SUMMIT FINANCIAL GROUP INC
Form 424B3
October 28, 2016
Table of Contents

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Registration Statement No. 333-213526

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Shareholder:

On June 1, 2016, Summit Financial Group, Inc., or Summit, and First Century Bankshares, Inc., or First Century, announced a strategic business combination in which First Century will merge with and into FCB Merger Sub LLC, a wholly-owned subsidiary of Summit s wholly-owned subsidiary, Summit Community Bank, Inc., or Summit Community Bank. The combined company, which will retain the Summit name, will have approximately $2.10 billion in assets and operate 30 branches across the states of West Virginia and Virginia. First Century is sending you this prospectus and proxy statement to invite you to attend a special meeting of First Century shareholders to allow you to vote on the plan of merger. The special meeting will be held on Tuesday, December 6, 2016, at 10:00 a.m., local time, at the First Century Bank Seminar Center, located at 525 Federal Street, Bluefield, West Virginia 24701.

If the merger is completed, holders of First Century common stock may elect to receive (i) 1.2433 shares of Summit common stock, par value $2.50 per share, in exchange for each share of First Century common stock, par value $1.25 per share, held immediately prior to the merger, which is referred to as the stock consideration, (ii) cash in the amount of $22.50 per share of First Century common stock held immediately prior to the merger, which is referred to as the cash consideration or (iii) a combination of cash and shares of Summit common stock in accordance with the election procedures set forth in the Agreement and Plan of Merger, dated as of June 1, 2016, between Summit and First Century, which we refer to as the merger agreement. However, the aggregate number of First Century shares that will be converted for cash consideration will be equal to, as closely as possible, but in no event will exceed 666,092 shares, and the aggregate cash consideration will be equal to, as closely as possible, but in no event will exceed $14,987,073, or approximately 35% of the merger consideration. The aggregate number of First Century shares that will be converted for stock consideration will be equal to, as closely as possible, but in no event will exceed 1,237,028, or approximately 65% of the merger consideration. The merger agreement provides for pro rata adjustments to and reallocation of the stock and cash elections made by First Century shareholders in order to achieve the 35% cash and 65% stock consideration mix.

The merger consideration is subject to adjustment if First Century s total shareholders equity decreases, as specified under The Merger Agreement Shareholders Equity beginning on page 74, and First Century has the right to terminate the merger agreement if Summit s stock price falls below a certain floor, as specified under The Merger Agreement Termination of the Merger Agreement beginning on page 89.

The number of shares of Summit common stock that First Century shareholders making a stock election will receive in the merger for each share of First Century common stock is fixed. The implied value of the stock consideration that First century shareholders will receive in the merger will change depending on changes in the market price of Summit common stock and will not be known at the time you vote on the merger.

The market value of the stock consideration will fluctuate with the market price of Summit common stock, however the cash consideration will remain a fixed amount regardless of any change in the market value of the stock consideration. The following table presents the closing prices of Summit common stock on June 1, 2016, the last trading day before public announcement of the merger, and on October 26, 2016, the last practicable trading day before the distribution of this prospectus and proxy statement. The table also presents the implied value of the stock consideration proposed for each share of First Century common stock converted into the stock consideration on those dates, as determined by multiplying the closing price of Summit common stock on those dates by the exchange ratio of 1.2433 provided for in the merger agreement. This table also presents the value of the cash consideration proposed for each share of First Century common stock converted into the cash consideration, which will remain a fixed amount regardless of any change in the market value of the stock consideration.

	Summit Common Stock (NASDAQ: SMMF)	Implied Value of One Share of First Century Common Stock	Value of the Cash Consideration for One Share of First Century Common Stock
At June 1, 2016	$ 17.30	$ 21.51	$ 22.50
At October 26, 2016	$ 19.94	$ 24.79	$ 22.50

Table of Contents

The common stock of Summit is listed on the NASDAQ Capital Market. Summit and First Century urge you to obtain current market quotations for Summit (trading symbol SMMF).

The merger and the bank merger are intended to be treated as a single integrated transaction qualifying as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and holders of First Century common stock are not expected to recognize any gain or loss for United States federal income tax purposes on the exchange of shares of First Century common stock for shares of Summit common stock in the merger, except to the extent of the total cash consideration and cash in lieu of any fractional shares of Summit common stock.

At the special meeting of First Century shareholders to be held on December 6, 2016, holders of First Century common stock will be asked to vote to (1) approve the merger agreement, which is the plan of merger, and (2) approve the adjournment of the special meeting, if necessary or appropriate, in order to further solicit proxies in favor of approval of the merger agreement. Approval of the merger agreement requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the First Century special meeting at which a quorum is present.

The First Century board of directors unanimously recommends that holders of First Century common stock vote FOR approval of the merger agreement and FOR the approval of the adjournment of the special meeting, if necessary or appropriate, in order to further solicit proxies in favor of the merger agreement.

This prospectus and proxy statement describes the special meeting, the merger, the documents related to the merger and other related matters. Please carefully read this entire document, including Risk Factors beginning on page 17 for a discussion of the risks relating to the proposed merger and owning Summit common stock after the merger. You also can obtain information about Summit from documents that it has filed with the Securities and Exchange Commission.

Sincerely,

Frank W. Wilkinson

President and Chief Executive Officer

First Century Bankshares, Inc.

Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved the Summit common stock to be issued in the merger or passed upon the adequacy or accuracy of this prospectus and proxy statement. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings and deposit accounts of any bank or non-bank subsidiary of Summit or of First Century and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this prospectus and proxy statement is October 28, 2016 and it is first being mailed or otherwise delivered to First Century shareholders on or about November 3, 2016.

Table of Contents

REFERENCES TO ADDITIONAL INFORMATION

This prospectus and proxy statement incorporates by reference important business and financial information about Summit from documents filed with or furnished to the Securities and Exchange Commission, which is referred to as the SEC, that are not included in or delivered with this prospectus and proxy statement.

You can obtain documents incorporated by reference in this prospectus and proxy statement with respect to Summit free of charge through the SEC s website (http://www.sec.gov) or by requesting them in writing or by telephone by contacting Summit or First Century, as the case may be, at the following addresses:

Summit Financial Group, Inc.	First Century Bankshares, Inc.
300 North Main Street	500 Federal Street
Moorefield, West Virginia 26836	Bluefield, West Virginia
Attention: Robert S. Tissue	Attention: J. Ronald Hypes
Telephone: (304) 530-1000	Telephone: (304) 325-8181

You will not be charged for any of these documents that you request. First Century shareholders requesting documents should do so by November 22, 2016, in order to receive them before their special meeting.

In addition, if you have questions about the merger or the First Century special meeting, need additional copies of this prospectus and proxy statement or need to obtain proxy cards or other information related to the proxy solicitation, you may contact J. Ronald Hypes, First Century, at the following address and telephone number:

First Century Bankshares, Inc.

500 Federal Street

Bluefield, West Virginia 24701

Telephone: (304) 325-8181

ABOUT THIS PROSPECTUS AND PROXY STATEMENT

This prospectus and proxy statement, which forms part of a registration statement on Form S-4 filed with the SEC by Summit, constitutes a prospectus of Summit under Section 5 of the Securities Act of 1933, as amended, which is referred to as the Securities Act, with respect to the shares of Summit common stock to be issued to the First Century shareholders pursuant to the merger. This prospectus and proxy statement also constitutes a proxy statement for First Century. It also constitutes a notice of meeting with respect to the special meeting of First Century shareholders.

First Century does not have a class of securities registered under Section 12 of the Securities and Exchange Act of 1934, as amended (the Exchange Act), is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, and accordingly does not file documents or reports with the SEC.

You should rely only on the information contained or incorporated by reference into this prospectus and proxy statement. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this prospectus and proxy statement. This prospectus and proxy statement is dated October 28, 2016, and you should assume that the information in this prospectus and proxy statement is accurate only as of such date. You should assume that the information incorporated by reference into this prospectus and proxy statement is accurate as of the date of such document. Neither the mailing of this prospectus and proxy statement to First Century shareholders nor the issuance by Summit of shares of Summit common stock in connection with the merger will create any implication to the contrary.

Information on the websites of Summit or First Century, or any subsidiary of Summit or First Century, is not part of this prospectus and proxy statement. You should not rely on that information in deciding how to vote.

This prospectus and proxy statement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this prospectus and proxy statement regarding First Century has been provided by First Century and information contained in this prospectus and proxy statement regarding Summit has been provided by Summit.

See Where You Can Find More Information on page 129.

Table of Contents

Table of Contents

APPENDICES

Table of Contents

QUESTIONS AND ANSWERS

The following are answers to certain questions that you may have regarding the First Century special meeting and the merger. Summit and First Century urge you to read carefully the remainder of this prospectus and proxy statement because the information in this section may not provide all the information that might be important to you with respect to the merger or the First Century special meeting or in determining how to vote, including the risk factors beginning on page 17. Additional important information is also contained in the appendices to, and the documents incorporated by reference in, this prospectus and proxy statement. Unless the context requires otherwise, references in this prospectus and proxy statement to Summit refer to Summit Financial Group, Inc., a West Virginia corporation, and/or its consolidated subsidiaries, references in this prospectus and proxy statement to First Century refer to First Century Bankshares, Inc., a West Virginia corporation, and/or its consolidated subsidiaries, and references in this prospectus and proxy statement to we, our and us refer to Summit and First Century collectively.

Q: What are holders of First Century common stock being asked to vote on?

A: Holders of First Century common stock are being asked to vote to approve the Agreement and Plan of Merger, dated as of June 1, 2016, between Summit and First Century, as it may be amended from time to time, referred to as the merger agreement or the First Century merger proposal, and to approve the adjournment of the special meeting, on one or more occasions, if necessary or appropriate, to solicit additional proxies in favor of the First Century merger proposal, referred to as the First Century adjournment proposal.

Q: How does the First Century board of directors recommend I vote at the First Century special meeting?

A: The First Century board of directors unanimously recommends that you vote FOR the First Century merger proposal and FOR the First Century adjournment proposal.

Q: When and where is the special meeting of First Century shareholders?

A: The special meeting of First Century shareholders will be held on Tuesday, December 6, 2016, at 10:00 a.m., local time, at the First Century Bank Seminar Center, located at 525 Federal Street, Bluefield, West Virginia 24701.

Q: What do holders of First Century common stock need to do now?

A: After you have carefully read this prospectus and proxy statement and have decided how you wish to vote your shares, please vote your shares as soon as possible. If you are a shareholder of record, to vote by proxy card, indicate on your proxy card how you want your shares to be voted with respect to each of the matters indicated. When complete, sign, date and mail your proxy card in the enclosed postage-paid return envelope as soon as possible. If you beneficially hold your shares through a bank, broker, nominee or other holder of record, you should follow the voting instructions you receive from that holder of record to vote your shares.

Submitting your proxy by mail or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the First Century special meeting. If you would like to attend the First Century special meeting to vote your shares in person, see The First Century Special Meeting Attending the Special Meeting beginning on page 40.

Q: What votes are required to pass each proposal at the First Century special meeting?

A: The approval of the merger agreement requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the First Century special meeting at which a quorum is present. Abstentions and broker non-votes will have the same effect on the outcome of the vote on this proposal as votes against this

Table of Contents

proposal. The approval of the First Century adjournment proposal requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the First Century special meeting. Abstentions and broker non-votes will have the same effect on the outcome of the vote on this proposal as votes against this proposal.

Q: What constitutes a quorum for the First Century special meeting?

A: The presence at the First Century special meeting, in person or by proxy, of the holders of a majority of the First Century common stock issued and outstanding and entitled to vote will constitute a quorum for the transaction of business. If a quorum is not present, the First Century special meeting will be postponed until the holders of the number of shares of First Century common stock required to constitute a quorum attend. If you submit a properly executed proxy card, even if you abstain from voting, your shares of First Century common stock will be counted for purposes of determining whether a quorum is present at the First Century special meeting. If additional votes must be solicited to approve the merger agreement and the First Century adjournment proposal is approved, it is expected that the First Century special meeting will be adjourned to solicit additional proxies.

Q: Who may solicit proxies on First Century s behalf?

A: In addition to solicitation of proxies by First Century by mail, proxies may also be solicited by First Century s directors and employees personally and by telephone, facsimile or other means. For more information on solicitation of proxies in connection with the special meeting of First Century shareholders, see The First Century Special Meeting Solicitation of Proxies beginning on page 39.

Q: Why is my vote as a holder of First Century common stock important?

A: If you do not vote by proxy card or vote in person at the First Century special meeting, it will be more difficult for First Century to obtain the necessary quorum to hold its special meeting. In addition, approval of the First Century merger proposal requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the First Century special meeting at which a quorum is present. **The First Century board of directors recommends that you vote to approve the merger agreement.** Further, due to the importance of the vote to approve the merger agreement, First Century is also seeking authority from shareholders through the First Century adjournment proposal to adjourn the special meeting to a later date, if necessary or appropriate, in order to further solicit proxies in favor of approval of the First Century merger proposal.

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

A: No. Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker. Without instructions, your shares will not be voted, which will have the effect described below.

Q: What if I abstain from voting or fail to vote or instruct my broker or other holder of record how to vote?

A: If you are a record holder of First Century common stock and you submit a proxy card in which you abstain from voting, the abstention will be counted toward a quorum at the First Century special meeting, but it will have the same effect as a vote against the First Century merger proposal and against the First Century adjournment proposal.

If you are a record holder of First Century common stock and you fail to vote, it will have the same effect as a vote against the First Century merger proposal and against the First Century adjournment proposal.

2

Table of Contents

If your bank, broker, nominee or other holder of record holds your shares of First Century common stock in street name, for each proposal your bank, broker, nominee or other holder of record generally will vote such shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank, nominee or other holder of record with this prospectus and proxy statement. Your shares held in street name generally will not be voted on any proposal with respect to which you do not provide voting instructions (referred to as broker non-votes). Broker non-votes will have the same effect as a vote against the First Century merger proposal, but will have no effect on any other proposal at the First Century special meeting.

Q: Can I attend the First Century special meeting and vote my shares in person?

A: Yes. All holders of First Century common stock, including shareholders of record and shareholders who beneficially own their shares through banks, brokers, nominees or any other holder of record, at the close of business on October 14, 2016, which is the record date for the special meeting, are invited to attend the First Century special meeting. Holders of record of First Century common stock as of the record date can vote in person at the First Century special meeting. If you wish to vote in person at the special meeting and if you are a shareholder of record, you should bring the enclosed proxy card and proof of identity. If you hold your shares in street name, through your broker or beneficially own your shares through another holder of record, you will need to bring with you proof of identity and a letter from your bank, broker, nominee or other holder of record confirming your beneficial ownership of common stock as of the record date (a written proxy from your holder of record). At the appropriate time during the special meeting, the shareholders present will be asked whether anyone wishes to vote in person. You should raise your hand at this time to receive a ballot to record your vote. Everyone who attends the special meeting must abide by the rules for the conduct of the meeting distributed at the meeting.

Even if you plan to attend the special meeting, you are encouraged to vote your shares as soon as possible by submitting a properly executed proxy card in the enclosed prepaid envelope.

Q: Will First Century be required to submit the First Century merger proposal to its shareholders even if the First Century board of directors has withdrawn or modified its recommendation?

A: Yes. Unless the merger agreement is terminated before the First Century special meeting, First Century is required to submit the First Century merger proposal to its shareholders even if the First Century board of directors has withdrawn or modified its recommendation, consistent with the terms of the merger agreement.

Q: If I am a holder of First Century common stock, can I change or revoke my vote?

A: Yes. If you are a shareholder of record of common stock on the record date, you may change your vote and revoke your proxy by:

- before the meeting, submitting a properly executed proxy card with a later date;
- voting in person at the First Century special meeting; or
- delivering written notice that you wish to revoke your proxy to J. Ronald Hypes, at (304) 325-8181, at or before the First Century special meeting.

If you hold shares in street name, you must follow your broker s instructions to change your vote. Any record holder of First Century common stock, or street name holder with a written proxy from the record holder, entitled to vote in person at the First Century special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence of a First Century shareholder at the special meeting will not constitute revocation of a previously given proxy.

Q: If I am a First Century shareholder, do I have appraisal or dissenters rights?

A: Yes. Under West Virginia law, holders of First Century common stock will be entitled to exercise appraisal or dissenters rights in connection with the First Century merger proposal. To exercise appraisal rights, First

Century shareholders must strictly follow the procedures prescribed by the laws of West Virginia. These procedures are summarized under the section entitled The Merger Dissenters or Appraisal Rights beginning on page 67, and Sections 31D-13-1301 through 31D-13-1331 of the West Virginia Business Corporation Act, which are attached to this prospectus and proxy statement as Appendix C.

Q: If I am a holder of First Century common stock with shares represented by stock certificates, should I send in my First Century stock certificates now?

A: No. You should not send in your First Century stock certificates at this time. After completion of the merger, Summit will send you instructions for exchanging First Century stock certificates for the merger consideration. The shares of Summit common stock that First Century shareholders will receive in the merger will be issued in book-entry form. **Please do not send in your stock certificates with your proxy card.**

Q: Who can I contact if I cannot locate my First Century stock certificate(s)?

A: If you are unable to locate your original First Century stock certificate(s), you should contact Computershare Shareholder Services at (800) 368-5948.

Q: What will I receive for my First Century common stock?

A: In exchange for each of your shares of First Century common stock, you may elect to receive (i) 1.2433 shares of Summit common stock for each share of First Century common stock held immediately prior to the merger, which is referred to as the stock consideration, (ii) cash in the amount of $22.50 per share of First Century common stock, which is referred to as the cash consideration, or (iii) a combination of cash and shares of Summit common stock in accordance with the election procedures set forth in the merger agreement. The stock consideration and the cash consideration are referred to collectively as the merger consideration. However, the aggregate number of First Century shares that will be converted for cash consideration will be equal to, as closely as possible, but in no event will exceed 666,092 shares, and the aggregate cash consideration will be equal to, as closely as possible, but in no event will exceed $14,987,073 or approximately 35% of the merger consideration. The aggregate number of First Century shares that will be converted for stock consideration will be equal to, as closely as possible, but in no event will exceed 1,237,028, or approximately 65% of the merger consideration.

No guarantee can be made that you will receive the amount of the cash consideration or the stock consideration you elect. As a result of the proration procedures provided for in the merger agreement, as described in this prospectus and proxy statement, you may receive the stock consideration or the cash consideration in amounts that are different from the amounts you elect to receive.

Q: Is the merger consideration subject to adjustment?

A: Yes. The merger consideration could be subject to downward adjustment if, at the earlier of December 31, 2016 or the effective time, First Century s total adjusted shareholders equity is less than $39,664,000. In such an event, there will be a dollar-for-dollar downward adjustment to the aggregate merger consideration equal to the amount of the deficit, allocated proportionately to the cash consideration and stock consideration. If, immediately prior to the effective time, First Century s total adjusted shareholders equity is more than $42,118,000, then First Century will issue a special distribution in the amount of such excess to its shareholders, subject to certain limitations due to the structure of the merger and the bank merger as a reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. These potential adjustments are described more fully in this prospectus and proxy statement. See The Merger Agreement Shareholders Equity for further explanation.

In addition, there may be an adjustment to the fixed number of shares of Summit common stock that will be issued to First Century shareholders based upon changes in the market price of Summit common stock and the

Table of Contents

NASDAQ Bank Index (IBIX) prior to the closing. However, any changes to the fixed number of shares of Summit common stock will not increase the per share value that First Century shareholders will receive in the merger from the value calculated using the pre-announcement market price of Summit common stock. Furthermore, the First Century board of directors may terminate the merger agreement if the average closing price of Summit common stock falls more than 15% on an actual basis and 15% on a relative basis to the NASDAQ Bank Index (IBIX) prior to the effective time, in which case the merger will not occur, unless Summit agrees to increase the number of shares of Summit common stock to be issued to holders of First Century common stock.

Q: How do I elect common stock, cash or both?

A: You may indicate a preference to receive Summit common stock, cash or a combination of both in the merger by completing the stock/cash election form and letter of transmittal, referred to herein as the election form, that you will receive under separate cover. You should carefully review the instructions that will be included with the election form. The deadline to make an election is 5:00 p.m. Eastern Time on the 15th day following the mailing date of the election form.

Q: How does the consideration proration work?

A: Under the merger agreement, the number of shares of First Century common stock to be converted into cash will equal, as closely as possible, but will in no event exceed 35% of the total merger consideration. The remaining shares of First Century common stock outstanding will be converted into a right to receive shares of Summit common stock that will equal, as closely as possible, but will in no event exceed 65% of the merger consideration. In the event that First Century shareholders elect to receive, in the aggregate, a particular form of consideration in an amount that exceeds the allocation established in the merger agreement, all shareholders who elected to receive such form of consideration will have their election prorated as contemplated in the merger agreement to the extent necessary to cause the aggregate mix of consideration to be equal to, as closely as possible, the allocation set forth in the merger agreement. Accordingly, First Century shareholders may receive a consideration mix that is different from the consideration that they elect to receive. See The Merger Agreement Election Procedures; Surrender of First Century Stock Certificates beginning on page 74 for further explanation.

Q: Is the value of the per share consideration that I receive for my shares of First Century common stock expected to be the same regardless of which election I make?

A: No. The value of the cash consideration will not change and is fixed at $22.50 per share. However, the value of the stock consideration will vary based on the market price of Summit common stock. There will be no adjustment to the fixed number of shares of Summit common stock that will be issued to First Century shareholders who receive the stock consideration based upon changes in the market price of Summit common stock or First Century common stock prior to the effective time of the merger. As result, the value of the merger consideration received by holders of First Century common stock who receive the cash consideration may differ from the value of the merger consideration received by holders of First Century common stock who receive the stock consideration.

