any such assets, nor have we been furnished with any such evaluations or appraisals. We did not make an independent evaluation of the adequacy of the allowance for loan losses of Greater Atlantic and Summit nor have we reviewed any individual credit files relating to Greater Atlantic and Summit. We have assumed, with your consent, that the respective allowances for loan losses for both Greater Atlantic and Summit are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity.

With respect to the internal projections for Greater Atlantic and Summit and the projections of transaction costs, purchase accounting adjustments and expected cost savings prepared by and/or reviewed with the managements of Greater Atlantic and Summit and used by Sandler O'Neill in its analyses, Greater Atlantic's and Summit's management confirmed to us that they reflected the best currently available estimates and judgments of management of the future financial performance of Greater Atlantic

and Summit and we assumed that such performance would be achieved. We express no opinion as to such financial projections and estimates or the assumptions on which they are based. We have also assumed that there has been no material change in Greater Atlantic's and Summit's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to us. We have assumed in all respects material to our analysis that Greater Atlantic and Summit will remain as going concerns for all periods relevant to our analyses, that all of the representations and warranties contained in the Agreement are true and correct, that each party to the Agreement will perform all of the covenants required to be performed by such party under the Agreement, that the conditions precedent in the Agreement are not waived. Finally, with your consent, we have relied upon the advice Greater Atlantic has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Agreement.

Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof could materially affect this opinion. We have not undertaken to update, revise, reaffirm or withdraw this opinion or otherwise comment upon events occurring after the date hereof. We are expressing no opinion herein as to what the value of Greater Atlantic's and Summit's common stock will be when shares of Summit's common stock will be issued to Greater Atlantic's shareholders pursuant to the Agreement or the prices at which Greater Atlantic's and Summit's common stock may trade at any time.

We have acted as Greater Atlantic's financial advisor in connection with the Transactions and will receive a fee for our services, a substantial portion of which is contingent upon consummation of the Merger. We will also receive a fee for rendering this opinion. Greater Atlantic has also agreed to indemnify us against certain liabilities arising out of our engagement.

In the ordinary course of our business as a broker-dealer, we may purchase securities from and sell securities to Greater Atlantic and Summit and their respective affiliates. We may also actively trade the equity or debt securities of Greater Atlantic and Summit or their respective affiliates for our own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

Our opinion is directed to the Board of Directors of Greater Atlantic in connection with its consideration of the Merger and does not constitute a recommendation to any shareholder of Greater Atlantic as to how such shareholder should vote at any meeting of shareholders called to consider and vote upon the Merger. Our opinion is directed only to the fairness, from a financial point of view, of the Merger Consideration to be received in the Merger to holders of GAFC Common Stock and does not address the underlying business decision of Greater Atlantic to engage in the Merger, the relative merits of the Merger as compared to any other alternative business strategies that might exist for Greater Atlantic or

the effect of any other transaction in which Greater Atlantic might engage. Our opinion is not to be quoted or referred to, in whole or in part, in a registration statement, prospectus, proxy statement or in any other document, nor shall this opinion be used for any other purposes, without Sandler O'Neill's prior written consent. We do not express any opinion as to the fairness of the amount or nature of the compensation to be received in the Merger by the company's officers, directors, or employees, or class of such persons, relative to the compensation to be received in the Merger by any other shareholders of the company. This opinion was approved by Sandler O'Neill's fairness opinion committee.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Merger Consideration to be received in the Merger is fair to the holders of GAFC's Common Stock from a financial point of view.

Very truly yours,

/s/ Sandler O'Neill + Partners, L.P.

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Indicate by check mark whether disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§299.405 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 amendment to this Form 10-K. []

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such stock, as of the last business day of the registrant's most recently completed second fiscal quarter was \$15.7 million.

As of December 21, 2007, there were 3,024,220 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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PART I

ITEM 1. BUSINESS

Description of Business

We are a savings and loan holding company which was organized in June 1997. We conduct substantially all of our business through our wholly-owned subsidiary, Greater Atlantic Bank, a federally-chartered savings bank. We offer traditional banking services to customers through our bank branches located throughout the greater Washington, DC metropolitan area. We established the Greater Atlantic Capital Trust I ("Trust") in January 2002 to issue certain convertible preferred securities which we completed in March 2002.