The market price of Summit common stock at the time the merger is completed may vary from the price of Summit common stock on the date the merger agreement was executed, on the date of this prospectus and proxy statement, on the date of the First Century special meeting and at the effective time of the merger as a result of various factors that are beyond the control of Summit and First Century, including but not limited to, general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. In addition to the adoption and approval of the merger agreement by First Century shareholders, consummation of the merger is subject to satisfaction of certain conditions that may not occur until after the First Century special meeting. See The

Merger Agreement Conditions to Completion of the Merger beginning on

page 77 for further explanation. Therefore, at the time of the First Century special meeting you will not know the precise value of the stock consideration, if any, that you will receive at the effective time of the merger. You should obtain current market quotations for shares of Summit common stock.

Q: What happens if I do not make an election or my election form is not received before the election deadline?

A: Any shares of First Century common stock with respect to which the exchange agent does not receive a properly completed election form by the election deadline, including stock certificate(s) and other transmittal materials, will be treated as no election shares. No election shares will be converted into the right to receive Summit common stock and/or cash according to the allocation procedures specified in the merger agreement. See The Merger Agreement Merger Consideration beginning on page 73.

Q: How will I receive the merger consideration to which I am entitled?

A: After receiving the proper documentation from you and determining the proper allocations of shares of Summit common stock and cash to be paid or issued to First Century shareholders, the exchange agent will forward to you the Summit common stock and/or cash to which you are entitled. See The Merger Agreement Election Procedures; Surrender of First Century Stock Certificates beginning on page 74. First Century shareholders will not receive any fractional shares of Summit common stock in the merger. Instead, they will receive an amount in cash equal to the fractional share interest multiplied by $22.50, the per share cash consideration.

Q: When do you expect to complete the merger?

A: Summit and First Century currently expect to complete the merger during the first quarter of 2017. However, they cannot assure you when or if the merger will occur. Summit and First Century must, among other things, obtain the approval of First Century shareholders at its special meeting and satisfy the other conditions described below in The Merger Agreement Conditions to Completion of the Merger beginning on page 77.

Q: What happens if the merger is not completed?

A: If the merger is not completed, holders of First Century common stock will not receive any consideration for their shares in connection with the merger. Instead, First Century will remain an independent private company. In addition, in certain circumstances, a termination fee may be required to be paid by First Century. See The Merger Agreement Termination Fee beginning on page 90 for a complete discussion of the circumstances under which termination fees will be required to be paid.

Q: Who will be soliciting proxies?

A: In addition to soliciting proxies by mail, the directors and certain employees of First Century may be soliciting proxies for the First Century special meeting. See The First Century Special Meeting Solicitation of Proxies beginning on page 39 for more information.

Q: What are the U.S. federal income tax consequences of the merger to First Century shareholders?

A: The merger is intended to qualify, and the obligation of Summit and First Century to consummate the merger is conditioned upon, the receipt of an opinion from their respective legal counsel to the effect that the merger will qualify, as a reorganization within the meaning of Section 368(a) of the Code and that First Century and Summit will each be treated as a party to each reorganization within the meaning of Section 368(b) of the Code. Neither Summit nor First Century currently intends to waive this opinion condition to its obligation to consummate the merger. If either Summit or First Century waives this opinion condition after this prospectus and

6

proxy statement is declared effective by the SEC, and if the tax consequences of the merger to First Century shareholders have materially changed, Summit and First Century will recirculate appropriate soliciting materials to resolicit the votes of First Century shareholders. Assuming that the merger and the bank merger so qualifies as a reorganization, which First Century and Summit anticipate, in general, for U.S. federal income tax purposes:

- Holders of First Century common stock who receive solely the cash consideration in the merger will generally recognize gain or loss;

- Holders of First Century common stock who receive solely the stock consideration in the merger generally will not recognize any gain or loss as a result of the exchange (other than for cash received in lieu of any fractional share of Summit common stock); and

- Holders of First Century common stock who receive a combination of the cash consideration and the stock consideration in the merger will not generally recognize any loss but will generally recognize gain, if any, equal to the lesser of (1) the excess, if any, of the sum of the cash received and the fair market value of the Summit common stock received pursuant to the merger over that holder s adjusted tax basis in his, her or its shares of First Century common stock surrendered, and (2) the amount of cash consideration received by that holder pursuant to the merger.

For further information, see Material U.S. Federal Income Tax Consequences of the Merger beginning on page 93.

The U.S. federal income tax consequences described above may not apply to all holders of First Century common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.

Q: Whom should I call with questions?

A: First Century shareholders should contact J. Ronald Hypes at First Century by telephone at (304) 325-8181.

SUMMARY

This summary highlights selected information from this prospectus and proxy statement. It does not contain all of the information that may be important to you. We urge you to carefully read this entire prospectus and proxy statement and the other documents to which this prospectus and proxy statement refers to fully understand the merger and the other matters to be considered at the special meeting. See Where You Can Find More Information on page 129 to obtain the information incorporated by reference into this prospectus and proxy statement without charge. Each item in this summary includes a page reference directing you to a more complete description of that item.

The Companies (page 98)

Summit Financial Group, Inc.

300 North Main Street

Moorefield, West Virginia 26836

(304) 530-1000

Summit is a West Virginia corporation registered as a financial holding company pursuant to the Bank Holding Company Act of 1956, as amended, or the BHCA. Summit was incorporated and organized on March 5, 1987. Summit s banking subsidiary offers a full range of commercial and retail banking services and products. Summit provides these services through its community bank subsidiary, Summit Community Bank, with 18 full service offices located throughout West Virginia, Northern Virginia and the Shenandoah Valley. Summit also operates Summit Insurance Services, LLC in Moorefield, West Virginia and Leesburg, Virginia.

As of June 30, 2016, Summit had total assets of $1.57 billion, total deposits of $1.10 billion, and shareholders equity of $150.7 million.

First Century Bankshares, Inc.

500 Federal Street

Bluefield, West Virginia 24701

(304) 325-8181

First Century is a West Virginia corporation registered as a bank holding company pursuant to the BHCA. First Century (formerly Pocahontas Bankshares Corporation) was incorporated and organized in 1983. Through First Century Bank, Inc., or First Century Bank, a West Virginia banking corporation, First Century offers a full line of business-related loan, deposit and cash management products through experienced professionals. First Century operates 12 full service offices and a loan production office located throughout southern West Virginia and southwestern Virginia.

As of June 30, 2016, First Century had total assets of $409.9 million, total deposits of $351.6 million, and total stockholders equity of $46.1 million.

The Merger (page 43)

We have attached the merger agreement to this prospectus and proxy statement as Appendix A. We encourage you to read the merger agreement. It is the legal document that governs the merger. All descriptions in this summary and elsewhere in this prospectus and proxy statement of the terms and conditions of the merger are qualified by reference to the merger agreement.

In the merger, Summit will acquire First Century by means of the merger of First Century into FCB Merger Sub LLC, a West Virginia limited liability company and wholly-owned subsidiary of Summit s wholly-owned

8

Table of Contents

banking subsidiary, Summit Community Bank, or merger sub, with merger sub as the surviving entity in the merger. Immediately following the merger, merger sub will be liquidated so that Summit Community Bank will own all of the outstanding shares of First Century s wholly owned banking subsidiary, First Century Bank. Immediately following the liquidation of merger sub, First Century Bank will be merged with and into Summit Community Bank, or the bank merger, with Summit Community Bank surviving as the surviving bank in the bank merger.

Each share of First Century common stock outstanding will be converted in the merger into the merger consideration as further described below. We expect to complete the merger in the first quarter of 2017, although there can be no assurance in this regard.

Merger Consideration (page 73)

Upon completion of the merger, each First Century shareholder will receive (i) 1.2433 shares of Summit common stock in exchange for each share of First Century common stock held immediately prior to the merger, which is referred to herein as the stock consideration, (ii) cash in the amount of $22.50 per share of First Century common stock, which is referred to herein as the cash consideration, or (iii) a combination of cash and shares of Summit common stock in accordance with the election procedures set forth in the merger agreement. However, the aggregate number of First Century shares that will be converted for cash consideration will be equal to, as closely as possible, but in no event will exceed 666,092 shares, and the aggregate cash consideration will be equal to, as closely as possible, but in no event will exceed $14,987,073 or approximately 35% of the merger consideration. The aggregate number of First Century shares that will be converted for stock consideration will be equal to, as closely as possible, but in no event will exceed 1,237,028, or approximately 65% of the merger consideration. Accordingly, elections by First Century shareholders to receive a particular form of consideration, whether cash or shares of Summit common stock, will be prorated as necessary to cause the aggregate mix of consideration received by First Century shareholders in the merger to comply with the foregoing allocation. Any shares of First Century common stock for which no valid election has been made will be converted into the right to receive shares of Summit common stock and/or cash in accordance with the allocation procedures specified by the merger agreement.

Summit will not issue any fractional shares. A First Century shareholder entitled to a fractional share of Summit common stock will instead receive an amount in cash equal to the fractional share interest to which such shareholder would otherwise be entitled multiplied by $22.50, the per share cash consideration.

In addition, the merger consideration could be subject to downward adjustment if, at the earlier of December 31, 2016 or the effective time, First Century s total adjusted shareholders equity is less than $39,664,000. In such an event, there will be a dollar-for-dollar downward adjustment to the aggregate merger consideration equal to the amount of the deficit, allocated proportionately to the cash consideration and stock consideration. If, immediately prior to the effective time, First Century s total adjusted shareholders equity is more than $42,118,000, then First Century will issue a special distribution in the amount of such excess to its shareholders, subject to certain limitations due to the structure of the merger and the bank merger as a reorganization under Section 368(a) of the Code.

The exchange ratio may be adjusted if the outstanding shares of Summit Common Stock shall have been increased, decreased, changed into or exchanged for a different number or kind of shares or securities as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar change in capitalization.

Upon completion of the merger, we expect that Summit shareholders will own approximately 87.59% of the combined company and former First Century shareholders will own approximately 12.41% of the combined company.

The market price of Summit common stock will fluctuate prior to the merger. Summit and First Century urge you to obtain current market quotations for Summit (trading symbol SMMF).

Cash and Stock Elections (page 74)

An election form will be mailed separately to First Century shareholders and First Century shareholders should carefully review and follow the instructions that will be included with the election form. The deadline to make an election and return the election form along with the First Century stock certificates will be 5:00 p.m. Eastern Time on the 15th day following the mailing date of the election form. In the event that First Century shareholders elect to receive, in the aggregate, a particular form of consideration in an amount that exceeds the allocation established in the merger agreement, all shareholders who elected to receive such form of consideration will have their elections prorated as necessary to cause the aggregate mix of consideration to equal, as closely as possible, the allocation set forth in the merger agreement. Accordingly, First Century shareholders may receive a consideration mix that is different from the consideration that they elect to receive.

First Century s Reasons for the Merger (page 46)

In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, and to recommend that its shareholders approve the merger agreement, the First Century board of directors evaluated the merger and the merger agreement with executive management, Sandler O Neill & Partners, L.P., or Sandler O Neill, its financial advisor, and Bowles Rice, LLP, or Bowles Rice, its legal counsel. The First Century board of directors carefully considered the terms of the merger agreement and the value of the merger consideration to be received by First Century shareholders and ultimately determined that it was in the best interests of First Century and its shareholders for First Century to enter into the merger agreement with Summit. For more detail concerning the factors considered by the First Century board of directors in reaching its decision to approve the merger and the merger agreement, which is the plan of merger, see the section entitled The Merger First Century s Reasons for the Merger; Recommendation of the First Century Board of Directors.

First Century s Recommendation (page 41)

The First Century board of directors believes that the merger is fair to and in the best interests of the First Century shareholders. First Century s board of directors unanimously recommends that First Century shareholders vote ***FOR*** the First Century merger proposal. For the factors considered by the First Century board of directors in reaching its decision to approve the merger and the merger agreement, which is the plan of merger, see the section entitled The Merger First Century s Reasons for the Merger; Recommendation of the First Century Board of Directors.

Opinion of First Century s Financial Advisor (page 51 and Appendix B)

In connection with the merger, First Century s financial advisor, Sandler O Neill, delivered a written opinion, dated June 1, 2016, to the First Century board of directors as to the fairness of the merger consideration, from a financial point of view and as of the date of the opinion, to the holders of First Century common stock. The full text of the opinion, which describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Sandler O Neill in preparing the opinion, is attached as Appendix B to this prospectus and proxy statement. **The opinion was for the information of, and was directed to, the First Century board of directors (in its capacity as such) in connection with its consideration of the financial terms of the merger. The opinion did not address the underlying business decision of First Century to engage in the merger or enter into the merger agreement or constitute a recommendation to the First Century board in connection with the merger, and it does not constitute a recommendation to any holder of First Century common stock or**

any shareholder of any other entity as to how to vote in connection with the merger or any other matter.

Dissenters or Appraisal Rights (page 67)

Under Section 31D-13-1302 of the West Virginia Business Corporation Act, or the WVBCA, First Century shareholders will have appraisal rights in connection with the merger. To exercise appraisal rights, First Century shareholders must strictly follow the procedures prescribed by the laws of West Virginia. These procedures are summarized under the section entitled The Merger Dissenters or Appraisal Rights beginning on page 67, and Sections 31D-13-1301 through 31D-13-1331 of the WVBCA, which are attached to this prospectus and proxy statement as Appendix C.

Accounting Treatment (page 72)

Summit will account for the merger using acquisition accounting in accordance with U.S. generally accepted accounting principles.

The Merger Is Intended to Be Tax-Free to Holders of First Century Common Stock as to the Shares of Summit Common Stock They Receive (page 93)

The merger and the bank merger are intended to qualify as a reorganization within the meaning of Section 368(a) of the Code, and, as a condition to the respective obligations of Summit and First Century to complete the merger, each of Summit and First Century shall receive an opinion from its legal counsel to that effect. Accordingly, the merger generally will be tax-free to a holder of First Century common stock for U.S. federal income tax purposes who receives solely the stock consideration for all of his, her or its shares, except for any gain or loss that may result from the receipt of cash instead of fractional shares of Summit common stock that such holder of First Century common stock would otherwise be entitled to receive. If the holder of First Century common stock receives solely the cash consideration for all of his, her or its shares, the holder of First Century common stock generally will recognize gain or loss equal to the difference between the amount of cash received and the adjusted tax basis in his, her or its shares of First Century common stock as set forth below. If the holder of First Century common stock receives a combination of cash consideration and stock consideration in the merger, the holder will not generally recognize any loss but will generally recognize gain, if any, equal to the lesser of (1) the excess, if any, of the sum of the cash received and the fair market value of the Summit common stock received pursuant to the merger over that holder s adjusted tax basis in his, her or its shares of First Century common stock surrendered, and (2) the amount of cash consideration received by that holder pursuant to the merger. For further information, see the section entitled Material U.S. Federal Income Tax Consequences of the Merger beginning on page 93.

The First Century Special Meeting (page 38)

The First Century special meeting will be held on Tuesday, December 6, 2016, at 10:00 a.m., local time, at the First Century Bank Seminar Center, located at 525 Federal Street, Bluefield, West Virginia 24701. At the special meeting, First Century shareholders will be asked:

- To approve the First Century merger proposal; and
- To approve the First Century adjournment proposal.

Record Date; Vote Required (page 39)

First Century shareholders can vote at the special meeting if they owned shares of First Century common stock at the close of business on October 14, 2016, which is the record date for the special meeting. On the record date, First Century had approximately 1,903,120 shares of common stock outstanding and entitled to vote at the First Century special meeting. Each First Century shareholder can cast one vote for each share of First Century common stock owned on that date.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of First Century common stock entitled to vote at the First Century special meeting is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Although brokers have discretionary power to vote your shares of First Century common stock with respect to routine matters, they do not have discretionary power to vote your shares of First Century common stock on non-routine matters. All proposals for consideration at the First Century special meeting are non-routine and therefore your broker will not be able to vote your shares of First Century common stock with respect to these proposals unless the broker received appropriate instructions from you.

The approval of the merger agreement requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the First Century special meeting at which a quorum is present. Abstentions and broker non-votes will have the same effect on the outcome of the vote on this proposal as votes against this proposal.

The approval of the First Century adjournment proposal requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the First Century special meeting. Abstentions and broker non-votes will have the same effect on the outcome of the vote on this proposal as votes against this proposal.

As of the record date, First Century directors and executive officers, and their affiliates, held approximately 29.81% of the outstanding shares of First Century common stock entitled to vote at the special meeting. First Century directors have entered into support agreements, a form of which is included as an exhibit to Appendix A attached to this prospectus and proxy statement, that obligate each director to vote shares of First Century common stock over which each such director has sole voting and dispositive power for approval of the merger agreement.

Conditions to Completion of the Merger (page 77)

The obligations of Summit and First Century to complete the merger depend on a number of conditions being satisfied or waived. These conditions include:

- First Century shareholders approval of the merger agreement;
- Approval of the merger by the necessary federal and state regulatory authorities;
- The effectiveness of the registration statement filed on Form S-4 of which this prospectus and proxy statement is a part and no stop order suspending the effectiveness thereof shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the Securities and Exchange Commission, or SEC;
- Authorization for the listing on the NASDAQ Capital Market, or NASDAQ, 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 opinions from counsel to First Century and Summit that the merger will be treated as a reorganization under Section 368(a) of the Code;

The accuracy of the other party s representations and warranties subject to the material adverse effect standard in the merger agreement;

The performance in all material respects of all obligations of the other party contained in the merger agreement;

Table of Contents

The parties use of commercially reasonable efforts to execute the key employment contracts referenced in the merger agreement;

Payment by First Century of all change in control fees associated with the previous employment contracts;

Less than 10.0% of the outstanding shares of First Century common stock exercising dissenters rights;

As of the effective date, the allowance for loan and lease losses for First Century Bank s general loan portfolio shall not be less than $2,254,000;

Receipt of a voting agreement executed by each of the individuals set forth on the disclosure schedules; and

Receipt of a director support agreement executed by each of the directors of First Century.

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 83)

On August 3, 2016, the Board of Governors of the Federal Reserve System, or the Federal Reserve, issued a letter granting Summit s request for a waiver of the Section 3 application with the Federal Reserve. On September 12, 2016, Summit Community Bank received an order from the West Virginia Division of Financial Institutions, or the WV DFI, approving the application of Summit Community Bank to merge with First Century Bank. On September 30, 2016, the Federal Deposit Insurance Corporation, or the FDIC, issued an approval letter enclosing its order and basis for corporation approval with respect to Summit Community Bank s application for consent to merge with First Century Bank. Summit and First Century are not aware of any other governmental approvals or actions required for consummation of the merger other than as described above.

In accordance with the FDIC s September 30, 2016 approval order, the merger may not be consummated before the fifteenth calendar day following the date of the order. During this period, the United States Department of Justice may file objections to the merger under the federal antitrust laws. As of the date of this prospectus and proxy statement, the fifteen-day waiting period has expired and we have received no indication that the United States Department of Justice will challenge the merger. See The Merger Agreement Regulatory Approvals on page 83 for further explanation.

Termination of the Merger Agreement (page 89)

First Century and Summit may mutually agree to terminate the merger agreement at any time.

Either First Century or Summit may terminate the merger agreement if the merger is not completed by March 31, 2017, 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.

Summit may terminate the merger agreement if any of the following occurs:

The approval of any governmental entity required for consummation of the merger is denied by a final non-appealable action of such governmental entity, any such regulatory approval contains a burdensome condition on Summit, or the First Century shareholders do not approve the merger agreement;

First Century materially breaches any of its representations or obligations under the merger agreement, and does not cure the breach within 30 days of written notice of the breach;

Table of Contents

- First Century is not able to confirm, as of the effective time of the merger, (i) the continued accuracy of its representations and warranties in the merger agreement as of the effective time of the merger or (ii) the performance in all material respects of all of its obligations in the merger agreement;
- First Century experiences a material adverse effect since the date of the merger agreement; or
- First Century s board of directors fails to recommend approval of the merger agreement, withdraws its recommendation or modifies its recommendation in a manner adverse to Summit; First Century enters into an acquisition agreement in the limited contexts set forth in the merger agreement; or First Century breaches its obligations to call the First Century shareholder meeting or its obligations not to solicit alternative acquisition proposals under the terms of the merger agreement.

First Century may terminate the merger agreement if any of the following occurs:

- The approval of any governmental entity required for consummation of the merger is denied by a final non-appealable action of such governmental entity or the First Century shareholders do not approve the merger agreement;
- Summit materially breaches any of its representations or obligations under the merger agreement, and does not cure the breach within 30 days of written notice;
- Summit is not able to confirm, as of the effective time of the merger, (i) the continued accuracy of its representations and warranties in the merger agreement as of the effective time of the merger or (ii) the performance in all material respects of all of its obligations in the merger agreement;
- Summit experienced a material adverse effect since the date of the merger agreement; or
- The average closing price of Summit common stock declines by more than 15% from $17.30 and underperforms an index of banking companies by more than 15% over a designated measurement period, unless Summit agrees to increase the number of shares of Summit common stock to be issued to holders of First Century common stock.

Additionally, First Century may terminate the merger agreement in order to enter into an agreement with respect to an unsolicited acquisition proposal that if consummated would result in a transaction more favorable to First Century 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 (as determined by the First Century board of directors) and First Century pays the termination fee described below.