Proposed Acquisition

As previously reported in a Form 8-K filed on April 16, 2007, we announced that the company and Summit Financial Group, Inc., entered into a definitive agreement for the company to merge with and into Summit. We also announced that the bank and Bay-Vanguard Federal Savings Bank entered into a definitive agreement for Bay-Vanguard to purchase the bank's branch office in Pasadena, Maryland. The sale of the Pasadena branch office was established as a condition to the completion of the pending merger of the company with and into Summit Financial Group, Inc.

Originally the merger was expected to be completed in the fourth calendar quarter of 2007; however, as reported in a Form 8-K filed on December 10, 2007, effective December 6, 2007, the company and Summit amended their agreement to implement the parties' agreement to extend to March 31, 2008, the date on which the agreement may be terminated if the merger is not consummated by that date, subject to regulatory and shareholder approvals. Immediately following the merger, the bank intends to merge with and into Summit Community Bank.

Under the agreement to sell its leased branch office located at 8070 Ritchie Highway, Pasadena, Maryland, to Bay-Vanguard, Bay-Vanguard paid the bank an 8.5% premium on the balance of deposits assumed at closing. At August 24, 2007, the closing date of that transaction, the deposits at our Pasadena branch office on which the deposit premium would apply totaled approximately \$51.5 million with the bank recognizing a gain of \$4.3 million. Bay-Vanguard also purchased the branch office's fixed assets, but did not acquire any loans as part of the transaction.

Market Area and Competition

We operate in a competitive environment, competing for deposits and loans with other thrifts, commercial banks and other financial entities. Numerous mergers and consolidations involving banks in the market in which we operate have occurred resulting in an intensification of competition in the banking industry in our geographic market. Many of the financial intermediaries operating in our market area offer certain services, such as trust, investment and international banking services, which we do not offer. In addition, banks with a larger capitalization than ours, and financial intermediaries not subject to bank regulatory restrictions, have larger lending limits and are thereby able to serve the needs of larger customers.

Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises primarily from interest-rate risk inherent in our lending and deposit taking activities. To that end, management actively monitors and manages interest-rate risk exposure. The measurement of market risk associated with financial instruments is meaningful only when all related and offsetting on- and off-balance-sheet transactions are aggregated, and the resulting net positions are identified. Disclosures about the fair value of financial instruments, which reflect changes

in market prices and rates, can be found in Note 16 of Notes to Consolidated Financial Statements.

Our primary objective in managing interest-rate risk is to minimize the adverse impact of changes in interest rates on our net interest income and capital, while adjusting our asset-liability structure to obtain the maximum yield-cost spread on that structure. We rely primarily on our asset-liability structure to control interest-rate risk. However, a sudden and substantial increase in interest rates may adversely impact our earnings, to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent, or on the same basis.

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Lending Activities

General. Net loans receivable at September 30, 2007 were \$176.1 million, a decrease of \$17.2 million or 8.90% from the \$193.3 million held at September 30, 2006. The decrease in loans consisted of real estate loans secured by consumer loans, construction and land loans, first mortgages on residential properties and commercial business loans, offset in part by an increase in commercial real estate loans and multi-family loans. Because the bank's single family and consumer loan portfolios consist primarily of adjustable-rate loans, and with the current yield curve, where short-term rates are only slightly lower than rates for longer terms, customers are able to refinance and extend the terms of their mortgages. Customers are also refinancing away from adjustable-rate loans and into longer term, fixed-rate loans or curtailing outstanding balances. The decrease in construction and land loans was primarily in the single-family residential sector of the market. The company anticipates that lending in that area will continue to decline as a result of the current slow sales pace occurring in the single-family market.

The following table shows the bank's loan originations, purchases, sales and principal repayments during the periods indicated:

(In Thousands)	Year Ended September 30,		
	2007	2006	2005
Total loans at beginning of period (1)	\$ 201,971	\$ 224,733	\$ 262,598
Originations of loans for investment:			
Single-family residential	5,169	12,559	6,624
Multifamily	3,215	625	-
Commercial real estate	5,781	9,210	9,977
Construction	6,449	13,089	19,991
Land loans	240	8,494	10,530
Second trust	-	-	-
Commercial business	28,967	21,170	21,083
Consumer	29,604	39,048	44,205
Total originations and purchases for investment	79,425	104,195	112,410
Loans originated for resale by Greater Atlantic Bank	-	-	-
Loans originated for resale by Greater Atlantic Mortgage	-	91,477	276,038
Total originations	79,425	195,672	388,448
Repayments	(98,921)	(117,440)	(154,263)
Sale of loans originated for resale by Greater Atlantic Mortgage	-	(100,994)	(272,050)
Net activity in loans	(19,496)	(22,762)	(37,865)
Total loans at end of period (1)	\$ 182,475	\$ 201,971	\$ 224,733

(1) Includes loans held for sale of \$9.5 million at September 30, 2005.