Termination Fee (page 90)

In the event that the merger agreement is terminated (i) by First Century because it has received an unsolicited acquisition proposal that is more favorable to First Century shareholders from a financial point of view than the merger with Summit and Summit does not make a counteroffer that the First Century board of directors determines is at least as favorable to the unsolicited acquisition proposal or (ii) by Summit because the First Century board of directors fails to recommend, withdraws, modifies or changes its recommendation of the merger in a manner adverse in any respect to the interests of Summit and within 12 months after the date of termination of the merger agreement, First Century enters into an agreement with respect to another acquisition proposal or consummates another acquisition proposal, then First Century must pay Summit a termination fee of $1,300,000.

If the agreement is terminated by First Century because (i) the merger did not take place before March 31, 2017, (ii) Summit materially breached the agreement following notice and an opportunity for cure or (iii) Summit experienced a material adverse effect, Summit shall pay First Century within one business day the total amount of third party costs expended by First Century in its efforts to terminate the First Century Bankshares, Inc. and Affiliates Employees Pension Plan, which is referred to as the Defined Benefit Plan.

Table of Contents

Waiver and Amendment (page 80)

Summit and First Century may jointly amend the merger agreement and each may waive its right to require the other party to adhere to the terms and conditions of the merger agreement. However, Summit and First Century may not do so after First Century shareholders approve the merger agreement if the amendment or waiver would violate the West Virginia Business Corporation Act, require further approval from First Century s shareholders or such amendment changes the form or amount of merger consideration in a manner that is adverse in any respect to First Century s shareholders.

Interests of Directors and Executive Officers in the Merger that Differ from Your Interests (page 69)

Some of the directors and executive officers of First Century have interests in the merger that differ from, or are in addition to, their interests as shareholders of First Century. These interests exist because of, among other things, employment agreements that the executive officers entered into with First Century, rights that these executive officers and directors have under First Century s benefit plans, arrangements to continue as employees and/or directors of Summit or its subsidiaries, including Summit Community Bank, following the merger, and rights to indemnification and directors and officers insurance following the merger. These employment and severance agreements provide certain executive officers with severance benefits if their employment is terminated in connection with the merger. First Century and Summit expect that each executive will waive his severance benefits in connection with entering into an employment agreement with Summit Community Bank, the execution of which is a condition to the consummation of the merger, and which provides, among other things, for the payment of certain retention bonus amounts contingent on continued employment with Summit Community Bank during the first year after the merger. The aggregate compensation that certain First Century directors and named executive officers may receive as a result of the merger is described in greater detail under The Merger Interests of Certain First Century Directors and Executive Officers in the Merger beginning on page 69.

In addition, one individual from First Century, a person who is an active member of the First Century board of directors as of June 1, 2016 through the effective time, with personal connections to the local civic and business community, who meets the qualifications under Summit s and Summit Community Bank s charter documents and their respective board policies and applicable law, will join the board of directors of Summit and the board of directors of Summit Community Bank.

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

Material Differences in the Rights of Summit Shareholders and First Century Shareholders (page 122)

The rights of Summit shareholders are governed by West Virginia law and by Summit s articles of incorporation and bylaws. The rights of First Century shareholders are governed by West Virginia law and by First Century s articles of incorporation and bylaws. Upon completion of the merger, the rights of the Summit shareholders, including former shareholders of First Century, will be governed by West Virginia law and the articles of incorporation and bylaws of Summit.

This prospectus and proxy statement contains descriptions of the material differences in shareholder rights under each of the Summit and First Century governing documents.

Risk Factors (page 17)

Before voting at the special meeting, you should carefully consider all of the information contained in or incorporated by reference into this document, including the risk factors set forth in the section entitled Risk

Table of Contents

Factors   or described in Summit s Annual Report on Form 10-K for the year ended on December 31, 2015 and other reports filed with the SEC, which are incorporated by reference into this document. Please see   Where You Can Find More Information   beginning on page 129.

Market Prices of Securities (page 33)

Summit common stock is listed on the NASDAQ under the symbol   SMMF.   First Century common stock is listed on the OTC Pink Open Market (OTCPink) under the symbol   FCBS.

The market value of the stock consideration will fluctuate with the market price of Summit common stock, however the cash consideration will remain a fixed amount regardless of any change in the market value of the stock consideration. The following table presents the closing prices of Summit common stock on June 1, 2016, the last trading day before public announcement of the merger, and on October 26, 2016, the last practicable trading day before the distribution of this prospectus and proxy statement. The table also presents the implied value of the stock consideration proposed for each share of First Century common stock converted into the stock consideration on those dates, as determined by multiplying the closing price of Summit common stock on those dates by the exchange ratio of 1.2433 provided for in the merger agreement. This table also presents the value of the cash consideration proposed for each share of First Century common stock converted into the cash consideration, which will remain a fixed amount regardless of any change in the market value of the stock consideration. **We urge you to obtain current market quotations for shares of Summit common stock**.

	Summit Common Stock (NASDAQ: SMMF)	Implied Value of One Share of First Century Common Stock	Value of the Cash Consideration for One Share of First Century Common Stock
At June 1, 2016	$ 17.30	$ 21.51	$ 22.50
At October 26, 2016	$ 19.94	$ 24.79	$ 22.50

Table of Contents

RISK FACTORS

In addition to general investment risks and the other information contained in or incorporated by reference into this prospectus and proxy statement, including the matters addressed under the heading Cautionary Statement Regarding Forward-Looking Statements on page 36 and the matters described under the caption Risk Factors in the Annual Report on Form 10-K filed by Summit for the year ended December 31, 2015, First Century shareholders should consider the matters described below in determining whether to approve the merger agreement.

Because the exchange ratio is fixed, 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 exchange ratio is set at 1.2433 shares of Summit common stock for each share of First Century common stock. As a result, the market value of the Summit common stock that First Century shareholders receive in the merger will depend on the market price of Summit common stock at the time the shares are issued. Because the exchange ratio is fixed, the value of the shares of Summit common stock that will be issued to First Century shareholders in the merger will depend on the market price of Summit common stock at the time the shares are issued. 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. Except as described in this prospectus and proxy statement, there will be no adjustment to the fixed number of shares of Summit common stock that will be issued to First Century shareholders based upon changes in the market price of Summit common stock or First Century common stock prior to the closing.

There may be an adjustment to the fixed number of shares of Summit common stock that will be issued to First Century shareholders based upon changes in the market price of Summit common stock and the NASDAQ Bank Index (IBIX) prior to the closing. However, any changes to the fixed number of shares of Summit common stock will not increase the per share value that First Century shareholders will receive in the merger from the value calculated using the pre-announcement market price of Summit common stock. Furthermore, the First Century board of directors may terminate the merger agreement if the average closing price of Summit common stock falls more than 15% on an actual basis and 15% on a relative basis to the NASDAQ Bank Index (IBIX) prior to the closing, in which case the merger will not occur, unless Summit agrees to increase the number of shares of Summit common stock to be issued to holders of First Century common stock.

The market price of Summit common stock at the time the merger is completed may vary from the price of Summit common stock on the date the merger agreement was executed, on the date of this prospectus and proxy statement and on the date of the First Century special meeting as a result of various factors that are beyond the control of Summit and First Century, including, but not limited to, general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. In addition to the approval of the merger agreement by First Century shareholders, completion of the merger is subject to satisfaction of certain conditions that may not occur until after the First Century special meeting. See The Merger Agreement Conditions to Completion of the Merger beginning on page 77 for further explanation. Therefore, at the time of the First Century special meeting First Century shareholders will not know the precise value of the stock consideration they will receive at the effective time of the merger. First Century shareholders should obtain current market quotations for shares of Summit common stock.

The elections made by holders of First Century common stock with respect to the types of merger consideration they would like to receive are subject to proration, and there can be no assurance that a shareholder will receive the type of merger consideration that he, she or it elects.

Each holder of First Century common stock will be able to elect the type of merger consideration that he, she or it would like to receive for each of his, her or its shares of First Century common stock, including electing to receive the cash consideration for a portion of his, her or its shares of First Century common stock and receive

Table of Contents

the stock consideration for the remainder of his, her or its shares of First Century common stock. A share of First Century common stock for which an election to receive the cash consideration is made we refer to as a cash election share, and a share of First Century common stock for which an election to receive the stock consideration is made we refer to as a stock election share. Shares of First Century common stock for which no election is made will be deemed to be no-election shares. All such elections are subject to adjustment on a pro rata basis.

The merger agreement provides that the aggregate number of First Century shares that will be converted for cash consideration will be equal to, as closely as possible, 666,092 shares, and the aggregate cash consideration will be equal to, as closely as possible, $14,987,073, or approximately 35% of the merger consideration. The aggregate number of First Century shares that will be converted for stock consideration will be equal to, as closely as possible, but in no event will exceed 1,237,028, or approximately 65% of the merger consideration. As a result, all elections may be subject to proration depending on the elections made by other holders of First Century common stock if the cash consideration (or the stock consideration) is undersubscribed or oversubscribed. Proration will be applied so that ultimately approximately 35% of the shares of First Century common stock are treated as cash election shares and approximately 65% of the shares of First Century common stock are treated as stock election shares.

For example, if the aggregate of the cash consideration payable to holders of cash election shares is in excess of the maximum cash consideration, all of the no-election shares will be treated as stock election shares and a number of cash election shares will be converted into stock election shares until the maximum cash consideration is no longer oversubscribed. If the aggregate of the cash consideration payable to holders of cash election shares is less than the maximum cash consideration, a number of no-election shares will be treated as cash election shares until the maximum cash consideration is no longer undersubscribed and, if necessary or appropriate, a number of stock election shares will be converted into cash election shares until the maximum cash consideration is no longer undersubscribed.

Accordingly, depending on the elections made by other First Century shareholders, if a holder of First Century common stock elects to receive all cash consideration pursuant to the merger, such holder may receive a portion of the merger consideration due to such holder in the form of stock consideration. If a holder of First Century common stock elects to receive all stock consideration pursuant to the merger, such holder may receive a portion of the merger consideration due to such holder in the form of cash consideration. Holders of First Century common stock who make an election to receive the stock consideration for some of their shares and the cash consideration for the remainder of their shares may receive different amounts or proportions of the stock consideration and the cash consideration than they elected.

The market price of Summit common stock after the merger may be affected by factors different from those affecting the shares of First Century or Summit currently.

Upon completion of the merger, holders of First Century common stock will become holders of Summit common stock. Summit s business differs from that of First Century, and, accordingly, the results of operations of the combined company and the market price of the combined company s shares of common stock may be affected by factors different from those currently affecting the independent results of operations of each of Summit and First Century. For a discussion of the businesses of Summit and First Century and of certain factors to consider in connection with those businesses, see the documents incorporated by reference or described elsewhere in this prospectus and proxy statement.

The integration of the operations of Summit and First Century may be more difficult, costly or time-consuming than anticipated.

The success of the merger will depend, in part, on Summit s ability to realize the anticipated benefits and cost savings from successfully combining the businesses of Summit and First Century and to combine the

Table of Contents

businesses of Summit and First Century in a manner that permits growth opportunities and cost savings to be realized without materially disrupting the existing customer relationships of First Century or decreasing revenues due to loss of customers. If Summit is not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all or may take longer to realize than expected.

It is possible that the integration process could result in the loss of key employees, the disruption of each company s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company s ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. The loss of key employees could adversely affect Summit s ability to successfully conduct its business in the markets in which First Century now operates, which could have an adverse effect on Summit s financial results and the value of its common stock. If Summit experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause First Century to lose customers or cause customers to remove their accounts from First Century and move their business to competing financial institutions. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of First Century and Summit during this transition period and for an undetermined period after consummation of the merger.

The success of the merger will also depend on Summit s ability to:

- Retain and attract qualified personnel to Summit;
- Maintain existing relationships with depositors of First Century to minimize withdrawals of deposits prior to and subsequent to the merger;
- Maintain and enhance existing relationships with borrowers to limit unanticipated losses from loans of First Century;
- Control the incremental non-interest expense from Summit to maintain overall operating efficiencies; and
- Compete effectively in the communities served by Summit and First Century and in nearby communities.

Summit may not be able to manage effectively its growth resulting from the merger.

Summit may fail to realize the cost savings estimated for the merger.

Although Summit estimates that it will realize cost savings of approximately $2.7 million annually (excluding one-time costs and expenses associated with the merger with First Century) from the merger when fully phased in, it is possible that the estimates of the potential cost savings could turn out to be incorrect. For example, the combined purchasing power may not be as strong as expected, and therefore the cost savings could be reduced. In addition, future business developments may require Summit to continue to operate or maintain some facilities or support functions that are currently expected to be combined or reduced. The cost savings estimates also depend on Summit s ability to combine the businesses of Summit and First Century in a manner that permits those costs savings to be realized. If the estimates turn out to be incorrect or Summit is not able to combine the two companies successfully, the anticipated cost savings may not be fully realized or realized at all, or may take longer to realize than expected.

Results after the merger may materially differ from the pro forma per share information presented in this prospectus and proxy statement.

Results after the merger of First Century with and into Summit may be materially different from those shown in the pro forma per share information that only show a combination of historical results from Summit and

Table of Contents

First Century. Merger, integration, restructuring and transaction costs related to the acquisition and combination of the companies are estimated to be in the range of approximately $2-$3 million and could be higher or lower depending on how difficult it will be to integrate Summit and First Century. Furthermore, these charges may decrease capital of the combined company that could be used for profitable, income earning investments in the future.

The unaudited prospective financial information of First Century and Summit included in this prospectus and proxy statement involves risks, uncertainties and assumptions, many of which are beyond the control of First Century and Summit. As a result, it may not prove to be accurate and is not necessarily indicative of current values or future performance.

The unaudited prospective financial information of each of First Century and Summit contained in the sections entitled The Merger Certain First Century Unaudited Prospective Financial Information and The Merger Certain Summit Unaudited Prospective Financial Information of this prospectus and proxy statement involves risks, uncertainties and assumptions and is not a guarantee of future performance. The future financial results of each of First Century and Summit may materially differ from those expressed in the unaudited prospective financial information due to factors that are beyond such company s ability to control or predict. No assurances can be made regarding future events or that the assumptions made in preparing the unaudited prospective financial information will accurately reflect future conditions. The internal financial projections were based on numerous variables and assumptions that are inherently subjective, and depend on a number of factors, including but not limited to, risks and uncertainties relating to the businesses of First Century and Summit (including the ability of each to achieve strategic goals, objectives and targets over applicable periods), industry performance, general business and economic conditions, and other factors described or incorporated by reference in this section or the section entitled Cautionary Statement Regarding Forward-Looking Statements, all of which are uncertain and many of which are beyond the control of First Century and Summit, and, if the merger is completed, will be beyond the control of the combined company. Each company cannot provide any assurance that its future financial results, or if the merger is completed, those of the combined company, will not materially vary from the unaudited prospective financial information. The unaudited prospective financial information covers multiple years, and the information by its nature becomes subject to greater uncertainty with each successive year. The unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared.

The merger with First Century may distract management of Summit from its other responsibilities.

The acquisition of First Century could cause the management of Summit to focus its time and energies on matters related to the acquisition 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 affect the business and earnings of Summit.

If the merger is not completed, Summit and First Century will have incurred substantial expenses without realizing the expected benefits of the merger.

Each of Summit and First Century has incurred and will continue to incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement, as well as the costs and expenses of filing, printing and mailing this prospectus and proxy statement and all filing and other fees paid to the SEC in connection with the merger. If the merger is not completed, Summit and First Century would have to recognize these expenses without realizing the expected benefits of the merger.

First Century shareholders will have less influence as shareholders of Summit than as shareholders of First Century.

First Century shareholders currently have the right to vote in the election of the board of directors of First Century and on other matters affecting First Century. Following the merger, the shareholders of First Century as a group will own approximately 12.41% of the combined organization. When the merger occurs, each First Century 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 First Century. Because of this, First Century shareholders will have less influence on the management and policies of Summit than they now have on the management and policies of First Century.

Some of the directors and executive officers of First Century may have interests in the merger that differ from the interests of non-director or non-management shareholders.

The interests of some of the directors and executive officers of First Century may be different from those of holders of First Century common stock, and directors and executive officers of First Century may be participants in arrangements that are different from, or in addition to, those of holders of First Century common stock. These interests are described in more detail in the section entitled The Merger Interests of Certain First Century Directors and Executive Officers in the Merger beginning on page 69.

The fairness opinion delivered to the First Century board of directors by First Century s financial advisor will not reflect changes in circumstances between signing the merger agreement and the completion of the merger.

The opinion of Sandler O Neill, First Century s financial advisor, to the First Century board of directors, was delivered on, and was dated, June 1, 2016. Changes in the operations and prospects of First Century or Summit, general market and economic conditions and other factors that may be beyond the control of First Century and Summit may alter the value of First Century or Summit or the prices of shares of First Century common stock or Summit common stock by the time the merger is completed. The opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. The opinion is included as Appendix B to this prospectus and proxy statement. For a description of the opinion, please refer to The Merger Opinion of First Century s Financial Advisor on page 51. For a description of the other factors considered by First Century s board of directors in determining to approve the merger, please refer to The Merger First Century s Reasons for the Merger; Recommendation of the First Century Board of Directors on page 46.

The merger agreement limits First Century s ability to pursue an alternative acquisition proposal and requires First Century to pay a termination fee of $1,300,000 under limited circumstances relating to alternative acquisition proposals.

The merger agreement prohibits First Century from soliciting, initiating, or encouraging certain alternative acquisition proposals with any third party, subject to exceptions set forth in the merger agreement. See The Merger Agreement Acquisition Proposals on page 81. The merger agreement also provides for the payment by First Century of a termination fee in the amount of $1,300,000 in the event that the other party terminates the merger agreement for certain reasons. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of First Century from considering or proposing such an acquisition. See Merger Agreement Termination Fee on page 90.

The merger will not be completed unless important conditions are satisfied.

Specified conditions set forth in the merger agreement must be satisfied or waived to complete the merger. If the conditions are not satisfied or waived, to the extent permitted by law or stock exchange rules, the merger will not occur or will be delayed and each of Summit and First Century may lose some or all of the intended benefits of the merger. The following conditions, in addition to other closing conditions, must be satisfied or waived, if permissible, before Summit and First Century are obligated to complete the merger:

The merger agreement and merger must be duly approved by the requisite vote of the shareholders of First Century;

Table of Contents

All required regulatory approvals must be obtained;

The absence of any law or order by a court or regulatory authority that prohibits, restricts or makes illegal the merger;

The registration statement shall become effective under the Securities Act and no stop order shall have been issued or threatened by the SEC; and

To the extent required, the shares of Summit common stock to be issued in the merger must be approved for listing on NASDAQ.

Some of the conditions to the merger may be waived by Summit or First Century without resoliciting shareholder approval of the merger agreement.

Some of the conditions set forth in the merger agreement may be waived by Summit or First Century, subject to the agreement of the other party in specific cases. See The Merger Agreement Conditions to of the Merger. If any conditions are waived, First Century will evaluate whether an amendment of this prospectus and proxy statement and resolicitation of proxies is warranted. In the event that the board of directors of First Century determines that resolicitation of shareholders is not warranted, Summit and First Century will have the discretion to complete the transaction without seeking further First Century shareholder approval.

Termination of the merger agreement could negatively impact First Century.

If the merger agreement is terminated, there may be various consequences. For example, First Century s businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. If the merger agreement is terminated and the First Century board of directors seeks another merger or business combination, First Century shareholders cannot be certain that First Century will be able to find a party willing to pay the equivalent or greater consideration than that which Summit has agreed to pay in the merger. In addition, if the merger agreement is terminated under certain circumstances, including circumstances involving a change in recommendation by First Century s board of directors, First Century may be required to pay Summit a termination fee of $1,300,000, which could have an adverse effect on First Century s financial condition.

Failure to complete the merger could negatively affect the market price of First Century common stock.

If the merger is not completed for any reason, First Century will be subject to a number of material risks, including the following:

The market price of its common stock may decline to the extent that the current market prices of its shares reflect a market assumption that the merger will be completed;

Costs relating to the merger, such as legal, accounting and financial advisory fees, and, in specified circumstances, termination fees, must be paid even if the merger is not completed;

The diversion of management s attention from the day-to-day business operations and the potential disruption to First Century s employees and business relationships during the period before the completion of the merger may make it difficult to regain financial and market positions if the merger does not occur; and

If First Century s board of directors seeks another merger or business combination, First Century shareholders cannot be certain that First Century will be able to find a party willing to pay an equivalent or greater consideration than that which Summit has agreed to pay in the merger.

Table of Contents

The shares of Summit common stock to be received by First Century shareholders as a result of the merger will have different rights from the shares of First Century common stock.

Upon completion of the merger, First Century shareholders who receive Summit common stock will become Summit shareholders and their rights as shareholders will be governed by the Summit s articles of incorporation and the Summit s bylaws. The rights associated with First Century common stock are different from the rights associated with Summit common stock. Please see Comparative Rights of Shareholders beginning on page 122 for a discussion of the different rights associated with Summit common stock.

First Century will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on First Century. These uncertainties may impair First Century s ability to attract, retain and motivate strategic personnel until the merger is consummated, and could cause customers and others that deal with First Century to seek to change existing business relationships with First Century. Experienced employees in the financial services industry are in high demand, and competition for their talents can be intense. Employees of First Century may experience uncertainty about their future role with the surviving corporation until, or even after, strategies with regard to the combined company are announced or executed. If strategic First Century employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the surviving corporation, First Century s business following the merger could be harmed. In addition, the merger agreement restricts First Century from making certain acquisitions and taking other specified actions until the merger occurs without the consent of Summit. These restrictions may prevent First Century from pursuing attractive business opportunities that may arise prior to the completion of the merger. See The Merger Agreement Conduct of Business Pending the Merger on page 84.

If the merger and the bank merger do not constitute a reorganization under Section 368(a) of the Code, then each First Century shareholder may be responsible for payment of U.S. income taxes related to the merger.

The United States Internal Revenue Service, or the IRS, may determine that the merger and the bank merger do not qualify as a nontaxable reorganization under Section 368(a) of the Code. In that case, each First Century shareholder would recognize a gain or loss equal to the difference between the (i) the sum of the fair market value of Summit common stock and the amount of cash consideration, if any, received by the First Century shareholder in the merger and (ii) the First Century shareholder s adjusted tax basis in the shares of First Century common stock exchanged therefor.

Table of Contents

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF FIRST CENTURY

The following table summarizes selected historical consolidated financial data of First Century for the periods and as of the dates indicated. Historical financial data as of and for the six months ended June 30, 2016 and June 30, 2015 are unaudited and include, in management s opinion, all normal recurring adjustments considered necessary to present fairly the results of operations and financial condition of First Century. You should not assume the results of operations for past periods and for the six months ended June 30, 2016 and June 30, 2015 indicate results for any future period.

First Century - Historical Financial Information

Dollars in thousands, except per share amounts	**As of and for the Six Months Ended June 30, (unaudited)**		**As of/For the Year Ended December 31,**				
	2016	**2015**	**2015**	**2014**	**2013**	**2012**	**2011**
Summary of Operations							
Interest income	$ 6,684	$ 6,750	$ 13,924	$ 13,762	$ 13,652	$ 14,338	$ 15,903
Interest expense	545	559	1,123	1,096	1,139	1,583	2,418
Net interest income	6,139	6,191	12,801	12,666	12,513	12,755	13,485
Provision for loan losses	102	(302)	283	(313)	75	885	3,241
Net interest income after provision for loan losses	6,037	6,493	12,518	12,979	12,438	11,870	10,244
Noninterest income	2,603	2,482	5,276	5,398	5,616	5,994	6,793
Noninterest expense	6,857	7,502	14,428	13,738	13,541	13,874	13,943
Income before income taxes	1,783	1,473	3,366	4,639	4,513	3,990	3,094
Income tax expense	603	454	1,040	1,464	1,412	1,066	878
Net income	$ 1,180	$ 1,019	$ 2,326	$ 3,175	$ 3,101	$ 2,924	$ 2,216
Per Common Share:							
Earnings per share							
Basic earnings	$ 0.62	$ 0.54	$ 1.22	$ 1.67	$ 1.63	$ 1.54	$ 1.16
Diluted earnings	0.62	0.54	1.22	1.67	1.63	1.54	1.16
Cash dividends	$ 0.45	$ 0.43	$ 0.83	$ 0.79	$ 0.73	$ 0.65	$ 0.45
Period-End Balances:							
Assets	$ 409,917	$ 406,230	$ 406,139	$ 401,242	$ 412,451	$ 410,812	$ 417,820
Loans, net	240,002	232,878	230,682	236,346	234,313	230,271	243,462
Deposits	351,555	351,486	350,260	344,102	357,718	350,882	352,649
Short-term borrowings	8,973	7,065	7,394	9,670	10,088	13,292	20,097

Long-term borrowings		78	30	125	194	289	
Shareholders equity	46,112	45,041	45,291	44,666	42,720	41,900	40,724

Table of Contents

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF SUMMIT

The following table summarizes selected historical consolidated financial data of Summit for the periods and as of the dates indicated. This information has been derived from Summit s consolidated financial statements filed with the SEC. Historical financial data as of and for the six months ended June 30, 2016 and June 30, 2015 are unaudited and include, in management s opinion, all normal recurring adjustments considered necessary to present fairly the results of operations and financial condition of Summit. You should not assume the results of operations for past periods and for the six months ended June 30, 2016 and June 30, 2015 indicate results for any future period.

You should read this information in conjunction with Summit s consolidated financial statements and related notes thereto included in Summit s Annual Report on Form 10-K as of and for the year ended December 31, 2015, and in Summit s Quarterly Report on Form 10-Q as of and for the six months ended June 30, 2016, which are incorporated by reference into this prospectus and proxy statement. See Where You Can Find More Information beginning on page 129 of this prospectus and proxy statement.

Summit Historical Financial Information

Dollars in thousands, except per share amounts	**As of and for the Six Months Ended June 30, (unaudited)**		**As of/For the Year Ended December 31,**				
	2016	**2015**	**2015**	**2014**	**2013**	**2012**	**2011**
Summary of Operations							
Interest income	$ 30,448	$ 29,402	$ 58,883	$ 57,626	$ 57,280	$ 63,884	$ 71,047
Interest expense	6,935	6,424	12,867	15,241	18,477	24,064	31,203
Net interest income	23,513	22,978	46,016	42,385	38,803	39,820	39,844
Provision for loan losses	500	750	1,250	2,250	4,500	8,500	10,000
Net interest income after provision for loan losses	23,013	22,228	44,766	40,135	34,303	31,320	29,844
Noninterest income	5,852	5,999	11,861	11,223	11,209	12,879	11,906
Noninterest expense	16,991	16,266	33,632	35,324	34,756	37,267	36,641
Income before income taxes	11,874	11,961	22,995	16,034	10,756	6,932	5,109
Income tax expense	3,569	3,667	6,893	4,678	2,688	1,219	1,035
Net income	8,305	8,294	16,102	11,356	8,068	5,713	4,074
Dividends on preferred shares				771	775	777	371
Net income applicable to common shares	$ 8,305	$ 8,294	$ 16,102	$ 10,585	$ 7,293	$ 4,936	$ 3,703

Per Common Share:

Earnings per share							
Basic earnings	$ 0.78	$ 0.85	$ 1.56	$ 1.40	$ 0.98	$ 0.66	$ 0.50
Diluted earnings	0.78	0.78	1.50	1.17	0.84	0.60	0.49
Cash dividends	$ 0.20	$ 0.16	$ 0.32	$	$	$	$
Period-End Balances:							
Assets	$ 1,565,181	$ 1,479,969	$ 1,492,429	$ 1,443,568	$ 1,386,227	$ 1,387,104	$ 1,450,121
Loans	1,166,723	1,064,472	1,079,331	1,019,842	937,070	937,168	965,516
Deposits	1,096,545	1,053,310	1,066,709	1,061,314	1,003,812	1,027,125	1,016,500
Short-term borrowings	205,553	174,599	171,394	123,633	62,769	3,958	15,956
Long-term borrowings	74,625	76,536	75,581	77,490	163,516	203,268	270,254
Shareholders equity	150,669	140,072	143,744	131,644	111,072	108,555	102,566

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information combines the historical consolidated financial position and results of operations of Summit and its subsidiaries and First Century and its subsidiary, as an acquisition by Summit of First Century using the acquisition method of accounting and giving effect to the related pro forma adjustments described in the accompanying notes. Under the acquisition method of accounting, the assets and liabilities of First Century will be recorded by Summit at their respective fair values as of the effective date of the merger, and the excess of the merger consideration over the fair value of First Century s net assets will be allocated to goodwill.

The unaudited pro forma condensed combined balance sheet gives effect to the merger as if the transaction had occurred on June 30, 2016. The unaudited pro forma condensed combined income statements for the six months ended June 30, 2016 and for the year ended December 31, 2015, give effect to the merger as if the transaction had occurred on January 1, 2015.

The unaudited pro forma condensed combined financial information included herein is presented for informational purposes only and does not necessarily reflect the financial results of the combined companies had the companies actually been combined at the beginning of the periods presented. The adjustments included in this unaudited pro forma condensed combined financial information are preliminary and are subject to revision and may vary from the actual purchase price allocation that will be recorded at the effective date of the merger. Revision to the adjustments may include, but not be limited to, changes in (i) First Century s balance sheet through the effective date of the merger, (ii) the aggregate value of the merger consideration paid if the price of Summit s common stock varies from the assumed price, (iii) total merger related expenses if completion and/or implementation cost vary from currently estimated amounts, and (iv) the underlying value of assets and liabilities if market conditions differ from current assumptions. This information also does not reflect the benefits of the expected cost savings and expense efficiencies, opportunities to earn additional revenue, potential impacts of current market conditions on revenues or asset dispositions, among other factors.

The unaudited pro forma condensed combined financial information should be read in conjunction with and is qualified in its entirety by the accompanying notes, reference to the historical consolidated financial statements and related notes thereto of Summit and its subsidiaries, which are incorporated in this document by reference, and the historical consolidated financial statements and related notes thereto of First Century and its subsidiary, which are included elsewhere in this prospectus and proxy statement. See Where You Can Find More Information on page 129, and Selected Historical Financial Data of First Century on page 24.

Table of Contents

SUMMIT AND FIRST CENTURY

Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet

June 30, 2016

(dollars in thousands)

	Actual		Pro Forma	
	Summit Financial Group, Inc.	First Century Bankshares, Inc.	Adjustments	Combined
ASSETS				
Cash and due from banks	$ 4,161	$ 12,599	$ (2,500)(B)	$ 14,260
Interest bearing deposits with other banks	8,897	29,131	(14,987)(A)	23,041
Securities available for sale	261,633	69,285		330,918
Securities held to maturity		35,195	1,226(C)	36,421
Other investments	12,233	582		12,815
Loans held for sale, net	245			245
Loans, net	1,166,723	240,002	(7,750)(D)	1,402,527
			3,552(E)	
Property held for sale	23,425	4,471	(1,500)(F)	26,396
Premises and equipment, net	21,405	10,937		32,342
Accrued interest receivable	5,352	1,168		6,520
Identifiable intangibles	1,400		2,500(H)	3,900
Goodwill	5,998	5,183	457(G)	6,455
			(5,183)(G)	
Other assets	53,709	1,364	2,599(I)	56,725
			(947)(E)	
Total assets	$ 1,565,181	$ 409,917	$ (22,533)	$ 1,952,565
LIABILITIES AND SHAREHOLDERS EQUITY				
Liabilities				
Deposits	$ 1,096,545	$ 351,555	$	$ 1,448,100
Short-term borrowings	205,553	8,973		214,526
Long-term borrowings	74,625			74,625
Subordinated debentures owed to unconsolidated subsidiary trusts	19,589			19,589
Other liabilities	18,200	3,277	(1,933)(G)	19,544
Total liabilities	1,414,512	363,805	(1,933)	1,776,384
Shareholders Equity				

Common stock and related surplus	44,195	977	26,607(A)	70,802
			(977)(J)	
Retained earnings	106,594	48,227	(49,322)(K)	105,499
Accumulated other comprehensive (loss)	(120)	(3,092)	3,092(L)	(120)
Total shareholders equity	150,669	46,112	(20,600)	176,181
Total liabilities and shareholders equity	$ 1,565,181	$ 409,917	$ (22,533)	$ 1,952,565

See Notes to Unaudited Pro Forma Condensed Combined Financial Information

Table of Contents

SUMMIT AND FIRST CENTURY

Unaudited Pro Forma Condensed Combined Consolidated Statement of Income

For the Six Months Ended June 30, 2016

(dollars in thousands, except per share amounts)

	Actual		Pro Forma	
	Summit Financial Group, Inc.	First Century Bankshares, Inc.	Adjustments	Combined
Interest income	$ 30,448	$ 6,684	$ 775(M)	$ 37,907
Interest expense	6,935	545		7,480
Net interest income	23,513	6,139	775	30,427
Provision for loan losses	500	102		602
Net interest income after provision for loan losses	23,013	6,037	775	29,825
Noninterest income				
Service fees	2,038	723		2,761
Insurance commissions	2,014	1		2,015
Income from fiduciary activities		921		921
Other	1,800	958		2,758
Total noninterest income	5,852	2,603		8,455
Noninterest expense				
Salaries and employee benefits	9,446	3,035		12,481
Net occupancy expense	1,051	1,300		2,351
Equipment expense	1,342	575		1,917
Merger expense	265	214		479
Other	4,887	1,733	125(N)	6,745
Total noninterest expense	16,991	6,857	125	23,973
Income before income taxes	11,874	1,783	650	14,307
Income tax expense	3,569	603	240(O)	4,412
Net income	$ 8,305	$ 1,180	$ 410	$ 9,895
Basic earnings per share	$ 0.78	$ 0.62		$ 0.81
Diluted earnings per share	$ 0.78	$ 0.62		$ 0.81

Dividends per share	$ 0.20	$ 0.45	$ 0.20

See Notes to Unaudited Pro Forma Condensed Combined Financial Information

Table of Contents

SUMMIT AND FIRST CENTURY

Unaudited Pro Forma Condensed Combined Consolidated Statement of Income

For the Year Ended December 31, 2015

(dollars in thousands, except per share amounts)

	Actual		Pro Forma	
	Summit Financial Group, Inc.	First Century Bankshares, Inc.	Adjustments	Combined
Interest income	$ 58,883	$ 13,924	$ 1,550(M)	$ 74,357
Interest expense	12,867	1,123		13,990
Net interest income	46,016	12,801	1,550	60,367
Provision for loan losses	1,250	283		1,533
Net interest income after provision for loan losses	44,766	12,518	1,550	58,834
Noninterest income				
Service fees	4,285	1,472		5,757
Insurance commissions	4,042	2		4,044
Income from fiduciary activities		1,897		1,897
Other	3,534	1,905		5,439
Total noninterest income	11,861	5,276		17,137
Noninterest expense				
Salaries and employee benefits	17,638	6,432		24,070
Net occupancy expense	1,964	2,710		4,674
Equipment expense	2,294	1,194		3,488
Other	11,736	4,092	250(N)	16,078
Total noninterest expense	33,632	14,428	250	48,310
Income before income taxes	22,995	3,366	1,300	27,661
Income tax expense	6,893	1,040	480(O)	8,413
Net income	$ 16,102	$ 2,326	$ 820	$ 19,248
Basic earnings per share	$ 1.56	$ 1.22		$ 1.63

Diluted earnings per share	$ 1.50	$ 1.22	$ 1.57
Dividends per share	$ 0.32	$ 0.83	$ 0.32

See Notes to Unaudited Pro Forma Condensed Combined Financial Information

Table of Contents

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED

FINANCIAL INFORMATION

Note 1. Basis of Presentation

The unaudited pro forma condensed combined consolidated financial information presents the combined financial statements of Summit and its subsidiaries and First Century and its subsidiary after giving effect to the merger assuming the merger had occurred as of June 30, 2016 for purposes of balance sheet presentation and January 1, 2015 for purposes of the presentation of the statements of income for the six months ended June 30, 2016 and for the year ended December 31, 2015.

The unaudited pro forma condensed combined consolidated balance sheet includes the effect of preliminary estimated adjustments to record First Century s assets acquired and liabilities assumed at their respective fair values based on management s best estimate using information available at this time. The final determination of estimated fair values of First Century s assets and liabilities cannot be made until the completion of the merger and will be based on the actual assets and liabilities that exist as of the date of the completion of the merger. Consequently, fair value adjustments and amounts preliminarily allocated to assets, including identifiable intangible assets, goodwill and liabilities could change significantly from amounts preliminarily allocated in the unaudited pro forma condensed combined consolidated financial statements presented herein. In addition, the value of the final purchase price of the merger will be based on the closing price of Summit s common stock on the date preceding the date of the merger. For purposes of the unaudited pro forma condensed combined consolidated financial information, the fair value of Summit s common stock is $17.30 per share, which was its closing price per share on June 1, 2016. The actual value of Summit s common stock at the completion of the merger could differ.

Summit and First Century anticipate that nonrecurring charges, such as systems conversion costs, legal, investment banking and accounting fees, fees paid to regulatory agencies, severance costs, change-in-control payments, and other merger-related costs will be incurred. Summit also anticipates that as a result of the integration following the completion of the merger, there will be certain cost savings resulting from the integration of the operations of the companies. The unaudited pro forma condensed combined consolidated statements of income do not include the effects of the costs associated with any nonrecurring charges or integration activities resulting from the merger, as they are nonrecurring in nature and not factually supportable at this time. In addition, the unaudited pro forma condensed combined consolidated financial information does not include any expected cost savings to be realized as a result of the merger. However, these charges and savings will affect the statement of income of the combined company following the completion of the merger and in the periods in which they are recorded and/or realized. The unaudited pro forma condensed combined consolidated balance sheet does include a pro forma adjustment to reduce cash, other liabilities and shareholders equity to reflect the payment of certain anticipated merger and integration costs, including amounts paid for systems conversion costs, legal, investment banking, severance costs, change-in-control payments, and other merger-related costs.

Note 2. Pro Forma Adjustments

The merger will be accounted for under the acquisition method of accounting, whereby the acquired assets and assumed liabilities of First Century will be recorded by Summit at their estimated fair values as of the date of the completion of the merger. The following summarizes the estimated fair value adjustments reflected in the unaudited condensed combined balance sheet as if the merger had been completed on June 30, 2016 and the estimated effect of these adjustments for the unaudited condensed combined statements of income for the six months ended June 30, 2016 and for the year ended December 31, 2015 as if the merger had been completed on January 1, 2015. The estimated fair value and other acquisition accounting adjustments are preliminary; actual amounts could differ significantly.

Table of Contents

Balance Sheet Adjustments

(A) Effect of stock and cash consideration paid by Summit to First Century s shareholders in conjunction with the merger and record cash paid for its estimated direct transaction costs. Under the terms of the First Century transaction, Summit will pay total consideration of $22.50 per share for each of the 1,903,120 outstanding common shares of First Century. Each outstanding share of First Century common stock will be canceled and converted into the right to receive (i) 1.2433 shares of Summit common stock, (ii) cash in the amount of $22.50 per share of First Century common stock, or (iii) a combination of cash and shares of Summit common stock in accordance with the election procedures set forth in the merger agreement. This consideration will be paid approximately 65% in the form of Summit common stock and 35% in cash.

(i) Stock consideration: Issuance of 1,537,997 shares of Summit common stock to First Century shareholders assuming Summit s stock price of $17.30 at June 1, 2016.

(ii) Cash consideration of $14,987,000 paid to First Century shareholders.

(B) Adjustment to reflect the payment of estimated costs related to the completion of the merger, including systems conversion costs, legal, investment banking and accounting fees, fees paid to regulatory agencies, severance costs, and other merger-related expenses.

(C) Adjustment to reflect First Century s held to maturity securities at fair value.

(D) Adjustment to reflect First Century s loan portfolio at estimated fair value, including adjustments for credit and interest rates.

(E) Adjustment to eliminate First Century s existing allowance for loan losses ($3,552,000), net of existing deferred taxes ($947,000).

(F) Adjustment to reflect First Century s other foreclosed properties at fair value.

(G) Adjustment reflects the elimination of First Century s existing goodwill ($5,183,000) and related existing deferred taxes ($1,933,000), and the addition of the estimated goodwill resulting from the allocation of the total purchase price in excess of the estimated fair value of identifiable net assets acquired ($457,000). (See Note 3, Pro Forma Allocation of Purchase Price below for additional information.)

(H) Adjustment reflects the addition of the estimated core deposit intangible asset.

(I) Adjustment reflects two components related to the net deferred tax assets of the pro forma combined company. One component is $2,044,000 net deferred tax asset resulting from the estimated fair value adjustments. (See Note 3, Pro Forma Allocation of Purchase Price below for additional information.) The second component reflects $555,000 net deferred tax asset resulting from the deduction of Summit s merger-related costs. It is assumed that $1,500,000 of the $1,650,000 of Summit s estimated merger-related costs would be deductible for tax purposes.

(J) Adjustment to eliminate 1,903,120 shares and related surplus of First Century common stock outstanding at June 30, 2016.

(K) Adjustment reflects two components. One component is to eliminate First Century s retained earnings ($48,227,000). The second component reflects $1,500,000 in Summit s estimated merger-related costs, net of taxes of $555,000.

(L) Adjustment to eliminate First Century s accumulated other comprehensive income, net of tax, as of June 30, 2016.

Income Statement Adjustments

(M) Adjustment reflects accretion of the estimated credit and interest rate fair value adjustments associated with First Century s loan portfolio. These adjustments were calculated on a straight-line basis using an accretion period of 5 years.

Table of Contents

(N) Adjustment represents the amortization of the core deposit intangible asset resulting from the merger over a period of 10 years.

(O) Adjustment represents income taxes associated with the pre-tax pro forma adjustments assuming a 37% annual effective tax rate for all periods.

Note 3. Pro Forma Allocation of Purchase Price

The following table presents the pro forma allocation of the purchase price paid for the net assets of First Century and the estimated goodwill resulting from the allocation of the purchase price. Purchase consideration is based on Summit s June 1, 2016 common stock closing price. Final consideration could differ significantly. Fair value adjustments are preliminary. Final fair value adjustments could also differ significantly.

(in thousands, unaudited)		
Purchase price:		
Issuance of common stock	$ 26,607	
Cash consideration	14,987	
Total purchase consideration		$ 41,594
First Century s net assets at estimated fair value:		
First Century s equity at June 30, 2016	46,112	
Less estimated merger transaction costs of First Century prior to close	(850)	
First Century s equity at June 30, 2016, as adjusted	45,262	
Estimated fair value adjustments:		
Eliminate existing allowance for loan losses, net of deferred taxes of $947	2,605	
Securities held to maturity	1,226	
Loans	(7,750)	
OREO	(1,500)	
Core deposit intangible	2,500	
Net deferred tax asset on acquisition accounting adjustments	2,044	
Eliminate existing goodwill, net of deferred taxes of $1,933	(3,250)	
Estimated fair value of identifiable net assets acquired		41,137
Purchase price in excess of fair value of net identifiable assets acquired		457
Goodwill		$ 457

Table of Contents

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Summit common stock is traded on NASDAQ under the symbol SMMF. First Century common stock is traded on the OTC Pink Open Market (OTCPink) under the symbol FCBS. The closing sale price reported for Summit common stock on June 1, 2016, the last trading date preceding the public announcement of the merger agreement, was $17.30 and the closing price reported for First Century on such date was $19.39. On October 26, 2016, the last practicable trading date before the distribution of this prospectus and proxy statement, the closing sales price per share of Summit common stock was $19.94 and the closing price reported for First Century on such date was $23.60.