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Loan Portfolio. The following table sets forth the composition of the bank's loan portfolio in dollar amounts and as a percentage of the portfolio at the dates indicated.

	2007		2006		At September 30, 2005		2004		2003	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in Thousands)										
Mortgage loans:										
Single-family										
(1)	\$ 37,972	20.81%	\$ 43,473	21.52%	\$ 41,434	19.25%	\$ 74,620	29.02%	\$ 95,818	38.20%
Multi-family	3,983	2.18	813	0.40	751	0.35	1,074	0.42	1,445	0.56
Construction	9,939	5.45	14,245	7.05	24,273	11.28	16,696	6.49	11,996	4.70
Commercial real estate	34,984	19.17	28,403	14.06	25,531	11.86	23,023	8.95	20,533	8.10
Land	8,097	4.44	13,829	6.86	18,421	8.55	20,668	8.04	17,258	6.80
Total mortgage loans	94,975	52.05	100,763	49.89	110,410	51.29	136,081	52.92	147,050	58.66
Commercial business and consumer loans:										
Commercial business	34,844	19.09	39,794	19.70	35,458	16.47	47,654	18.53	39,043	15.50
Consumer:										
Home equity	52,262	28.64	61,031	30.22	69,006	32.06	72,814	28.32	63,888	25.40
Automobile	48	.03	81	.04	100	.05	271	0.11	428	0.17
Other	346	.19	302	.15	274	.13	315	0.12	409	0.16
Total commercial business and consumer loans	87,500	47.95	101,208	50.11	104,838	48.71	121,054	47.08	103,768	41.30
Total loans	182,475	100.00%	201,971	100.00%	215,248	100.00%	257,135	100.00%	250,818	100.00%
Less:										
Allowance for loan losses	(2,305)		(1,330)		(1,212)		(1,600)		(1,550)	
Loans in process	(4,947)		(8,517)		(20,386)		(10,453)		(8,394)	
Unearned premium	885		1,183		1,270		1,305		1,379	
Loans receivable, net	\$ 176,108		\$ 193,307		\$ 194,920		\$ 246,387		\$ 242,253	

(1) Includes loans secured by second trusts on single-family residential property.

Loan Maturity. The following table shows the remaining contractual maturity of the bank's total loans, net of loans-in-process (LIP) at September 30, 2007. Loans that have adjustable rates are shown as amortizing when the

interest rates are next subject to change. The table does not include the effect of future principal prepayments.

	At September 30, 2007			
	One- to	Multi-	Commercial	Total
	Four-	Family and	Business	Loans, (net
	Family	Commercial	and	of LIP)
		Real Estate	Consumer	
(In Thousands)				
Amounts due in:				
One year or less	\$ 20,377	\$ 11,762	\$ 73,608	\$ 105,747
After one year:				
More than one year to three years	8,185	9,881	3,047	21,113
More than three years to five years	1,103	12,547	3,351	17,001
More than five years to 15 years	5,692	5,526	4,192	15,410
More than 15 years	12,980	1,974	3,303	18,257
Total amount due	\$ 48,337	\$ 41,690	\$ 87,501	\$ 177,528

The following table sets forth, at September 30, 2007, the dollar amount of loans contractually due after September 30, 2008, identifying whether such loans have fixed interest rates or adjustable interest rates. The risk of default on ARMs the industry is experiencing should not affect our portfolio because it is a seasoned portfolio. At September 30, 2007, the bank had \$13.7 million of construction, acquisition and development, land and commercial business loans that were contractually due after September 30, 2008.

(In Thousands)	Due After September 30, 2008		
	Fixed	Adjustable	Total
Real estate loans:			
One- to four-family	\$ 18,155	\$ 9,805	\$ 27,960
Multi-family and commercial	14,944	14,984	29,928
Total real estate loans	33,099	24,789	57,888
Commercial business and consumer loans	8,431	5,462	13,893
Total loans	\$ 41,530	\$ 30,251	\$ 71,781

One- to Four-Family Mortgage Lending. The bank currently offers both fixed-rate and adjustable-rate mortgage ("ARM") loans with maturities of up to 30 years secured by single-family residences, which term includes real property containing from one to four residences. At September 30, 2007, the bank's one- to four-family mortgage loans totaled \$38.0 million, or 20.81% of total loans. Of the one- to four-family mortgage loans outstanding at that date, 47.96% were fixed-rate loans and 52.04% were ARM loans.