The following table sets forth for the periods indicated the high and low prices per share of Summit common stock as reported on NASDAQ and the high and low prices per share of First Century common stock as quoted on the OTC Pink Open Market (OTCPink), along with the quarterly cash dividends per share declared. The per share prices do not include adjustments for markups, markdowns or commissions.

	Summit			First Century		
		Sales Price			Sales Price	
Time Period	Dividends	High	Low	Dividend	High	Low
2016						
Fourth Quarter (through October 26, 2016)	$	$ 20.50	$ 18.05	$ 0.20	$ 23.70	$ 22.55
Third Quarter	$ 0.10	$ 20.47	$ 16.45	$ 0.20	$ 23.90	$ 21.40
Second Quarter	$ 0.10	$ 20.77	$ 14.91	$ 0.20	$ 21.75	$ 18.70
First Quarter	$ 0.10	$ 16.14	$ 11.13	$ 0.25	$ 21.00	$ 19.00
2015						
Fourth Quarter	$ 0.08	$ 12.00	$ 11.03	$ 0.20	$ 27.98	$ 18.05
Third Quarter	$ 0.08	$ 12.79	$ 11.27	$ 0.20	$ 20.00	$ 18.00
Second Quarter	$ 0.08	$ 13.09	$ 11.15	$ 0.19	$ 21.20	$ 18.00
First Quarter	$ 0.08	$ 12.87	$ 10.80	$ 0.24	$ 20.00	$ 16.30
2014						
Fourth Quarter	$	$ 12.70	$ 9.61	$ 0.19	$ 19.00	$ 17.55
Third Quarter	$	$ 10.98	$ 9.17	$ 0.19	$ 19.00	$ 17.75
Second Quarter	$	$ 11.23	$ 9.75	$ 0.18	$ 19.00	$ 17.90
First Quarter	$	$ 11.00	$ 8.89	$ 0.23	$ 18.40	$ 15.35

As of October 26, 2016, the last date prior to distribution of this prospectus and proxy statement for which it was practicable to obtain this information, there were approximately 1,144 registered holders of Summit common stock and approximately 345 registered holders of First Century common stock.

The following table sets forth historical per share market values for Summit common stock (i) on June 1, 2016, the last trading day prior to public announcement of the merger agreement, and (ii) on October 26, 2016, the most recent practicable date before the printing and mailing of this prospectus and proxy statement. The table also shows the equivalent pro forma market value of First Century common stock on those dates. First Century common stock is traded on the OTC Pink Open Market (OTCPink) under the symbol FCBS.

The equivalent pro forma market value of First Century common stock is obtained by multiplying the historical market price of Summit common stock by the applicable exchange ratio. 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 June 1, 2016 and October 26, 2016. Accordingly, the pro forma market value (i) on June 1, 2016 is determined by multiplying $17.30 by the exchange ratio and (ii) on October 26, 2016 is determined by multiplying $19.94 by the exchange ratio.

Table of Contents

The historical market prices represent the last sale prices on or before the dates indicated. 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.

Historical Market Price

	Summit Financial Group, Inc.	First Century Equivalent Pro Forma Market Value
June 1, 2016	$ 17.30	$ 21.51
October 26, 2016	$ 19.94	$ 24.79

The market price of Summit common stock will fluctuate between the date of this prospectus and proxy statement and the effective time of the merger. First Century shareholders should obtain current stock price quotations for Summit common stock. No assurance can be given concerning the market price of Summit common stock before or after the effective time of the merger. Any change in the market price of Summit common stock prior to the effective time of the merger will affect the market value of the merger consideration that First Century s shareholders will receive upon the effective time of the merger. Once the merger is completed, there will be no further private or public market for First Century common stock.

Table of Contents

UNAUDITED PRO FORMA PER SHARE DATA

Presented below for Summit and First Century is historical, unaudited pro forma combined and pro forma equivalent per share financial data as of June 30, 2016 and for the six months ended June 30, 2016 and for the year ended December 31, 2015. The information presented below should be read together with the historical consolidated financial statements of Summit and First Century, including the related notes, and the unaudited pro forma financial information, in each case included elsewhere in this prospectus and proxy statement.

The unaudited pro forma and pro forma per equivalent share information gives effect to the merger as if the merger had been effective in the case of the book value data as of June 30, 2016 and as if the merger had been effective as of January 1, 2015 in the case of the earnings and dividends per share data. The unaudited pro forma data combines the historical results of First Century into Summit s consolidated statement of income. While certain adjustments were made for the estimated impact of fair value adjustments and other acquisition-related activity, they are not indicative of what could have occurred had the acquisition taken place on January 1, 2015 or June 30, 2016.

The unaudited pro forma adjustments are based upon available information and certain assumptions that Summit and First Century management believe are reasonable. The unaudited pro forma per share data, while helpful in illustrating the financial characteristics of the combined companies under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the merger or consider any potential impacts of current market conditions or the merger on revenues, expense efficiencies, or asset dispositions, among other factors. As a result, unaudited pro forma per share data is presented for illustrative purposes only and does not represent an attempt to predict or suggest future results, and should not be relied on as being indicative of the historical results that we would have had if we had been combined or the future results that we will experience after the merger.

	For the Six Months Ended June 30, 2016			
	Summit Historical	First Century Historical	Summit Pro Forma Combined	First Century Pro Forma Equivalent(1)
Basic earnings per share	$ 0.78	$ 0.62	$ 0.81	$ 1.01
Diluted earnings per share	$ 0.78	$ 0.62	$ 0.81	$ 1.01
Dividends per share(2)	$ 0.20	$ 0.45	$ 0.20	$ 0.25
Book value per share at 6/30/2016(3)	$ 14.09	$ 24.23	$ 14.41	$ 17.92

	For the Year Ended December 31, 2015			
	Summit Historical	First Century Historical	Summit Pro Forma Combined	First Century Pro Forma Equivalent(1)
Basic earnings per share	$ 1.56	$ 1.22	$ 1.63	$ 2.03
Diluted earnings per share	$ 1.50	$ 1.22	$ 1.57	$ 1.95
Dividends per share(2)	$ 0.32	$ 0.83	$ 0.32	$ 0.40
Book value per share at 12/31/2015(3)	$ 13.48	$ 23.80	$ 13.95	$ 17.34

(1) First Century Pro Forma Equivalent was computed by multiplying the Summit Pro Forma Combined amounts by the exchange ratio of 1.2433.
(2) Summit Pro Forma Combined dividends were based on Summit s historical amounts.
(3) Summit s Pro Forma Combined book value was computed using Summit s book value for the dates shown adjusted for the estimated impact to common shareholders equity, which was determined using the June 1, 2016 closing share prices, as applicable, of Summit common stock and the estimated number of shares to be issued in connection with the merger.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and proxy statement contains or incorporates by reference a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about the financial conditions, results of operations, earnings outlook and prospects of Summit, First Century and the potential combined company and may include statements for the period following the completion of the merger. You can find many of these statements by looking for words such as plan, believe, expect, intend, anticipate, estimate, project, possible or other similar expressions which identify these forward-looking statements and appear in a number of places in this prospectus and proxy statement (and the documents to which you are referred in this prospectus and proxy statement) and include, but are not limited to, all statements relating directly or indirectly to the timing or likelihood of completing the merger to which this prospectus and proxy statement relates, the timing and amount of growth and cost savings realized, following the merger, plans for future growth and other business development activities as well as capital expenditures, financing sources and the effects of regulation and competition, potential effects of not approving proposals discussed in this prospectus and proxy statement or not completing the merger, and all other statements regarding the intent, plans, beliefs or expectations of Summit, First Century, or those of their respective directors or officers.

The forward-looking statements involve certain risks and uncertainties. The ability of either Summit or First Century to predict results or the actual effects of its plans and strategies, or those of the combined company, is subject to inherent uncertainty. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include those set forth on page 17 under Risk Factors, as well as, among others, the following:

- Those discussed and identified in public filings with the SEC made by Summit;
- Fluctuations in the market price of Summit common stock and the related effect on the market value of the merger consideration that First Century common shareholders will receive upon completion of the merger;
- Changes in goals and targets and statements of the assumptions underlying or relating to any such statements;
- Business uncertainties and contractual restrictions while the merger is pending;
- The possibility that the proposed merger does not close when expected or at all because required regulatory, shareholder or other approvals and conditions to closing are not received or satisfied on a timely basis or at all;
- The terms of the proposed merger may need to be modified to satisfy such approvals or conditions;
- The anticipated benefits from the proposed merger such as it being accretive to earnings and expanding Summit s geographic presence and synergies are not realized in the time frame anticipated or at all as a result

of changes in general economic and market conditions, interest and exchange rates, monetary policy, laws and regulations (including changes to capital requirements) and their enforcement, and the degree of competition in the geographic and business areas in which the companies operate;

The ability to promptly and effectively integrate the businesses of Summit and First Century;

Reputational risks and the reaction of the companies customers to the merger;

Diversion of management time on merger related issues;

Changes in asset quality and credit risk;

The inability to sustain revenue and earnings;

Changes in interest rates and capital markets;

36

Table of Contents

- Inflation;
- Customer acceptance of Summit products and services;
- Customer borrowing, repayment, investment and deposit practices;
- Customer disintermediation;
- The introduction, withdrawal, success and timing of business initiatives;
- Competitive conditions;
- The impact, extent and timing of technological changes;
- Changes in fiscal and monetary policies, including changes in tax laws, and their effects on markets and customers; and
- Changes in regulations and other actions of the Federal Reserve Board and federal and state banking regulators, and legislative and regulatory actions and reforms, including those associated with the Dodd-Frank Act and the Volcker Rule, and the new regulatory capital rules under Basel III.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this prospectus and proxy statement or the date of any document incorporated by reference in this prospectus and proxy statement.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this prospectus and proxy statement and attributable to Summit or First Century or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this prospectus and proxy statement. Except to the extent required by applicable law or regulation, Summit and First Century undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this prospectus and proxy statement or to reflect the occurrence of unanticipated events.

Table of Contents

THE FIRST CENTURY SPECIAL MEETING

This section contains information about the special meeting of First Century shareholders that has been called to consider and approve the merger agreement.

Together with this prospectus and proxy statement, First Century is also sending you a notice of the special meeting and a proxy card that is solicited by the First Century board of directors. The special meeting will be held on Tuesday, December 6, 2016, at 10:00 a.m., local time, at the First Century Bank Seminar Center, located at 525 Federal Street, Bluefield, West Virginia 24701.

Matters to Be Considered

At the First Century special meeting, you will be asked to consider and vote upon the following matters:

(1) a proposal to approve the merger agreement, which is the plan of merger, as may be amended from time to time, or the First Century merger proposal;

(2) a proposal to approve adjournment of the special meeting, on one or more occasions, if necessary or appropriate, to solicit additional proxies in favor of approval of the merger agreement, or the First Century adjournment proposal.

Other Business

We do not expect that any matter other than the First Century merger proposal and the First Century adjournment proposal will be brought before the First Century special meeting. If, however, any other matter shall be properly brought before the First Century special meeting, the shares represented by a valid proxy will be voted by the named proxies, to the extent entitled, in accordance with their best judgment.

Proxies

Each copy of this prospectus and proxy statement mailed to record holders of First Century common stock is accompanied by a proxy card with instructions for voting. The First Century board of directors requests that you submit your proxy promptly, whether or not you plan to attend the meeting. If you hold your shares of First Century common stock under your own name (also known as record ownership), you can vote your shares in one of the following manners:

- By proxy via mail by signing and returning the enclosed proxy card in the postage-paid envelope; or

- By attending the meeting and voting your shares in person.

Any vote by proxy card may be revoked by you at any time before the meeting by giving written notice of such revocation to the corporate secretary or executing another proxy as of a date subsequent to the prior proxy card. If you are a shareholder of record or have a legal proxy from a shareholder of record, you may also revoke your proxy by voting in person at the special meeting.

If you hold your shares in street name through a bank, broker, nominee or other holder of record, you will receive a voting instruction form directly from them. Follow the instructions on the form they provide to have your shares voted by proxy. If you wish to attend the meeting and vote in person, you must obtain a written proxy, executed in your favor, from the bank, broker, nominee or other holder of record to do so.

All shares represented by valid proxies that First Century receives through this solicitation and that are not revoked will be voted in accordance with your instructions on the proxy card, or with respect to shares beneficially held in street name, in accordance with the voting instructions received from the appropriate bank, broker, nominee or other holder of record. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted FOR each of the proposals described above.

Table of Contents

First Century shareholders with shares represented by stock certificates should not send First Century stock certificates with their proxy cards. Prior to the effective time, holders of First Century common stock with shares represented by stock certificates or held in book-entry form will be mailed an election form with instructions on how to exchange their First Century stock certificates or book-entry shares for the merger consideration.

Solicitation of Proxies

First Century will bear the entire cost of soliciting proxies from its shareholders. In addition to solicitation of proxies by mail, proxies may also be solicited by First Century s directors and employees personally and by telephone, facsimile, or other means. No additional compensation will be paid to these individuals for proxy solicitation nor is it expected to result in more than a minimal cost. First Century may make arrangements directly with banks, brokerage houses, custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of First Century common stock held of record by them and to obtain authorization for the execution of proxies. First Century expects to reimburse these institutional holders for their reasonable expenses in connection with these activities.

Record Date

The close of business on October 14, 2016 has been fixed as the record date for determining the First Century shareholders entitled to receive notice of and to vote at the special meeting. At that time, 1,903,120 shares of First Century common stock were outstanding and entitled to vote at the special meeting, held by approximately 345 holders of record.

Quorum and Voting Rights

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of First Century common stock entitled to vote is necessary to constitute a quorum at the special meeting. Abstentions and broker non-votes will be counted for the purpose of determining whether a quorum is present. If a quorum exists, the approval of the First Century merger proposal and the First Century adjournment proposal requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the First Century special meeting.

As of the record date, directors and executive officers of First Century had the right to vote 567,304 shares of First Century common stock, or approximately 29.81% of the outstanding First Century common stock entitled to be voted at the special meeting. Each of these individuals has agreed to vote their shares of First Century common stock in favor of the proposals to be presented at the special meeting in accordance with a voting agreement executed by each such individual.

If you are a holder of First Century common stock and you submit a proxy in which you abstain from voting, the abstention will be counted toward a quorum at the First Century special meeting, but it will have the same effect as a vote against approval of the First Century merger proposal. An abstention will have the same effect as a vote against the First Century adjournment proposal.

Brokers, banks, nominees and other holders of record holding shares of First Century common stock in street name may only vote your shares of First Century common stock on the First Century merger proposal and the First Century adjournment proposal if you provide instructions on how to vote. If you do not provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank, nominee or other holder of record, your shares will not be voted on any proposal with respect to which you did not provide instructions. Broker non-votes will have the same effect as a vote against approval of the First Century merger proposal, and will have no effect on the First Century adjournment proposal.

Table of Contents

Voting Agreement Executed by Directors of First Century and First Century Bank and an Officer of First Century Bank

Concurrently with execution of the merger agreement, each of the directors of First Century and First Century Bank, in their capacities as shareholders of First Century, and First Century Bank s Chief Financial Officer entered into a voting agreement, a form of which is included as an exhibit to Appendix A attached to this prospectus and proxy statement, with Summit, under which such individuals agreed to vote their shares of First Century common stock in favor of the merger agreement and the merger at the First Century special meeting.

Attending the Special Meeting

All holders of First Century common stock, including holders of record and shareholders who beneficially hold their stock through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Shareholders of record on the record date can vote in person at the special meeting. If you beneficially hold your shares in street name, you must obtain a written proxy executed in your favor from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must either hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership.

PROPOSALS TO BE CONSIDERED AT THE FIRST CENTURY SPECIAL MEETING

PROPOSAL NO. 1

APPROVAL OF THE MERGER AGREEMENT

First Century is asking its shareholders to approve the merger agreement. For a detailed discussion of the merger, including the terms and conditions of the merger agreement, see The Merger Agreement beginning on page 73. As discussed in detail in the sections entitled The Merger First Century s Reasons for the Merger; Recommendation of the First Century Board of Directors beginning on page 46, after careful consideration, the First Century board of directors determined that the terms of the merger agreement and the transactions contemplated thereby are in the best interests of First Century and the board unanimously approved the merger agreement. Accordingly, First Century s board of directors unanimously recommends that First Century shareholders vote FOR the First Century merger proposal.

Required Vote

Approval of the First Century merger proposal requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the First Century special meeting at which a quorum is present. You are entitled to one vote for each share of First Century common stock you held as of the record date.

Because the affirmative vote of the holders of a majority of the outstanding voting stock entitled to be cast on the matter, assuming a quorum is present at the special meeting, is needed in order to proceed with the merger, an abstention will have the effect of a vote against approval of the merger agreement. **The First Century board of directors urges First Century shareholders to promptly vote by completing, dating and signing the accompanying proxy card and returning it promptly in the enclosed postage-paid envelope, or, if you hold your stock in street name through a bank, broker, nominee or other holder of record, by following the voting instructions of your bank, broker, nominee or other holder of record.** If you hold stock in your name as a shareholder of record, you may complete, sign, date and mail your proxy card in the enclosed postage paid return envelope or vote in person at the First Century special meeting. If you hold your stock in street name through a bank, broker, nominee or other holder of record, you must direct your bank or broker to vote in accordance with the instruction form forwarded to you by your bank or broker. This voting instruction form provides instructions on voting by mail.

Recommendation of the First Century Board of Directors

The First Century board of directors recommends that you vote FOR approval of the First Century merger proposal. See The Merger First Century s Reasons for the Merger; Recommendation of the First Century Board of Directors on page 46 for a more detailed discussion of the First Century board of directors recommendation.

Table of Contents

PROPOSAL NO. 2

APPROVAL GRANTING THE BOARD OF DIRECTORS AUTHORITY TO ADJOURN THE FIRST CENTURY SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO PERMIT FURTHER SOLICITATION OF PROXIES

If at the First Century special meeting the number of shares of common stock present in person or represented by proxy and voting in favor of the First Century merger proposal is insufficient to approve such proposal, management may move to adjourn the special meeting on one or more occasions in order to enable the board of directors to continue to solicit additional proxies in favor of such proposal; however, the special meeting may not be adjourned, postponed or continued to a date later than March 29, 2017. In that event, you will be asked to vote only upon the First Century adjournment proposal and will not be asked to vote on the First Century merger proposal at the special meeting.

In this proposal, First Century is asking the First Century shareholders to authorize the holder of any proxy solicited by its board of directors to grant to the First Century board of directors the authority to adjourn the special meeting and any later adjournments. If the First Century shareholders approve this proposal, First Century could adjourn the special meeting, and any adjourned session of the special meeting on one or more occasions, to use the additional time to solicit proxies in favor of the First Century merger proposal, including the solicitation of proxies from the shareholders that have previously voted against such proposal. Among other effects, approval of this proposal could mean that, even if proxies representing a sufficient number of votes against the approval of the First Century merger proposal have been received, First Century could adjourn the special meeting without a further shareholder vote on such proposal and seek to convince the holders of those shares to change their votes to vote in favor of such proposal.

Generally, if the special meeting is adjourned, no notice of the adjourned meeting is required to be given to shareholders, other than an announcement at the First Century special meeting of the place, date and time to which the meeting is adjourned.

Required Vote

Approval of the First Century adjournment proposal requires the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the First Century special meeting. An abstention will have the same effect as a vote against the First Century adjournment proposal.

Recommendation of the First Century Board of Directors

The First Century board of directors believes that if the number of shares of its common shares present in person or represented by proxy at the First Century special meeting and voting in favor of the approval of the merger agreement is insufficient to approve such proposal, it is in the best interests of the First Century shareholders to enable the board of directors, for a limited period of time, to continue to seek to obtain a sufficient number of additional votes to approve such proposal. The First Century board of directors unanimously recommends that shareholders vote FOR the approval of the First Century adjournment proposal.

Table of Contents

THE MERGER

The following summary describes certain aspects of the merger, including all the terms of the merger agreement that the respective managements of First Century and Summit believe are material. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. The merger agreement is attached to this prospectus and proxy statement as Appendix A and is incorporated by reference in this prospectus and proxy statement. You are urged to read the merger agreement carefully and in its entirety, as it is the legal document governing the merger.

Background and Negotiation of the Merger

As part of its ongoing consideration and evaluation of its long-term prospects and strategies, First Century s board of directors and executive management have regularly reviewed and assessed their respective business strategies and objectives, including strategic opportunities and challenges, and have considered various strategic options potentially available to First Century. The goals of these discussions were exploring avenues to maintain above average growth, increase profitability and enhance long-term value for First Century shareholders.

In the fall of 2014, as part of its strategic planning process, the First Century board of directors unanimously decided to create a Strategic Alternatives Subcommittee of its Executive Committee, or the subcommittee, to analyze the various strategic alternatives then available to First Century. Board members Richard Chambers, Frank Wilkinson and Mike Shott were appointed to the subcommittee with First Century Bank s Chief Financial Officer, Ronnie Hypes, assisting as necessary.

The subcommittee s first objective was to identify and hire an investment banking firm to assist with the analysis. The subcommittee met with First Century s legal counsel, Bowles Rice LLP, or Bowles Rice, to gain a better understanding of its role and the board s role in the process of evaluating First Century s strategic alternatives. The primary focus of the subcommittee and any investment banking firm engaged by the board of directors was to analyze the impact on shareholder value for each of the alternatives to be considered by the board of directors.

The subcommittee sent requests for proposals to four investment banking firms, requesting that respondents include feedback with respect to their ability to assist First Century in evaluating the following alternatives: (i) remaining independent and growing organically; (ii) acquiring other banking institutions or pursuing a merger-of-equals transaction; and (iii) pursuing a sale or merger of First Century into another banking institution.

Following the subcommittee s review of the proposals submitted by the investment banking firms and interviews with representatives of the various candidates, the subcommittee recommended to the executive committee and the full board of directors that First Century engage Sandler O Neill & Partners, L.P., or Sandler O Neill, in the spring of 2015.

First Century s strategic plan was due to expire in December 2015 and the First Century board of directors unanimously determined that any process to update that plan should be considered in connection with Sandler O Neill s work.

On April 14, 2015, the board of directors authorized First Century to engage Sandler O Neill to assist in evaluating its strategic alternatives.

Sandler O Neill reported to the subcommittee throughout mid-2015 and to the board of directors at its meeting on July 21, 2015. Sandler O Neill s analysis indicated that First Century was an outlier among its peers with respect to its lower loan-to-deposit ratio. Banks with a loan-to-deposit ratio below 70% were having difficulty maintaining their interest margins. The current low interest rate environment that has persisted for the past decade was also negatively affecting First Century s performance.

Sander O Neill modelled a scenario for a stand-alone case where First Century would remain independent and attempt to grow organically. Sandler O Neill also provided an overview for strategic growth through acquisitions. Anticipated challenges in implementing this strategy arose out of First Century s presence in a region with low and no-growth markets, which impacted potential acquisition targets along with First Century, and related to the current trading value of First Century s common stock compared to its tangible book value, which would make First Century stock difficult to use as currency in an acquisition.

Sandler O Neill reviewed 12 potential acquisition targets with the board of directors and presented branch maps with layover duplications for cost savings. However, combinations of First Century with any of the potential targets resulted in the combined company having a loan-to-deposit ratio lower than desired by the board of directors.

With respect to a potential merger-of-equals alternative, Sandler O Neill presented a list of merger partners. That list was further narrowed down to two banks operating in similar markets to First Century. Sandler O Neill shared pro forma financial performance of the combined entities and members of the board of directors discussed the cultural issues that could arise out of merging the companies cultures. The board of directors determined that the cultural issues with each of the two potential partners would likely be insurmountable in negotiating and closing a deal.

Sandler O Neill then reviewed the third alternative, a possible sale of First Century, discussing precedent transactions, prices paid in precedent transactions and comparing target companies values to First Century s potential value. Sample sets of reviewed transactions included transactions focused in the southeastern United States and nationwide. Sandler O Neill also discussed valuation ranges for banks with loan-to-deposit ratios of less than 70% and in those scenarios, the multiples of purchase price to tangible book value and book value were lower.

Following the presentation, the board of directors authorized Sandler O Neill to reach out to a list of 18 potential partners to determine if those parties were interested in beginning discussions to acquire First Century. Bowles Rice worked with Sandler O Neill to prepare a form non-disclosure agreement for each interested party to sign. Sandler O Neill provided each party that signed a non-disclosure agreement with access to a data room to review current information concerning First Century.

Seven interested parties signed non-disclosure agreements and reviewed the materials prepared by Sandler O Neill. Following their review of the dataroom, two interested parties, Company A and Summit, submitted non-binding indications of interest to Sandler O Neill.

On October 21, 2015, following the unanimous approval of the board of directors, First Century engaged Sandler O Neill to assist it in the sales discussions and to render a fairness opinion in any transaction that arose out of such discussions.

After reviewing the non-binding indications of interest from Company A and from Summit in October 2015, and following consultation with Sandler O Neill and Bowles Rice, the board of directors unanimously voted to execute the non-binding indication of interest submitted by Company A, which contained an exclusivity clause. First Century executed a non-binding indication of interest with Company A on October 27, 2015. First Century executed an updated non-binding indication of interest, which included greater detail with respect to the proposed merger consideration, with Company A on November 24, 2015. After conducting its due diligence, in mid-December 2015, Company A notified Sandler O Neill that it had elected not to proceed with an acquisition of First Century.

The First Century board of directors reconvened in January 2016 with representatives from Sandler O Neill and Bowles Rice to discuss First Century s options. Following a robust discussion, the board of directors unanimously agreed to direct Mr. Wilkinson to approach H. Charles Maddy, III, President & CEO of Summit, to determine whether

Summit was interested in pursuing a transaction with First Century along the lines of its indication of interest from the fall of 2015.

Table of Contents

In early February 2016, Mr. Wilkinson and Mr. Maddy discussed Summit s interest in pursuing a transaction consistent with its earlier proposal.

Following Summit s submission of an updated, but substantially similar, indication of interest on February 9, 2016, the board of directors unanimously voted to enter into the indication of interest with Summit on February 10, 2016, agreeing to be bound by a customary exclusivity provision.

On February 10, 2016, Mr. Wilkinson executed the indication of interest with Summit on behalf of First Century and Summit began its next round of due diligence on First Century.

During the next several weeks, Summit s team pursued its due diligence investigation and requested additional documentation that was supplied by First Century.

The First Century board of directors charged the subcommittee with reviewing and negotiating the definitive merger documents in consultation with First Century s senior management and legal counsel.

On March 29, 2016, at the request of Summit, Mr. Wilkinson executed a letter extending the exclusivity period until May 31, 2016 to permit the parties to continue their discussions.

On May 5, 2016, representatives of Sandler O Neill visited Moorefield, WV for meetings with certain members of Summit s management team and for the purposes of pursuing a due diligence review of Summit.

On May 8, 2016, Hunton & Williams LLP, or Hunton & Williams, counsel to Summit, provided an initial draft of the merger agreement to Bowles Rice. Bowles Rice reviewed the draft merger agreement with both First Century management and representatives of Sandler O Neill and, following feedback from the subcommittee, on May 16, 2016, provided comments on the draft merger agreement to Hunton & Williams.

On May 16, 2016, Hunton & Williams provided an initial draft of a support agreement and voting agreement to Bowles Rice. The voting agreement provided, among other things, for each director of First Century and First Century Bank to vote his or her shares of First Century common stock in favor of the merger at any meeting of the First Century shareholders held to consider and vote on the merger. The support agreement obligated each director of First Century and First Century Bank to refrain from soliciting First Century customers or competing against the combined company after the consummation of the proposed transaction for a defined period of time.

Throughout this process, the subcommittee worked actively with management and representatives of Sandler O Neill and Bowles Rice to review and analyze the various revised drafts of the definitive merger agreement. The subcommittee and Mr. Hypes participated in teleconferences with representatives of Sandler O Neill and Bowles Rice on May 16, 2016 and May 25, 2016, respectively.

On May 23, 2016, a meeting of the board of directors of First Century and the board of directors of First Century Bank was held to discuss and review the terms of the voting agreement and the support agreement that the members of each board would be required to sign in connection with the execution of the merger agreement. Bowles Rice provided comments on the form support agreement and voting agreement to Hunton & Williams on May 23, 2016.

From May 16 through May 31, 2016, First Century, Summit and their respective financial and legal advisors continued to negotiate the terms of the definitive merger agreement and related documents. In addition, First Century and Summit and their respective financial and legal advisors continued to discuss various matters related to the proposed combination of Summit and First Century.

Also on May 26, 2016, following a final discussion between Sandler O Neill and Summit regarding the financial terms of the proposed transaction, including the determination of the exchange rate for converting shares of First Century common stock into shares of Summit common stock, the subcommittee and Mr. Hypes participated in a teleconference with representatives of Sandler O Neill and Bowles Rice to review the final terms of the proposed merger and the most recent version of the merger agreement. Following these discussions, the subcommittee voted unanimously to recommend the merger and the merger agreement to the board of directors.

On May 26, 2016, the Summit board of directors approved the merger.

On June 1, 2016, the First Century board of directors held a special meeting to review the proposed terms of the merger agreement, including the merger consideration and the various related agreements contemplated by the merger agreement, and the transactions contemplated by the merger agreement, including the merger. The First Century board of directors received presentations regarding the proposed merger from Sandler O Neill and Bowles Rice. Sandler O Neill also briefed the board of directors on the results of its due diligence review conducted on Summit. Representatives of Bowles Rice updated the board of directors on the negotiations with Summit regarding the merger agreement and further advised the First Century board of directors on its legal duties. Representatives of Sandler O Neill and Bowles Rice responded to questions from the directors. At this meeting, Sandler O Neill reviewed the financial aspects of the proposed merger and rendered its opinion to the board of directors to the effect that, as of that date and subject to the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O Neill, as set forth in such opinion, the merger consideration was fair, from a financial point of view, to the holders of First Century common stock. See Opinion of First Century s Financial Advisor on page 51, for more information.

After careful and deliberate consideration of the presentations by First Century s financial advisor and legal counsel as well as consideration of the factors described under First Century s Reasons for the Merger; Recommendation of the First Century s Board of Directors on page 46 and the interests of First Century shareholders, customers, employees and the communities served by First Century, the First Century board of directors unanimously (i) approved the merger agreement and the related documents, with Mr. Wilkinson abstaining to the extent that his potential employment arrangement with Summit Community Bank following the merger gave rise to a conflicting interest transaction under West Virginia law, (ii) approved the submission of the merger agreement to First Century s shareholders and (iii) recommended that First Century s shareholders approve the merger.

Following the special meeting of the First Century board of directors on June 1, 2016, the merger agreement and related documents were executed and the parties issued a press release announcing the proposed merger on the evening of June 1, 2016.

First Century s Reasons for the Merger; Recommendation of the First Century Board of Directors

The First Century board of directors believes that the merger is in the best interest of First Century and its shareholders. Accordingly, the First Century board of directors has unanimously approved the merger and the merger agreement and unanimously recommends that First Century shareholders vote **FOR** approval of the merger agreement.

In reaching its decision to approve the merger and the merger agreement and to recommend the approval of the merger agreement to First Century shareholders, the First Century board of directors evaluated the merger and the merger agreement in consultation with executive management, Sandler O Neill, its financial advisor, and Bowles Rice, its legal counsel. The First Century board of directors carefully considered the terms of the merger agreement and the value of the merger consideration to be received by First Century shareholders and ultimately determined that it was in the best interest of First Century and its shareholders for First Century to enter into the merger agreement with Summit. The First Century board of directors believes that partnering with Summit will maximize the long-term value of its shareholders investment in First Century, and that the merger will provide the combined company with additional resources necessary to compete more effectively in southern West Virginia and southwestern Virginia. In addition, the First Century board of directors believes that the customers and communities served by First Century will benefit from the combined company s enhanced abilities to meet their banking needs.

In reaching its unanimous decision to approve the merger and the merger agreement and to recommend that First Century shareholders vote **FOR** approval of the merger agreement, the First Century board of directors considered many factors, including, without limitation, the following:

The extensive review undertaken by the Strategic Alternatives Subcommittee of the Executive Committee and the First Century board of directors, with the assistance of First Century s financial and legal advisors, with respect to the strategic alternatives available to First Century;

The consideration being offered to First Century shareholders in relation to the book value per share, tangible book value per share, earnings per share and projected earnings per share of First Century;

The results that could be expected to be obtained by First Century if it continued to operate independently and the potential future value of First Century common stock compared to the value of the merger consideration offered by Summit;

The implied value of the merger consideration offered by Summit and the uncertainty whether or when the First Century common stock would attain a value equal to implied value of the merger consideration;

The impact on First Century s continuing operations and marketability as a potential acquisition target of the Defined Benefit Plan and the costs of terminating such plan;

The limited prospects for First Century to grow its franchise through acquisitions given First Century s relatively small size, corporate structure and lack of liquidity in First Century common stock;

Its understanding of the current and prospective environment in which First Century operates, including national, regional and local economic conditions, the interest rate environment, the competitive and regulatory environments for financial institutions generally, the increased regulatory burdens on financial institutions, the uncertainties of the regulatory environment in the future and the likely effect of these factors on First Century both with and without the merger;

The expected future receipt by First Century shareholders of dividends after completion of the merger as Summit shareholders, based on Summit s current and forecasted dividend yield;

The feasibility and prospects of First Century continuing to operate independently, including First Century s ability to compete with much larger regionally-based banks, the potential need to eventually raise additional capital that could be dilutive to existing First Century shareholders and the potential future trading value of First Century common stock compared to the implied value of the merger consideration offered by Summit;

The anticipated future earnings growth of First Century compared to the potential future earnings growth of Summit and the combined entity;

The common stock consideration offered by Summit, including the opportunity for First Century shareholders to receive shares of Summit common stock on a tax-free basis for their shares of First Century common stock;

The market capitalization and trading liquidity of Summit common stock in the event First Century shareholders desired to sell the shares of Summit common stock to be received by them upon completion of the merger;

The solicitation process undertaken by First Century with Sandler O Neill s assistance;

Table of Contents

The addition of one of First Century s directors to the Summit board of directors;

The complementary geographic locations of the First Century and Summit branch networks;

Summit s significantly greater asset size and capital level compared to First Century;

The absence of any trading market for First Century common stock;

The cash/stock election provisions in the merger agreement providing First Century shareholders with an ability to choose the form of consideration that they wish to receive, subject to the overall approximately 65% stock/35% cash allotment;

The fact that 65% of the merger consideration would be in the form of Summit common stock based upon a fixed exchange ratio, which will permit First Century shareholders who receive Summit common stock in the merger with the ability to participate in the future performance of the combined company or, for those First Century shareholders who receive cash, to participate in a liquidity event;

The financial presentation, dated June 1, 2016, of Sandler O Neill to the First Century board of directors and the opinion, dated June 1, 2016, of Sandler O Neill to the First Century board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to the holders of First Century common stock of the merger consideration as more fully described below under Opinion of First Century s Financial Advisor ;

The analyses presented by Bowles Rice, First Century s legal counsel, as to the structure of the merger, including the condition that the merger must qualify as a transaction that will permit First Century shareholders to receive Summit shares in exchange for their First Century shares on a tax-free basis for federal income tax purposes, the merger agreement, duties of the First Century board of directors under applicable law, and the process that First Century (including its board of directors) employed in considering all potential strategic transactions including the merger with Summit;

The scale, scope, strength and diversity of operations, product lines and delivery systems that could be achieved by combining First Century with Summit;

The additional products offered by Summit to its customers, the ability of the combined company to provide comprehensive financial services to its customers, and the potential for operating synergies and cross-marketing of products and services across the combined company;

The potential value of an expansion of the Summit branch network adding First Century branch locations to Summit s existing branch network in Virginia and West Virginia;

The earnings prospects of the combined company after completion of the merger;

The shared community banking philosophies of First Century and Summit, and each entity s commitment to community service and support of community-based non-profit organizations and causes;

The report of Sandler O Neill to the First Century board of directors concerning the operations, financial condition and prospects of Summit and the expected financial impact of the merger on the combined company, including pro forma assets, earnings, deposits and capital ratios;

The likelihood of successful integration and operation of the combined company;

The likelihood of obtaining the regulatory approvals needed to complete the transaction;

The potential cost-saving opportunities resulting from the merger; and

The effects of the merger on First Century employees, including the prospects for continued employment and the severance and other benefits agreed to be provided to First Century employees.

Table of Contents

The First Century board of directors also considered a number of potential risks and uncertainties associated with the merger in connection with its deliberation of the proposed transaction, including, without limitation, the following:

- The challenges of integrating First Century s businesses, operations and employees with those of Summit;
- The need to obtain approval by shareholders of First Century, as well as regulatory approvals in order to complete the transaction;
- The risks associated with the operations of the combined company, including the ability to achieve the anticipated cost savings;
- The risk associated with the requirement that First Century maintain a mutually agreed value of shareholders equity through the earlier of the effective time of the merger or December 31, 2016;
- The fact that First Century directors and executive officers have interests in the merger that are different from, or in addition to, those of other First Century shareholders, as more fully discussed under Interests of Certain First Century Directors and Executive Officers in the Merger on page 69; and
- The risks associated with entry into the merger agreement and conduct of First Century s business before the merger is completed, and the impact that provisions of the merger agreement relating to reimbursement of expenses and payment of a termination fee by First Century may have on First Century receiving superior acquisition offers.

The First Century board of directors also considered the structural protections included in the merger agreement, such as the ability of First Century to terminate the merger agreement if, without limitation:

- Summit breaches the representation that, since December 31, 2015, no event has occurred or circumstance arisen that is reasonably likely to have a material adverse effect with respect to Summit, which breach cannot be or has not been cured within 30 days after written notice of the breach to Summit;
- The average closing price of Summit common stock declines by more than 15% from $17.30, and Summit common stock underperforms the NASDAQ Bank Index (IBIX) by more than 15%, all as calculated pursuant to the merger agreement, unless Summit agrees to increase the number of shares of Summit common stock to be issued to holders of First Century common stock;
- Summit materially breaches any of its covenants or agreements under the merger agreement, which material breach cannot be or has not been cured within 30 days after written notice of the breach to Summit; or

Any required approval of any government authority is denied by final nonappealable action of such government authority, or the shareholders of Summit or First Century do not approve the merger at the First Century special meeting.

The First Century board of directors also noted that it could terminate the merger agreement in order to concurrently enter into an agreement with respect to an unsolicited acquisition proposal that was received and considered by First Century in compliance with the nonsolicitation provisions of the merger agreement and that would, if consummated, result in a transaction that is more favorable to First Century shareholders than the merger. This termination right is conditioned on First Century providing notice of the unsolicited acquisition proposal to Summit, Summit not making a revised offer to First Century that is at least as favorable as the unsolicited acquisition proposal and First Century paying a $1,300,000 break-up fee to Summit. The amount of this potential fee was negotiated at arm s-length and was deemed by the First Century board of directors to be reasonable based upon the break-up fees paid in comparable transactions and the fact that multiple institutions had already been given an opportunity to bid prior to the merger agreement being approved. As of the date of this prospectus and proxy statement, no unsolicited acquisition proposals have been received. See The Merger Agreement Acquisition Proposals on page 81 for more information.

Table of Contents

The First Century board also discussed its right to require Summit to pay the total amount paid by First Century to any persons in connection with the termination of the Defined Benefit Plan, but excluding any insurance cost and the costs of annuities incurred by First Century with respect to the termination of the Defined Benefit Plan if (i) First Century terminates the merger agreement as a result of the failure to consummate the merger by March 31, 2017, (ii) First Century terminates the merger agreement as a result of Summit s material breach of the representations and warranties in the merger agreement following notice and an opportunity for cure or (iii) First Century terminates the merger agreement because Summit experienced a material adverse effect.

The foregoing discussion of the information and factors considered by the First Century board of directors is not intended to be exhaustive, but includes the material factors considered by the board of directors. In view of the wide variety and complexity of factors considered in connection with its evaluation of the merger, the First Century board of directors did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching its determination and recommendation. In addition, individual directors may have given different weights to different factors. The First Century board of directors did not undertake to make any specific determination as to whether any factor, or any particular aspect of any factor, supported or did not support its ultimate determination. The First Century board of directors based its recommendation on the totality of the information presented.

The First Century board of directors unanimously recommends that you vote FOR the proposal to approve the merger agreement, which is the plan of merger. In considering the recommendation of the First Century board of directors with respect to the proposal to approve the merger agreement and plan of merger, First Century shareholders should be aware that First Century s directors and executive officers have interests in the merger that are different from, or in addition to, those of other First Century shareholders. The board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that the merger agreement and plan of merger be adopted by the shareholders of First Century. See The Merger Interests of Certain First Century Directors and Executive Officers in the Merger on page 69.

This summary of the reasoning of First Century s board of directors and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Cautionary Statement Regarding Forward-Looking Statements on page 36.

Summit s Reasons for the Merger

In reaching its decision to adopt and approve the merger agreement, the merger, the issuance of Summit common stock in connection with the merger and the other transactions contemplated by the merger agreement, the Summit board of directors consulted with Summit management, as well as its legal advisors, and considered a number of factors, including the following material factors:

- Summit s, First Century s and the combined entity s business, operations, financial condition, risk profile, asset quality, earnings and prospects. In reviewing these factors, the Summit board of directors considered its view that First Century s business and operations complement those of Summit and that the merger would result in a combined company with a well-balanced loan portfolio and an attractive funding base;

- The fact that the core deposits made up the vast majority of First Century s deposit mix;

The fact that the merger will result in a combined entity with assets of approximately $2.10 billion and the regulatory and compliance consequences related to being an entity of that size in the financial services industry;

The potential of enhancing a regional banking franchise with additional scale and access to a broader base of middle market and small business prospects;

Table of Contents

First Century s familiarity with the southern West Virginia and southwestern Virginia markets;

Management s understanding of the current and prospective environment in which Summit and First Century operate, including national and local economic conditions, the competitive environment for financial institutions generally and the likely effect of these factors on Summit both with and without the proposed transaction;

Management s expectation regarding cost synergies, earnings accretion, tangible book value dilution and internal rate of return;

Management s due diligence examination of First Century;

Sensitivity of the proposed transaction s economic returns to a variety of factors, including changes to the amount of cost synergies, First Century s pro forma earnings, First Century s rates of growth and estimated mark-to-market of the associated loan portfolio;

The market for alternative merger or acquisition transactions in the banking industry and the likelihood and timing of other material strategic transactions;

The complementary nature of the cultures and product mix of the two companies, which management believes should facilitate integration and implementation of the transaction;

Management s expectation that the strong capital position maintained by each separate company prior to the completion of the merger will contribute to a strong capital position for the combined entity upon completion of the merger;

The financial and other terms of the merger agreement, including the fixed exchange ratio, tax treatment and mutual deal protection and termination fee provisions, which it reviewed with its outside legal advisors;

The potential risks associated with and management s recent experience in achieving anticipated cost synergies and savings and successfully integrating First Century s business, operations and workforce with those of Summit;

The nature and amount of payments to be received by First Century management in connection with the merger and the merger-related costs and restructuring charges that will be incurred in connection with the merger;

The commitment by certain First Century Bank executives to continue employment with Summit Community Bank after the bank merger;

The potential risk of diverting management attention and resources from the operation of Summit s business and towards the completion of the merger; and

The regulatory and other approvals required in connection with the merger.