Construction and Development Lending. The bank originates construction and development loans primarily to finance the construction of one- to four-family, owner-occupied residential real estate properties located in the bank's primary market area. The bank also originates land loans to local contractors and developers for the purpose of making improvements thereon, including small residential subdivisions in the bank's primary market area or for the purpose of holding or developing land for sale. At September 30, 2007, construction and development loans (including land loans) totaled \$18.0 million, or 9.89%, of the bank's total loans, of which, land loans totaled \$8.1 million or 4.44% of total loans. Such loans are secured by a lien on the property, are limited to 75% of the lower of the acquisition price or the appraised value of the land and have a term of up to three years with a floating interest rate generally based on the prime rate as reported in The Wall Street Journal. All the bank's land loans are secured by property in its primary market area.

Multi-family and Commercial Real Estate Lending. The bank originates multi-family and commercial real estate loans that are generally secured by five or more unit apartment buildings and properties used for business purposes such as small office buildings or retail facilities located primarily in the bank's market area. The bank's multi-family and commercial real estate underwriting policies provide that such real estate loans may be made in amounts of up to 75-80% of the appraised value of the property. The bank's multi-family and commercial real estate loan portfolio at September 30, 2007 was \$39.0 million, or 21.35% of total loans. The largest multi-family or commercial real estate loan in the bank's portfolio at September 30, 2007, consisted of a \$3.9 million commercial real estate loan secured by real property in Alabama. The property is a skilled nursing facility on which the bank has participated \$2.1 million of the \$6.0 million note to another bank.

Commercial Business Lending. At September 30, 2007, the bank had \$34.8 million in commercial business loans which amounted to 19.09% of total loans. The bank makes commercial business loans primarily in its market area to a variety of professionals, sole proprietorships and small businesses. The bank offers a variety of commercial lending products, including term loans for fixed assets and working capital, revolving lines of credit and letters of credit. Term loans are generally offered with initial fixed rates of interest for the first five years and with terms of up to 7 years. Business lines of credit have adjustable rates of interest with some being payable on demand, and all subject to annual review and renewal. Business loans with variable rates of interest adjust on a monthly basis and are

generally indexed to the prime rate as published in The Wall Street Journal.

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Consumer Lending. Consumer loans at September 30, 2007 amounted to \$52.7 million or 28.86% of the bank's total loans, and consisted primarily of home equity loans, home equity lines of credit, and, to a significantly lesser extent, secured and unsecured personal loans and loans on new and used automobiles. These loans are generally made to residents of the bank's primary market area and generally are secured by real estate, deposit accounts and automobiles. These loans are typically shorter term and generally have higher interest rates than one- to four-family mortgage loans.

The bank offers home equity loans and home equity lines of credit (collectively, "home equity loans"). Most of the bank's home equity loans are secured by second mortgages on one- to four-family residences located in the bank's primary market area. At September 30, 2007, those loans totaled \$52.3 million or 28.64% of the bank's total loans. Other types of consumer loans consisted primarily of secured and unsecured personal loans and loans on new and used automobiles, totaling \$394,000, or 0.22% of the bank's total loans and 0.45% of commercial business and consumer loans at September 30, 2007.

Mortgage Banking Activities

The bank's mortgage banking activities primarily consisted of originating mortgage loans secured by single-family properties and were conducted in Greater Atlantic Mortgage Corporation, a subsidiary of the bank. That activity was discontinued effective March 29, 2006, because it was unprofitable, and no longer fit our strategy. Mortgage banking involves the origination and sale of mortgage loans for the purpose of generating gains on sale of loans and fee income on the origination of loans, in addition to loan interest income. In recent years, the volume of the mortgage banking subsidiary's originations had been declining, resulting in losses from mortgage banking operations.

Asset Quality

Delinquent Loans and Classified Assets. Reports listing all delinquent accounts are generated and reviewed monthly by management and the board of directors and all loans or lending relationships delinquent 30 days or more and all real estate owned are reviewed monthly by the board of directors. The procedures taken by the bank with respect to delinquencies vary depending on the nature of the loan, the length and cause of delinquency and whether the borrower has previously been delinquent.

Federal regulations and the bank's asset classification policy require that the bank utilize an internal asset classification system as a means of reporting problem and potential problem assets. The bank has incorporated the internal asset classifications of the Office of Thrift Supervision as a part of its credit monitoring system. The bank currently classifies problem and potential problem assets as "Substandard," "Doubtful" or "Loss" assets. An asset is considered "Substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the insured institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "Doubtful" have all of the weaknesses inherent in those classified "Substandard" with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "Loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated "Special Mention."