The foregoing discussion of the information and factors considered by the Summit board of directors is not intended to be exhaustive, but includes the material factors considered by the Summit board of directors. In reaching its decision to approve the merger agreement, the merger, the issuance of Summit common stock to First Century shareholders in connection with the merger, and the other transactions contemplated by the merger agreement, the Summit board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. Summit board of directors considered all these factors as a whole, including discussions with, and questioning of, Summit management and Summit s legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

Opinion of First Century s Financial Advisor

By letter dated October 21, 2015, the First Century board of directors engaged Sandler O Neill to act as its financial advisor in connection with First Century s consideration of a possible business combination. Sandler

Table of Contents

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. The First Century board of directors selected Sandler O Neill to act as its financial advisor in connection with a possible merger of First Century based on Sandler O Neill s qualifications, expertise, reputation and experience in mergers and acquisitions involving community banks and its knowledge with respect to First Century.

Sandler O Neill acted as financial advisor to the First Century board of directors in connection with the proposed merger with Summit and participated in certain of the negotiations leading to the execution of the merger agreement. At the June 1, 2016 meeting of the First Century board of directors, Sandler O Neill delivered to the First Century board of directors its oral opinion, which was subsequently confirmed in writing, that, as of such date, the merger consideration was fair to the holders of First Century common stock from a financial point of view. **The full text of Sandler O Neill s opinion is attached hereto as Appendix B to this prospectus and proxy statement. 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 Sandler O Neill s opinion set forth below is qualified in its entirety by reference to the full text of the opinion. First Century s shareholders 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. The opinion was directed to First Century s board of directors in connection with its consideration of the merger and is directed only to the fairness, from a financial point of view, of the merger consideration to the holders of First Century common stock. Sandler O Neill s opinion does not constitute a recommendation to any holder of First Century common stock as to how such holder of First Century common stock should vote with respect to the merger or any other matter. It does not address the underlying business decision of First Century to engage in the merger or any other aspect of the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for First Century, or the effect of any other transaction in which First Century might engage. Sandler O Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the merger by any First Century or Summit officer, director, or employee, or class of such persons, if any, relative to the merger consideration to be received by any other shareholders. Sandler O Neill s opinion was approved by Sandler O Neill s fairness opinion committee.

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

- A draft of the merger agreement, dated June 1, 2016;
- certain publicly available financial statements and other historical financial information of First Century that Sandler O Neill deemed relevant;
- certain publicly available financial statements and other historical financial information of Summit that Sandler O Neill deemed relevant;

internal financial projections for First Century for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of First Century;

internal financial projections for Summit for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of Summit;

the pro forma financial impact of the merger on Summit based on certain assumptions relating to estimated transaction expenses, purchase accounting adjustments, the core deposit intangible asset and cost savings, as provided by the senior management of Summit;

the publicly reported historical price and trading activity for First Century common stock and Summit common stock, including a comparison of certain stock market information for First

Century common stock and Summit common stock and certain stock indices as well as publicly available information for certain other similar companies, the securities of which are publicly traded;

a comparison of certain financial information for First Century and Summit with similar institutions for which information is publicly available;

the financial terms of certain other recent business combinations in the commercial banking industry (on a regional and nationwide basis), to the extent publicly available;

the current market environment generally and the banking environment in particular; and

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 the senior management of First Century the business, financial condition, results of operations and prospects of First Century and held similar discussions with the senior management of Summit regarding the business, financial condition, results of operations and prospects of Summit, including a discussion of the assumptions on which such performance is based.

In performing its review, Sandler O Neill relied upon the accuracy and completeness of all of the financial and other information that was available to Sandler O Neill from public sources, that was provided to Sandler O Neill by First Century and Summit or their respective representatives or that was otherwise reviewed by Sandler O Neill and Sandler O Neill assumed such accuracy and completeness for purposes of rendering its fairness opinion without any independent verification or investigation. Sandler O Neill further relied on the assurances of the respective managements of First Century and Summit that they were not aware of any facts or circumstances that would have made any of such information inaccurate or misleading as of the date such information was provided. 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 First Century or Summit or any of their respective affiliates or subsidiaries, nor was Sandler O Neill furnished with any such evaluations or appraisals. Sandler O Neill rendered no opinion or evaluation on the collectability of any assets or the future performance of any loans of First Century or Summit or any of their respective affiliates or subsidiaries. Sandler O Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of First Century, Summit or the combined entity after the merger and Sandler O Neill did not review any individual credit files relating to First Century or Summit. Sandler O Neill assumed, with First Century s consent, that the respective allowances for loan losses for both First Century and Summit were adequate to cover such losses and that they would be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Sandler O Neill used internal financial projections for First Century for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of First Century, as well as internal financial projections for Summit for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of Summit. Sandler O Neill also received and used in its pro forma analyses certain assumptions relating to estimated transaction expenses, purchase accounting adjustments, the core deposit intangible asset and cost savings, as provided by the senior management of Summit. With respect to those projections, estimates and judgments, the respective managements of First Century and Summit confirmed to Sandler O Neill that those respective projections, estimates and judgments reflected the best currently available projections, estimates and judgments of those respective managements of the future financial performance of First Century and Summit, respectively, and Sandler O Neill assumed that such performance would be achieved. Sandler O Neill expressed no opinion as to such projections, estimates or judgments or the assumptions on which they were based. Sandler O Neill assumed that there were no material changes in the respective assets, financial condition, results of operations, business or prospects of First Century or Summit since the date of the most recent financial data made available to Sandler O Neill. Sandler O Neill also assumed in all respects material to its analysis that First Century and Summit would remain as going concerns for all periods relevant to Sandler O Neill s analyses.

Sandler O Neill also assumed, with First Century s consent, that (i) each of the parties to the merger agreement would comply in all material respects with all material terms of the merger agreement and all related agreements, that all of the representations and warranties contained in such agreements were true and correct in all material respects, that each of the parties to such agreements would perform in all material respects all of the covenants required to be performed by such party under the agreements and that the conditions precedent in such agreements were not and would not be waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on First Century, Summit or the merger or any related transaction, and (iii) the merger and any related transaction would be consummated in accordance with the terms of the merger agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements. Finally, with First Century s consent, Sandler O Neill relied upon the advice that First Century 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 merger agreement.

Sandler O Neill s analyses and the views expressed therein were necessarily based on financial, economic, regulatory, market and other conditions as in effect on, and the information made available to Sandler O Neill as of, the date of its fairness opinion. Events occurring after the date thereof could materially affect Sandler O Neill s views. Sandler O Neill has not undertaken to update, revise, reaffirm or withdraw its fairness opinion or otherwise comment upon events occurring after the date thereof. Sandler O Neill expressed no opinion as to the trading values of First Century common stock or Summit common stock at any time or what the value of Summit s common stock would be once it is actually received by the holders of First Century common stock.

In rendering its opinion, Sandler O Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O Neill, but is not a complete description of all the analyses underlying Sandler O Neill s fairness opinion or the presentation made by Sandler O Neill to the First Century board of directors. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** 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. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O Neill s comparative analyses described below is identical to First Century 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 the public trading values or merger transaction values, as the case may be, of First Century or Summit and the companies to which they are being compared. In arriving at its opinion, Sandler O Neill did not attribute any particular weight to any analysis or factor that it considered. Rather, Sandler O Neill made qualitative judgments as to the significance and relevance of each analysis and factor. 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 opinion; 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 its analyses taken as a whole.

In performing its analyses, Sandler O Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted

54

Table of Contents

and are beyond the control of First Century, Summit and Sandler O Neill. The analyses performed by Sandler O Neill are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O Neill prepared its analyses solely for purposes of rendering its fairness opinion and provided such analyses to First Century s board of directors at the meeting held on June 1, 2016. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. The analyses and fairness opinion of Sandler O Neill were among a number of factors taken into consideration by First Century s board of directors in making its determination to approve the merger agreement and the transactions contemplated by the merger agreement (including the merger) and the analyses described below should not be viewed as determinative of the decision of First Century s board of directors or management with respect to the fairness of the merger.

Summary of Proposed Merger Consideration and Implied Transaction Metrics. Sandler O Neill reviewed the financial terms of the proposed merger. Pursuant to the terms of the merger agreement, upon the effective time of the merger, each share of First Century common stock issued and outstanding as of the effective time will be converted into the right to receive, at the election of the holder thereof, either: (i) 1.2433 shares of Summit common stock, or the stock consideration, (ii) $22.50 in cash, or the cash consideration or, (iii) a combination of the cash consideration and the stock consideration, subject to the limitations set forth in the merger agreement, which provide generally that shareholder elections may be adjusted as necessary to result in an overall ratio of 35% of First Century s common stock being converted into the right to receive cash consideration and 65% of First Century s common stock being converted into the right to receive stock consideration. The stock consideration and cash consideration are contingent upon First Century meeting a minimum adjusted equity requirement of $40.891 million as of the closing of the merger subject to a 3.0% +/(-) collar. In accordance with the merger agreement, First Century s adjusted equity is calculated in accordance with GAAP, adjusted to exclude certain after-tax net unrealized gains or losses on available-for-sale securities, and including in the calculation, all transaction related charges, all IT contract termination and related charges and expenses related to the termination of First Century s Defined Benefit Plan. Should First Century s adjusted equity fall below the collar floor of $39.664 million, the purchase price will be reduced dollar-for-dollar, allocated between the cash consideration and the stock consideration proportionately in accordance with the limitations set forth in the agreement. Should First Century s adjusted equity exceed the collar ceiling of $42.118 million, equity in excess of the ceiling shall be distributed to First Century shareholders in the form of a special cash distribution prior to transaction close. Using Summit s trailing three-day average price as of May 25, 2016, or $18.10 per share, and based upon 1,903,120 shares of First Century common stock outstanding and no options or warrants outstanding, Sandler O Neill calculated an aggregate implied transaction value of approximately $42.8 million, or an implied price per share of $22.50. Based upon financial information for First Century as of or for the twelve month period ending March 31, 2016, Sandler O Neill calculated the following implied transaction metrics:

Transaction Multiples (GAAP Basis)

Transaction Value / Book Value per Share	93.3%
Transaction Value / Tangible Book Value	105.2%
Price / LTM Earnings per Share	16.7x
Price / Estimated 2016 Earnings per Share(1)	13.6x
Tangible Book Premium / Core Deposits(2)	1.1%
Market Premium as of May 26, 2016	16.0%

(1) Based on management projections as of June 1, 2016

(2) Core deposits are defined as total deposits less time deposits greater than $100,000.

Stock Trading History. Sandler O Neill reviewed the history of the publicly reported trading prices of First Century s common stock and Summit s common stock for the one year and three years periods ended May 26,

Table of Contents

2016, respectively. Sandler O Neill then compared the relationship between the movements in the price of First Century s and Summit s common stock, respectively, to movements in their respective peer groups (as described on pages 56 and 57) as well as certain stock indices.

First Century s One Year Stock Performance

	Beginning Index Value May 26, 2015	Ending Index Value May 26, 2016
First Century	100%	97.0%
First Century Peer Group	100%	110.8%
NASDAQ Bank Index	100%	104.7%
S&P 500 Index	100%	99.3%

First Century s Three Year Stock Performance

	Beginning Index Value May 26, 2013	Ending Index Value May 26, 2016
First Century	100%	128.9%
First Century Peer Group	100%	147.1%
NASDAQ Bank Index	100%	133.2%
S&P 500 Index	100%	126.7%

Summit s One Year Stock Performance

	Beginning Index Value May 26, 2015	Ending Index Value May 26, 2016
Summit	100%	152.0%
Summit Peer Group	100%	112.4%
NASDAQ Bank Index	100%	104.7%
S&P 500 Index	100%	99.3%

Summit s Three Year Stock Performance

	Beginning Index Value May 26,	Ending Index Value May 26,

	2013	2016
Summit	100%	224.0%
Summit Peer Group	100%	138.2%
NASDAQ Bank Index	100%	133.2%
S&P 500 Index	100%	126.7%

Comparable Company Analyses. Sandler O Neill used publicly available information to compare selected financial information for First Century with a group of financial institutions selected by Sandler O Neill. The First Century peer group consisted of publicly traded banks headquartered in West Virginia, Kentucky and Western Virginia with total assets of $300 million to $500 million, or the First Century peer group. The First Century peer group consisted of the following companies:

HomeTown Bankshares Corporation	Potomac Bancshares, Inc.
Boyle Bancorp, Inc.	First WV Bancorp, Inc.
Citizens First Corporation	HFB Financial Corporation
Highlands Bankshares, Inc.	Bank of Botetourt
Pinnacle Bankshares Corporation	Grayson Bankshares, Inc.

Table of Contents

The analysis compared publicly available financial information for First Century with the corresponding data for the First Century peer group as of or for the twelve months ended March 31, 2016 (unless otherwise noted), with pricing data as of May 26, 2016. The table below sets forth the data for First Century and the high, low, mean and median data for the First Century peer group.

		Comparable Group Analysis			
	First Century	FCBS Peer Group			
	Bankshares, Inc	High Result	Low Result	Mean Result	Median Result
Total Assets (in millions)	$ 410	$ 493	$ 332	$ 389	$ 368
Gross Loans/Deposits	65.5%	95.5%	33.8%	84.3%	91.4%
Tangible Common Equity/Tangible Assets	9.7%	12.2%	6.7%	9.6%	9.4%
Tier I Leverage Ratio	11.0%	12.8%	8.9%	10.3%	9.9%
Total Risk Based Capital Ratio	19.7%	23.2%	12.2%	15.4%	13.5%
LTM Return on Average Assets	0.6%	1.1%	0.3%	0.7%	0.8%
LTM Return on Average Equity	5.6%	9.6%	3.4%	7.2%	7.7%
LTM Net Interest Margin	3.4%	4.4%	2.8%	3.7%	3.7%
LTM Efficiency Ratio	76.5%	87.7%	68.7%	75.4%	73.9%
Loan Loss Reserve/Gross Loans	1.5%	1.8%	0.9%	1.2%	1.2%
Nonperforming Assets/Total Assets(1)	2.9%	3.2%	0.7%	2.0%	2.1%
Price/Tangible Book Value	93.6%	101.2%	74.3%	88.0%	88.1%
Price/LTM Earnings Per Share	14.4x	22.8x	9.6x	13.3x	12.0x
Market Capitalization (in millions)	$ 37	$ 56	$ 23	$ 33	$ 31

(1) Nonperforming assets defined as the total of nonaccrual loans, restructured loans and OREO.

Sandler O Neill used publicly available information to perform a similar analysis for Summit and a group of financial institutions, as selected by Sandler O Neill. The Summit peer group consisted of major exchange traded banks headquartered in the Southeast with total assets of $1.0 billion to $3.0 billion, or the Summit peer group. The Summit peer group consisted of the following companies:

Capital City Bank Group, Inc.	Middleburg Financial Corporation
HomeTrust Bancshares, Inc.	Eastern Virginia Bankshares, Inc.
Atlantic Capital Bancshares, Inc.	Live Oak Bancshares, Inc.
First Community Bancshares, Inc.	First Bancshares, Inc.
Stonegate Bank	Southern First Bancshares, Inc.
Franklin Financial Network, Inc.	Access National Corporation
Hampton Roads Bankshares, Inc.	National Bankshares, Inc.
Bear State Financial, Inc.	Colony Bankcorp, Inc.
WashingtonFirst Bankshares, Inc.	Community Bankers Trust Corporation
National Commerce Corporation	Southern National Bancorp of Virginia, Inc.
American National Bankshares Inc.	Peoples Bancorp of North Carolina, Inc.
Premier Financial Bancorp, Inc.	SmartFinancial, Inc.

Carolina Financial Corporation	Citizens Holding Company
C&F Financial Corporation	

Table of Contents

The analysis compared publicly available financial information for Summit with the corresponding data for the Summit peer group as of or for the twelve months ended March 31, 2016 (unless otherwise noted), with pricing data as of May 26, 2016. The table below sets forth the data for Summit and the high, low, mean and median data for the Summit peer group.

		Comparable Group Analysis SMMF Peer Group			
	Summit Financial Group, Inc.	High Result	Low Result	Mean Result	Median Result
Total Assets (in millions)	$ 1,509	$ 2,792	$ 1,002	$ 1,638	$ 1,405
Gross Loans/Deposits	101.2%	103.6%	30.9%	82.2%	86.0%
Tangible Common Equity/Tangible Assets	9.2%	16.1%	6.1%	9.6%	9.3%
Tier I Leverage Ratio	10.7%	17.1%	7.7%	10.5%	10.0%
Total Risk Based Capital Ratio	14.5%	26.4%	11.4%	15.1%	14.9%
LTM Return on Average Assets	1.1%	1.7%	NM	0.8%	0.9%
LTM Return on Average Equity	11.2%	15.0%	NM	7.3%	8.3%
LTM Net Interest Margin	3.5%	6.4%	3.1%	3.8%	3.7%
LTM Efficiency Ratio	54.0%	90.5%	47.6%	67.2%	68.3%
Loan Loss Reserve/Gross Loans	1.0%	3.8%	0.6%	1.2%	1.2%
Nonperforming Assets/Total Assets(1)	2.7%	3.5%	0.0%	1.3%	1.2%
Price/Tangible Book Value	140.3%	266.1%	98.4%	144.0%	133.3%
Price/LTM Earnings Per Share	12.0x	45.0x	10.0x	18.8x	15.3x
Market Capitalization (in millions)	$ 191	$ 544	$ 82	$ 229	$ 223

(1) Nonperforming assets defined as the total of nonaccrual loans, restructured loans and OREO.

Analysis of Selected Merger Transactions. Sandler O Neill reviewed two groups of recent merger and acquisition transactions. The first group included merger transactions announced from January 1, 2015 through June 1, 2016 involving United States-based banks with target total assets between $100 million and $500 million, in which the target s NPAs/assets were less than 5.0% and in which the target s Loans/Deposits were less than 70.0%, or the nationwide transaction group.

Table of Contents

The nationwide transaction group was composed of the following transactions:

Acquirer / Target		
First Interstate BancSystem, Inc.	/	Flathead Bank of Bigfork, Montana
Fentura Financial, Inc.	/	Community Bancorp, Inc.
Summit Financial Group, Inc.	/	Highland County Bankshares, Inc.
County Bank Corp	/	Capac Bancorp, Inc.
State Bank Corp.	/	Country Bank
Robertson Holding Company, L.P.	/	National Bank of Tennessee
County Bancshares, Inc.	/	First Live Oak Bancshares, Inc.
Bay Bancorp, Inc.	/	Hopkins Bancorp, Inc.
BNH Financial	/	Community Guaranty Corporation
County Bancorp, Inc.	/	Fox River Valley Bancorp, Inc.
CVB Financial Corp.	/	County Commerce Bank
First Midwest Bancorp, Inc.	/	Peoples Bancorp, Inc.
Citizens Financial Services, Inc.	/	First National Bank of Fredericksburg
First Capital, Inc.	/	Peoples Bancorp Inc. of Bullitt County
First Commonwealth Financial Corporation	/	First Community Bank
Heritage Commerce Corp	/	Focus Business Bank
Heartland Financial USA, Inc.	/	Community Bancorporation of New Mexico, Inc.
Wintrust Financial Corporation	/	North Bank
Wintrust Financial Corporation	/	Community Financial Shares, Inc.
National Bank Holdings Corporation	/	Pine River Bank Corp.
Ameris Bancorp	/	Merchants & Southern Banks of Florida, Inc.

The second group included merger transactions announced from January 1, 2012 through June 1, 2016 with target total assets less than $500 million, in which the target was headquartered in West Virginia, Kentucky or Western Virginia and in which the target s NPAs/assets were less than 5.0%, or the regional transaction group.

Table of Contents

The regional transaction group was composed of the following transactions:

Acquirer / Target		
First Citizens BancShares, Inc.	/	Cordia Bancorp Inc.
Blue Ridge Bankshares, Inc.	/	River Bancorp, Inc.
First Sentry Bancshares, Inc.	/	Rock Branch Community Bank, Inc.
Summit Financial Group, Inc.	/	Highland County Bankshares, Inc.
Citizens National Corporation	/	Alliance Banking Company
First Capital, Inc.	/	Peoples Bancorp Inc. of Bullitt County
Kentucky Bancshares, Inc.	/	Madison Financial Corporation
Hambac, Inc.	/	Kentucky Home Bancshares, Inc.
First Southern Bancorp, Inc.	/	First United, Inc.
Hartland Financial, Inc.	/	Citizens Bank
American National Bankshares Inc.	/	MainStreet BankShares, Inc.
Citizens National Corporation	/	Peoples Security Bancorp, Inc.
Premier Financial Bancorp, Inc.	/	Bank of Gassaway
First Trust Financial Corporation	/	Ballard Kevil Bancorp, Inc.
S.Y. Bancorp, Inc.	/	Bancorp, Inc.
Peoples of Fleming County Bancorp, Inc.	/	Salt Lick Deposit Bank
Financial Services Holding Corporation	/	Harrison Bancorporation
Peoples Bancorp Inc.	/	Sistersville Bancorp, Inc.