The bank's management reviews and classifies the bank's assets on a regular basis and the board of directors reviews management's reports on a monthly basis. The bank classifies assets in accordance with the management guidelines described above. At September 30, 2007, the bank had \$4.7 million of loans designated as Substandard which consisted of one residential loan, three commercial business loans, two construction development and one land loan. At that same date, the bank had \$675,000 of assets classified as Doubtful, consisting of one commercial

business loan and one construction development loan. At September 30, 2007, the bank had no loans classified as Loss and one \$887,000 construction loan classified as Special Mention.

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The following table sets forth delinquencies in the bank's loans as of the dates indicated.

	At September 30,											
	2007				2006				2005			
	60 – 89 Days		90 Days or More		60 – 89 Days		90 Days or More		60 – 89 Days		90 Days or More	
	Principal	Balance	Principal	Balance	Principal	Balance	Principal	Balance	Principal	Balance	Principal	Balance
	Number	of	Loans	Number	of	Loans	Number	of	Loans	Number	of	Loans
	of	Loans	of	Loans	of	Loans	of	Loans	of	Loans	of	Loans
	Loans	Loans	Loans	Loans	Loans	Loans	Loans	Loans	Loans	Loans	Loans	Loans
(Dollars in Thousands)												
Mortgage loans:												
Single-family	-	\$ -	2	\$ 19	-	\$ -	2	\$ 835	2	\$ 168	4	\$ 10
Home equity	2	347	-	-	-	-	-	-	-	-	2	229
Construction & Land	-	-	2	1,330	-	-	1	31	-	-	2	233
Commercial real estate	-	-	-	-	-	-	1	25	-	-	1	25
Commercial business	-	-	-	-	-	-	2	216	-	-	3	1,105
Consumer	-	-	-	-	-	-	1	3	-	-	1	2
Total	2	\$ 347	4	\$ 1,349	-	\$ -	7	\$ 1,110	2	\$ 168	13	\$ 1,604

Non-Performing Assets and Impaired Loans. The following table sets forth information regarding non-accrual loans and real estate owned. The bank's policy is to cease accruing interest on mortgage loans 90 days or more past due, to cease accruing interest on consumer loans 60 days or more past due (unless the loan principal and interest are determined by management to be fully secured and in the process of collection), and to charge off any accrued and unpaid interest.

	At September 30,				
	2007	2006	2005	2004	2003
(Dollars in Thousands)					
Loans accounted for on a non-accrual basis					
Mortgage loans:					
Single-family	\$ 16	\$ -	\$ 10	\$ 563	\$ 637
Home equity	-	-	229	96	-
Commercial real estate	-	25	25	29	31
Construction and Land	1,330	31	233	31	34
Commercial business	-	216	1,105	228	716
Consumer	-	3	2	6	-
Total non-accrual loans	1,346	275	1,604	953	1,418
Accruing loans which are contractually past due 90 days or more	3	835	-	-	28
Total of non-accrual and 90 days past due loans	1,349	1,110	1,604	953	1,446
Foreclosed real estate, net	-	-	232	-	-

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Total non-performing assets	\$ 1,349	\$ 1,110	\$ 1,836	\$ 953	\$ 1,446
Non-accrual loans as a percentage of loans held for investment, net	0.76%	0.14%	0.82%	0.39%	0.59%
Non-accrual and 90 days or more past due loans as a percentage of loans held for investment, net	0.77%	0.57%	0.82%	0.39%	0.60%
Non-accrual and 90 days or more past due loans as a percentage of total assets	0.55%	0.36%	0.47%	0.22%	0.29%
Non-performing assets as a percentage of total assets	0.55%	0.36%	0.54%	0.22%	0.29%

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During the year ended September 30, 2007, the amount of additional interest income that would have been recognized on non-accrual loans if such loans had continued to perform in accordance with their contractual terms was \$110,000.

The company considers a loan to be impaired if it is probable that the company will be unable to collect all amounts due (both principal and interest) according to the contractual terms of the loan agreement. When a loan is deemed impaired, the company computes the present value of the loan's future cash flows, discounted at the effective interest rate. As an alternative, creditors may account for impaired loans at the fair value of the collateral or at the observable market price of the loan if one exists. If the present value is less than the carrying value of the loan, a valuation allowance is recorded. For collateral dependent loans, the company uses the fair value of the collateral, less estimated costs to sell on a discounted basis, to measure impairment.

Our total recorded investment in impaired collateral dependent loans at September 30, 2007 was \$2.5 million and the related allowance associated with impaired loans was \$627,000. There were no impaired loans in the comparable period one year ago. At September 30, 2007, all impaired loans had a related allowance.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risks inherent in its loan portfolio and the general economy. The allowance for loan losses is maintained at an amount management considers adequate to cover estimated losses in loans receivable which are deemed probable and estimable based on information currently known to management. The allowance is based upon a number of factors, including current economic conditions, actual loss experience and industry trends. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the bank's allowance for loan losses. Such agencies may require the bank to make additional provisions for estimated loan losses based upon their judgment about information available to them at the time of their examination. There can be no assurance that the bank will not sustain credit losses in future periods, which could be substantial in relation to the size of the allowance. As of September 30, 2007, the bank's allowance for loan losses amounted to \$2.3 million or 1.26% of total loans. The allowance for loan losses to total non-performing loans at September 30, 2007 was 170.87%; as a percentage of total loans, the allowance was increased 60 basis points when compared to September 30, 2006. A \$685,000 provision for loan losses was recorded during the year ended September 30, 2007, compared to a provision of \$126,000 during the year ended September 30, 2006. The \$559,000 increase in the provision for loan losses from the year ago period resulted from the increase in non-performing assets, an increase in the outstanding balance of the bank's commercial real estate loans and an increase of \$3.9 million in loans classified as substandard each of which requires an additional allocation of the bank's overall provision. Those were coupled with an increase of \$356,000 in loans classified as doubtful. That increase in provision for those loans was offset with an overall decline in the size of the bank's loan portfolio. On an annual basis, or more often if deemed necessary, the bank had contracted with an independent outside third party to have its loan portfolio reviewed. The focus of their review is to identify the extent of potential and actual risk in the bank's commercial loan portfolio, in addition to evaluating the underwriting and processing practices. Observations made regarding the bank's portfolio risk are based upon review evaluations, portfolio profiles and discussion with the operational staff, including the line lenders and senior management. However, because we entered into a definitive agreement for the company to merge with Summit, and based on the due diligence performed by Summit, it was deemed unnecessary to enter into such a contract for the fiscal year ended September 30, 2007.

The following table sets forth activity in the bank's allowance for loan losses for the periods indicated. Where specific loan loss reserves have been established, any differences between the loss allowances and the amount of loss realized has been charged or credited to current operations.

	Year Ended September 30,				
	2007	2006	2005	2004	2003
(Dollars in Thousands)					
Balance at beginning of period	\$ 1,330	\$ 1,212	\$ 1,600	\$ 1,550	\$ 1,699
Provisions	685	126	219	209	855
Charge-offs:					
Mortgage loans:					
Single-family	128	-	33	20	162
Commercial real estate	-	-	-	-	22
Commercial business	210	78	584	177	828
Consumer	15	2	8	3	8
Total charge-offs	353	80	625	200	1,020
Recoveries:					
Mortgage loans:					
Single-family	8	2	2	29	6
Commercial real estate	-	-	-	-	-
Commercial business	635	69	15	10	4
Consumer	-	1	1	2	6
Total recoveries	643	72	18	41	16
Net charge-offs (recoveries)	(290)	8	607	159	1,004
Balance at end of period	\$ 2,305	\$ 1,330	\$ 1,212	\$ 1,600	\$ 1,550
Ratio of net charge-offs (recoveries) during the period to average loans outstanding during the period	(0.16)%	0.00%	0.28%	0.06%	0.36%
Allowance for loan losses to total non-performing loans at end of period	170.87%	119.82%	75.56%	167.89%	109.31%
Allowance for loan losses to total loans	1.26%	0.66%	0.56%	0.62%	0.62%

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The following table sets forth the bank's allowance for loan losses in each of the categories listed and the percentage of loans in each category to total loans. Management believes that the allowance can be allocated by category only on an approximate basis. The allocation of the allowance to each category is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any other categories.

	2007		2006		At September 30, 2005		2004		2003	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
(Dollars in Thousands)										
Mortgage loans:										
Single-family	\$ 21	20.81%	\$ 177	21.52%	\$ 35	19.25%	\$ 110	29.02%	\$ 141	38.20%
Multi-family	30	2.18	6	0.40	6	0.35	8	0.42	11	0.58
Construction	177	5.45	67	7.05	72	11.28	78	6.49	80	4.78
Commercial real estate										
Land	350	19.17	286	14.06	328	11.86	233	8.95	208	8.19
Total mortgage loans	562	4.44	109	6.86	155	8.55	175	8.04	132	6.88
Commercial and Consumer:										
Commercial	959	19.09	525	19.70	407	16.47	515	18.53	770	15.57
Consumer:										
Home equity	131	28.64	152	30.22	195	32.06	213	28.32	159	25.47
Automobile	6	0.22	6	0.19	5	0.18	9	0.23	13	0.33
Total commercial and consumer loans	1,096	47.95	683	50.11	607	48.71	737	47.08	942	41.37
Unallocated	69	N/A	2	N/A	9	N/A	259	N/A	36	N/A
Total	\$ 2,305	100.00%	\$ 1,330	100.00%	\$ 1,212	100.00%	\$ 1,600	100.00%	\$ 1,550	100.00%

Investment Activities

The investment policy of the bank, as approved by the board of directors, requires management to maintain adequate liquidity and generate a favorable return on investments to complement the bank's lending activities without incurring undue interest rate and credit risk. The bank primarily utilizes investments in securities for liquidity management, as a source of income and as a method of deploying excess funds not utilized for investment in loans. The bank does not hold any securities bought and held principally for sale in the near term, which would be, classified as held for trading.

At September 30, 2007, the bank had invested \$16.5 million in mortgage-backed securities, or 6.71% of total assets, of which \$16.3 million were classified as available-for-sale and \$207,000 were classified as held-to-maturity. This

portfolio is seasoned with no purchases during fiscal year 2007. Investments in mortgage-backed securities involve a risk that actual prepayments will be greater than estimated prepayments over the life of the security, which may require adjustments to the amortization of any premium or accretion of any discount relating to such instruments thereby changing the net yield on such securities. There is also reinvestment risk associated with the cash flows from such securities or in the event such securities are redeemed by the issuer. In addition, the market value of such securities may be adversely affected by changes in interest rates.

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The following table sets forth information regarding the amortized cost and estimated market value of the bank's investment portfolio at the dates indicated.

	2007		At September 30, 2006		2005	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
(In Thousands)						
Available-for-sale:						
Corporate debt securities	\$ 7,300	\$ 6,748	\$ 7,280	\$ 7,142	\$ 6,736	\$ 6,736
CMOs	7,191	7,087	9,735	9,755	14,446	14,454
U.S. Government SBA's	19,395	18,754	27,629	27,199	30,239	29,781
FHLMC MBS's	2,961	2,920	5,549	5,463	9,044	8,969
FNMA MBS's	8,357	8,141	18,350	17,986	35,548	34,947
GNMA MBS's	5,382	5,260	8,133	7,916	13,097	12,942
Total available-for-sale	50,586	48,910	76,676	75,461	109,110	107,829
Held-to-maturity:						
Corporate debt securities	-	-	-	-	1,000	1,020
U.S. Government SBA's	2,846	2,742	4,461	4,230	6,531	6,213
FHLMC MBS's	104	102	128	125	236	235
FNMA MBS's	103	101	107	105	202	198
Total held-to-maturity	3,053	2,945	4,696	4,460	7,969	7,666
Total investment securities	\$ 53,639	\$ 51,855	\$ 81,372	\$ 79,921	\$ 117,079	\$ 115,495
Investment securities with:						
Fixed rates	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,020
Adjustable rates	36,732	35,331	49,105	48,326	57,952	57,184
Mortgage-backed securities with:						
Fixed rates	174	168	243	236	393	376
Adjustable rates	16,733	16,356	32,024	31,359	57,734	56,915
Total	\$ 53,639	\$ 51,855	\$ 81,372	\$ 79,921	\$ 117,079	\$ 115,495

As of September 30, 2007, the bank held investments in available for sale with unrealized holding losses totaling \$1.7 million. All losses are considered temporary and consisted of the following:

Description of Securities (In Thousands)	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	\$ 2,048	\$ 149	\$ 4,700	\$ 403	\$ 6,748	\$ 552
CMOs	4,124	108	1,934	28	6,058	136
U.S. Government securities						
SBA	3,196	38	15,558	603	18,754	641
GNMA	-	-	5,260	122	5,260	122
U.S. Government agency securities:						
FHLMC MBS's	-	-	2,920	41	2,920	41
FNMA MBS's	-	-	8,141	216	8,141	216
Total	\$ 9,368	\$ 295	\$ 38,513	\$ 1,413	\$ 47,881	\$ 1,708

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The table below sets forth certain information regarding the carrying value, weighted average yields and contractual maturities of the bank's investment securities and mortgage-backed securities available-for-sale.

At September 30, 2007										
	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted
	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield
(Dollars in Thousands)										
Investment securities available-for-sale:										
Adjustable-rate securities:										
CMO's	\$ -	-%	\$ -	-%	\$ -	-%	\$ 7,087	6.52%	\$ 7,087	6.52%
Corporate debt	-	-	-	-	2,760	5.08	3,988	6.83	6,748	6.12
U.S. Government										
SBA's	-	-	-	-	485	7.54	18,269	4.86	18,754	4.92
Total	-	-	-	-	3,245	5.45	29,344	5.53	32,589	5.52
MBS's available for sale:										
Adjustable-rate securities:										
FHLMC	-	-	-	-	-	-	2,920	6.95	2,920	6.95
FNMA	-	-	-	-	-	-	7,995	5.77	7,995	5.77
GNMA	-	-	-	-	-	-	5,260	5.57	5,260	5.57
Total	-	-	-	-	-	-	16,175	6.01	16,175	6.01
MBS'S fixed-rate:										
FNMA	-	-	146	7.00	-	-	-	-	146	7.00
Total	-	-	146	7.00	-	-	-	-	146	7.00
Total mortgage-backed securities available-for-sale										
	-	-	146	7.00	-	-	16,175	6.01	16,321	6.02
Total investment portfolio	\$ -	-%	\$ 146	7.00%	\$ 3,245	5.45%	\$ 45,519	5.70%	\$ 48,910	5.69%

The table below sets forth certain information regarding the carrying value, weighted average yields and contractual maturities of the bank's investment securities and mortgage-backed securities held to maturity.

At September 30, 2007										
	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted	Weighted
	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield

(Dollars in
Thousands)

Investment securities held-to-maturity:															
Adjustable-rate securities:															
U.S. Government SBA's															
	\$	-	-%	\$	-	-%	\$	380	6.62%	\$	2,466	4.32%	\$	2,846	4.63%
Fixed-rate:															
Corporate debt															
		-	-		-	-		-	-		-	-		-	-
Total investment securities held-to-maturity															
		-	-		-	-		380	6.62		2,466	4.32		2,846	4.63
MBS's held-to-maturity:															
Adjustable-rate securities:															
FHLMC															
		-	-		-	-		-	-		104	7.23		104	7.23
FNMA															
		-	-		-	-		-	-		81	7.26		81	7.26
Total															
		-	-		-	-		-	-		185	7.24		185	7.24
Fixed-rate:															
FNMA															
		-	-		-	-		-	-		22	6.50		22	6.50
Total															
		-	-		-	-		-	-		22	6.50		22	6.50
Total mortgage-backed securities held-to-maturity-															
		-	-		-	-		-	-		207	7.16		207	7.16
Total held-to-maturity investments															
	\$	-	-%	\$	-0	-%	\$	380	6.62%	\$	2,673	4.54%	\$	3,053	4.80%

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Sources of Funds

General. Deposits, loan repayments and prepayments, cash flows generated from operations, Federal Home Loan Bank ("FHLB") advances and reverse repurchase agreements are the primary sources of the bank's funds for use in lending, investing and for other general purposes.

Deposits. Deposits are attracted from within the bank's market area by offering a broad selection of deposit instruments, including checking, savings, money market and time deposits. Deposit account terms vary, differentiated by the minimum balance required, the time periods that the funds must remain on deposit and the interest rate, among other factors. In determining the terms of its deposit accounts, the bank considers current interest rates, profitability to the bank, interest rate risk characteristics, competition and its customer preferences and concerns. The bank may pay above-market interest rates to attract or retain deposits when less expensive sources of funds are not available. The bank reviews its deposit composition and pricing weekly.

At September 30, 2007, \$107.7 million, or 85.70% of the bank's certificate of deposit accounts were to mature within one year.

The following table sets forth the distribution and the rates paid on each category of the bank's deposits.

	At September 30,					
	Balance	2007 Percent of Total Deposits	Rate Paid	Balance	2006 Percent of Total Deposits	Rate Paid
(Dollars in Thousands)						
Savings accounts	\$ 2,468	1.25%	0.97%	\$ 3,679	1.60%	0.98%
Now and money market accounts	60,625	30.62	3.61	73,334	31.86	3.51
Certificates of deposit	125,717	63.49	5.00	127,939		