Using the latest publicly available information prior to the announcement of the relevant transaction, Sandler O Neill reviewed the following transaction metrics: transaction price to book value, transaction price to tangible book value, transaction price to last twelve months earnings and core deposit premium. Sandler O Neill compared the indicated transaction metrics for the merger to the high, low, mean and median metrics for both the nationwide transaction group and the regional transaction group.

Comparable Nationwide Transaction Multiples

	Summit Financial Group, Inc. / First Century Bankshares, Inc.	Nationwide Transaction Group			
		High Result	Low Result	Mean Result	Median Result
Transaction Value / Book Value	93.3%	172.9%	68.4%	127.1%	130.5%
Transaction Value / Tangible Book Value	105.2%	172.9%	68.4%	131.3%	137.2%
Transaction Value / LTM Earnings	16.7x	48.3x	7.9x	25.4x	22.6x
Core Deposit Premium(1)	1.1%	9.5%	(2.2)%	3.8%	4.6%

Comparable Regional Transaction Multiples

	Summit Financial Group, Inc. / First Century Bankshares,	Regional Transaction Group			
		High Result	Low Result	Mean Result	Median Result

	Inc.				
Transaction Value / Book Value	93.3%	137.7%	75.0%	108.9%	107.5%
Transaction Value / Tangible Book Value	105.2%	137.7%	75.0%	110.1%	109.4%
Transaction Value / LTM Earnings	16.7x	58.8x	8.8x	28.2x	27.6x
Core Deposit Premium(1)	1.1%	6.0%	(4.0)%	1.8%	1.8%

(1) Core deposits defined as total deposits less time deposits greater than $100,000

Net Present Value Analysis. Sandler O Neill performed an analysis that estimated the net present value per share of First Century s common stock assuming First Century performed in accordance with internal financial projections for First Century for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of First Century. To approximate the terminal value of First Century common stock at December 31, 2020, Sandler O Neill applied price to earnings multiples ranging from 10.0x to 15.0x and multiples of tangible book value ranging from 75% to 100%. The terminal values were then discounted to present values using discount rates ranging from 10.0% to 16.0% when applied to 2020 earnings multiples and 10.0% to 16.0% when applied to multiples of December 31, 2020 tangible book value, which were selected to reflect different assumptions regarding potential desired rates of return of holders or prospective buyers of First Century common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of First Century common stock of $13.66 to $24.03 when applying multiples of earnings and $12.60 to $19.93 when applying multiples of tangible book value.

	Earnings Multiples (Value shown is a per share valuation)					
Discount Rate	10.0x	11.0x	12.0x	13.0x	14.0x	15.0x
10%	$ 17.18	$ 18.55	$ 19.92	$ 21.29	$ 22.66	$ 24.03
11%	$ 16.52	$ 17.83	$ 19.14	$ 20.45	$ 21.77	$ 23.08
12%	$ 15.89	$ 17.14	$ 18.40	$ 19.66	$ 20.92	$ 22.18
13%	$ 15.29	$ 16.49	$ 17.70	$ 18.91	$ 20.11	$ 21.32
14%	$ 14.72	$ 15.87	$ 17.03	$ 18.19	$ 19.34	$ 20.50
15%	$ 14.18	$ 15.28	$ 16.39	$ 17.50	$ 18.61	$ 19.72
16%	$ 13.66	$ 14.72	$ 15.79	$ 16.85	$ 17.92	$ 18.98

	Tangible Book Value Multiples (Value shown is a per share valuation)					
Discount Rate	75%	80%	85%	90%	95%	100%
10%	$ 15.81	$ 16.64	$ 17.46	$ 18.28	$ 19.11	$ 19.93
11%	$ 15.21	$ 16.00	$ 16.79	$ 17.57	$ 18.36	$ 19.15
12%	$ 14.64	$ 15.39	$ 16.15	$ 16.90	$ 17.66	$ 18.41
13%	$ 14.09	$ 14.81	$ 15.54	$ 16.26	$ 16.98	$ 17.71
14%	$ 13.57	$ 14.26	$ 14.96	$ 15.65	$ 16.35	$ 17.04
15%	$ 13.07	$ 13.74	$ 14.40	$ 15.07	$ 15.74	$ 16.40
16%	$ 12.60	$ 13.24	$ 13.88	$ 14.52	$ 15.16	$ 15.80

Sandler O Neill also considered and discussed with First Century s board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O Neill performed a similar analysis assuming First Century s net income varied from 25.0% above projections to 25.0% below projections. This analysis resulted in the following range of per share values for First Century common stock, applying the price to 2020 earnings multiples range of 10.0x to 15.0x referred to above and using a discount rate of 13.99%.

	Earnings Multiples (Value shown is a per share valuation)					
Earnings Projection Change from Base Case	10.0x	11.0x	12.0x	13.0x	14.0x	15.0x
(25.0)%	$ 11.83	$ 12.70	$ 13.57	$ 14.43	$ 15.30	$ 16.17

(20.0)%	$ 12.41	$ 13.34	$ 14.26	$ 15.19	$ 16.11	$ 17.04
(15.0)%	$ 12.99	$ 13.97	$ 14.95	$ 15.94	$ 16.92	$ 17.91
(10.0)%	$ 13.57	$ 14.61	$ 15.65	$ 16.69	$ 17.73	$ 18.77
(5.0)%	$ 14.14	$ 15.24	$ 16.34	$ 17.44	$ 18.54	$ 19.64
0.0%	$ 14.72	$ 15.88	$ 17.04	$ 18.19	$ 19.35	$ 20.51
5.0%	$ 15.30	$ 16.52	$ 17.73	$ 18.95	$ 20.16	$ 21.38
10.0%	$ 15.88	$ 17.15	$ 18.43	$ 19.70	$ 20.97	$ 22.24
15.0%	$ 16.46	$ 17.79	$ 19.12	$ 20.45	$ 21.78	$ 23.11
20.0%	$ 17.04	$ 18.43	$ 19.81	$ 21.20	$ 22.59	$ 23.98
25.0%	$ 17.62	$ 19.06	$ 20.51	$ 21.96	$ 23.40	$ 24.85

Table of Contents

Sandler O Neill also performed an analysis that estimated the net present value per share of Summit s common stock assuming Summit performed in accordance with internal financial projections for Summit for the years ending December 31, 2016 through December 31, 2020, as provided by the senior management of Summit. To approximate the terminal value of Summit common stock at December 31, 2020, Sandler O Neill applied price to earnings multiples ranging from 10.5x to 18.0x and multiples of tangible book value ranging from 110% to 185%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 15.0% when applied to 2020 earnings multiples and 9.0% to 15.0% when applied to multiples of December 31, 2020 tangible book value, which were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Summit s common stock. As illustrated in the following tables, the analysis indicated an imputed range of values per share of Summit common stock of $12.46 to $25.98 when applying earnings multiples and $12.24 to $25.04 when applying multiples of tangible book value.

	Earnings Multiples (Value shown is a per share valuation)					
Discount Rate	10.5x	12.0x	13.5x	15.0x	16.5x	18.0x
9%	$ 15.87	$ 17.90	$ 19.92	$ 21.94	$ 23.96	$ 25.98
10%	$ 15.23	$ 17.17	$ 19.10	$ 21.04	$ 22.97	$ 24.91
11%	$ 14.62	$ 16.47	$ 18.33	$ 20.18	$ 22.04	$ 23.89
12%	$ 14.04	$ 15.81	$ 17.59	$ 19.37	$ 21.14	$ 22.92
13%	$ 13.48	$ 15.19	$ 16.89	$ 18.59	$ 20.30	$ 22.00
14%	$ 12.96	$ 14.59	$ 16.22	$ 17.86	$ 19.49	$ 21.13
15%	$ 12.46	$ 14.02	$ 15.59	$ 17.16	$ 18.73	$ 20.29

	Tangible Book Value Multiples (Value shown is a per share valuation)					
Discount Rate	110%	125%	140%	155%	170%	185%
9%	$ 15.59	$ 17.48	$ 19.37	$ 21.26	$ 23.15	$ 25.04
10%	$ 14.96	$ 16.77	$ 18.58	$ 20.39	$ 22.20	$ 24.01
11%	$ 14.36	$ 16.09	$ 17.83	$ 19.56	$ 21.29	$ 23.02
12%	$ 13.79	$ 15.45	$ 17.11	$ 18.77	$ 20.43	$ 22.09
13%	$ 13.25	$ 14.84	$ 16.43	$ 18.02	$ 19.61	$ 21.21
14%	$ 12.73	$ 14.26	$ 15.78	$ 17.31	$ 18.84	$ 20.36
15%	$ 12.24	$ 13.70	$ 15.17	$ 16.63	$ 18.10	$ 19.56

Sandler O Neill also considered and discussed with the First Century board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O Neill performed a similar analysis assuming Summit s net income varied from 25.0% above projections to 25.0% below projections. This analysis resulted in the following range of per share values for Summit common stock, using the same price to 2020 earnings multiples range of 10.5x to 18.0x referred to above and a discount rate of 13.99%.

Earnings Multiples

	(Value shown is a per share valuation)					
Earnings Projection Change from Base Case	10.5x	12.0x	13.5x	15.0x	16.5x	18.0x
(25.0)%	$ 10.10	$ 11.33	$ 12.55	$ 13.78	$ 15.00	$ 16.23
(20.0)%	$ 10.67	$ 11.98	$ 13.29	$ 14.60	$ 15.90	$ 17.21
(15.0)%	$ 11.25	$ 12.63	$ 14.02	$ 15.41	$ 16.80	$ 18.19
(10.0)%	$ 11.82	$ 13.29	$ 14.76	$ 16.23	$ 17.70	$ 19.17
(5.0)%	$ 12.39	$ 13.94	$ 15.49	$ 17.05	$ 18.60	$ 20.15
0.0%	$ 12.96	$ 14.60	$ 16.23	$ 17.86	$ 19.50	$ 21.13
5.0%	$ 13.53	$ 15.25	$ 16.97	$ 18.68	$ 20.40	$ 22.11
10.0%	$ 14.11	$ 15.90	$ 17.70	$ 19.50	$ 21.30	$ 23.10
15.0%	$ 14.68	$ 16.56	$ 18.44	$ 20.32	$ 22.20	$ 24.08
20.0%	$ 15.25	$ 17.21	$ 19.17	$ 21.13	$ 23.10	$ 25.06
25.0%	$ 15.82	$ 17.86	$ 19.91	$ 21.95	$ 23.99	$ 26.04

Table of Contents

In connection with its analyses, Sandler O Neill considered and discussed with the First Century board of directors how the net present value analyses would be affected by changes in the underlying assumptions. Sandler O Neill noted that the net present value 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, based on the following assumptions: (i) the merger closes in the fourth calendar quarter of 2016, and (ii) 65% of outstanding First Century common shares are converted into the right to receive 1.2433 shares of Summit common stock and 35% of outstanding First Century common shares receive cash consideration at a price per share of $22.50. Sandler O Neill also incorporated the following assumptions, as provided by Summit s senior management: (a) financial projections for First Century for the years ending December 31, 2016 through December 31, 2020, based on projections provided by the senior management of Summit; (b) purchase accounting adjustments; (c) estimated cost savings; (d) transaction expenses; and (e) a core deposit intangible asset. The analysis indicated that the merger (excluding transaction expenses) could be accretive to Summit s estimated earnings per share in 2017 and could be dilutive to Summit s estimated tangible book value per share at the effective time of the merger.

In connection with its pro forma analyses, Sandler O Neill considered and discussed with the First Century board of directors how the analyses would be affected by changes in the underlying assumptions, including the impact of final purchase accounting adjustments determined at the closing of the transaction, and noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

Sandler O Neill s Relationship. Sandler O Neill is acting as financial advisor to the board of directors of First Century in connection with the merger. First Century has agreed to pay Sandler O Neill a transaction fee in connection with the merger in an amount equal to approximately $0.5 million, which fee is contingent upon the closing of the merger. Sandler O Neill previously received a retainer fee of $70,000, in accordance with the terms of a prior engagement letter dated April 14, 2015, which retainer fee will be credited in full towards the transaction fee becoming due to Sandler O Neill upon the closing of the merger. Sandler O Neill also received a fee in an amount equal to $125,000 upon rendering its fairness opinion to the First Century board of directors. First Century has also agreed to reimburse Sandler O Neill for its reasonable out-of-pocket expenses, including the reasonable fees and disbursements of its legal counsel, and to indemnify Sandler O Neill and its affiliates and their respective partners, directors, officers, employees and agents against certain liabilities arising out of its engagement.

Sandler O Neill has not provided any other investment banking services to First Century in the two years preceding the date of Sandler O Neill s opinion, nor did Sandler O Neill provide any investment banking services to Summit in the two years preceding the date of its opinion. In the ordinary course of its business as a broker-dealer, Sandler O Neill may purchase securities from and sell securities to First Century and Summit and their respective affiliates. Sandler O Neill may also actively trade the equity and debt securities of First Century, Summit or their respective affiliates for its own account and for the accounts of its customers.

Certain First Century Unaudited Prospective Financial Information

First Century does not as a matter of course make public projections as to future performance, revenues, earnings or other financial results due to, among other reasons, the inherent uncertainty of the underlying assumptions and estimates. However, First Century is including in this prospectus and proxy statement (i) certain unaudited internal financial forecasts that were made available to Sandler O Neill, as First Century s financial advisor, for purposes of the net present value analysis performed by Sandler O Neill in connection with its opinion to the First Century board of directors, or the First Century unaudited internal financial forecasts, and (ii) certain unaudited internal financial forecasts that were provided to Sandler O Neill by Summit for purposes of the pro forma merger analysis performed by Sandler O Neill in connection with its opinion to the First Century board of directors, or the adjusted First Century unaudited internal financial forecasts, and together with the First Century unaudited internal financial forecasts, the unaudited internal financial forecasts. The inclusion of these financial forecasts should not be regarded as an indication that any of First Century, Summit or Sandler O Neill, their respective representatives or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results or that it should be construed as financial guidance, and it should not be relied on as such.

The First Century unaudited internal financial forecasts included below were prepared solely for the internal use of First Century and are subjective in many respects. The adjusted First Century unaudited internal financial forecasts included below were prepared solely for the use of Sandler O Neill for purposes of its pro forma merger analysis and are subjective in many respects. The unaudited internal financial forecasts reflect numerous estimates and assumptions made with respect to business, economic, market, competition, regulatory and financial conditions and matters specific to First Century s business, all of which are difficult to predict and many of which are beyond First Century s control. The unaudited internal financial forecasts reflect both assumptions as to certain business decisions that are subject to change and, in many respects, subjective judgment, and thus are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. First Century can give no assurance that the unaudited internal financial forecasts and the underlying estimates and assumptions will be realized. In addition, since the unaudited internal financial forecasts cover multiple years, such forecasts by their nature becomes less predictive with each successive year. Actual results may differ materially from those set forth below, and important factors that may affect actual results and cause the unaudited internal financial forecasts to be inaccurate include, but are not limited to, risks and uncertainties relating to First Century s business, industry performance, general business and economic conditions, customer requirements, competition and adverse changes in applicable laws, regulations or rules. For other factors that could cause actual results to differ, please see the sections entitled Risk Factors and Cautionary Statement Concerning Forward-Looking Statements beginning on page 17 and page 36, respectively, of this prospectus and proxy statement.

The unaudited internal financial forecasts were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, the unaudited internal financial forecasts require significant estimates and assumptions that make them inherently less comparable to the similarly titled GAAP measures in First Century s historical GAAP financial statements. Neither First Century s independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited internal financial forecasts contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

Furthermore, the unaudited internal financial forecasts do not take into account any circumstances or events occurring after the date they were prepared. First Century can give no assurance that, had the unaudited internal financial forecasts been prepared either as of the date of the merger agreement or as of the date of this prospectus and proxy statement, similar estimates and assumptions would be used. First Century does not intend to, and disclaims any obligation to, make publicly available any update or other revision to the unaudited internal financial forecasts to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic or industry conditions. The unaudited internal financial forecasts do not take into account the possible financial and other effects on either First Century or Summit, as applicable, of the merger and do not attempt to predict or suggest future results of the combined company. The unaudited internal financial forecasts do not give effect to the impact of negotiating or executing the merger agreement, the expenses that may be incurred in connection with consummating the merger, the potential synergies that may be achieved by the combined company as a result of the merger, the effect of any business or strategic decision or action that has been or will be taken as a result of the merger agreement having been executed, or the effect on

64

either First Century or Summit, as applicable, of any business or strategic decisions or actions that would likely have been taken if the merger agreement had not been executed, but which were instead altered, accelerated, postponed or not taken in anticipation of the merger. Further, the unaudited internal financial forecasts do not take into account the effect on either Summit or First Century, as applicable, of any possible failure of the merger to occur. None of First Century, Summit or Sandler O Neill or their affiliates, officers, directors, advisors or other representatives has made, makes or is authorized in the future to make any representation to any shareholder of First Century, shareholder of Summit or other person regarding First Century s ultimate performance compared to the information contained in the unaudited internal financial forecasts or that the projected results will be achieved.

The inclusion of the unaudited internal financial forecasts herein should not be deemed an admission or representation by Summit or First Century that such forecasts are viewed as material information of First Century, particularly in light of the inherent risks and uncertainties associated with such forecasts. The unaudited internal financial forecasts included below are not being included to influence your decision whether to vote for the merger and the transactions contemplated in connection with the merger, but are being provided solely because they were made available to Summit and First Century s financial advisor, Sandler O Neill, in connection with the merger.

In light of the foregoing, and considering that the First Century special meeting will be held several months after unaudited internal financial forecasts were prepared, as well as the uncertainties inherent in any forecasted information, First Century shareholders are cautioned not to place unwarranted reliance on such information.

The following unaudited internal financial forecasts were prepared by First Century s management and were reviewed and used by Sandler O Neill for purposes of the net present value analysis performed in connection with its opinion to the First Century board of directors:

	Projections for Years Ending:				
	12/31/2016	**12/31/2017**	**12/31/2018**	**12/31/2019**	**12/31/2020**
Total Assets ($mm)	$ 414	$ 422	$ 432	$ 440	$ 448
Total Shareholders Equity ($mm)	47	48	50	52	54
Net Income ($m)	3,168	3,365	3,636	3,910	4,102
Diluted Earnings Per Share	$ 1.66	$ 1.77	$ 1.91	$ 2.05	$ 2.16

The following unaudited internal financial forecasts, based on unaudited internal financial forecasts, were provided to Sandler O Neill by Summit, and were reviewed and used by Sandler O Neill for purposes of the pro forma merger analysis performed in connection with its opinion to the First Century board of directors:

	Projections for Years Ending:				
	12/31/2016	**12/31/2017**	**12/31/2018**	**12/31/2019**	**12/31/2020**
Total Assets ($mm)	$ 412	$ 418	$ 424	$ 430	$ 436
Total Shareholders Equity ($mm)	45	46	47	48	48
Net Income ($m)	2,434	2,167	2,171	2,175	2,178
Diluted Earnings Per Share	$ 1.28	$ 1.14	$ 1.14	$ 1.14	$ 1.14

Certain Summit Unaudited Prospective Financial Information

Summit does not as a matter of course make public forecasts or make public its internal projections as to future performance, revenues, earnings or other financial results due to, among other reasons, the inherent uncertainty of the underlying assumptions and estimates and the inherent difficulty of accurately predicting financial performance for future periods. However, solely in connection with the merger, Summit is including in this prospectus and proxy statement certain unaudited internal financial forecasts that were made available to First Century and also to Sandler O Neill, as First Century s financial advisor, for purposes of the net present value analysis of Summit and the pro forma merger analysis performed by Sandler O Neill in connection with its

Table of Contents

opinion to the First Century board of directors. These financial forecasts are included to provide First Century shareholders access to certain non-public information provided to First Century board of directors and Sandler O Neill for purposes of considering and evaluating the merger. The inclusion of these financial forecasts should not be regarded as an indication that any of Summit, First Century or Sandler O Neill, their respective representatives or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results or that it should be construed as financial guidance, and it should not be relied on as such by the First Century shareholders or any other person.

The financial forecasts included below were prepared solely for the internal use of Summit and are subjective in many respects. The unaudited internal financial forecasts reflect numerous estimates and assumptions made with respect to business, economic, market, competition, regulatory and financial conditions and matters specific to Summit s business, all of which are difficult to predict and many of which are beyond Summit s control. The unaudited internal financial forecasts reflect both assumptions as to certain business decisions that are subject to change and, in many respects, subjective judgment, and thus are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. As such, the projections constitute forward-looking information. Summit can give no assurance that the unaudited internal financial forecasts and the underlying estimates and assumptions will be realized. In addition, since the unaudited internal financial forecasts cover multiple years, such forecasts by their nature becomes less predictive with each successive year. Actual results may differ materially from those set forth below, and important factors that may affect actual results and cause the unaudited internal financial forecasts to be inaccurate include, but are not limited to, risks and uncertainties relating to Summit s business, industry performance, general business and economic conditions, customer requirements, competition, litigation, and adverse changes in applicable laws, regulations or rules. For other factors that could cause actual results to differ, please see the sections entitled Risk Factors and Cautionary Statement Concerning Forward-Looking Statements beginning on page 17 and page 36, respectively, of this prospectus and proxy statement.

The unaudited internal financial forecasts were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, the unaudited internal financial forecasts require significant estimates and assumptions that make them inherently less comparable to the similarly titled GAAP measures in Summit s historical GAAP financial statements. Neither Summit s independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited internal financial forecasts contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

Furthermore, the unaudited internal financial forecasts do not take into account any circumstances or events occurring after the date they were prepared. Summit can give no assurance that, had the unaudited internal financial forecasts been prepared either as of the date of the merger agreement or as of the date of this prospectus and proxy statement, similar estimates and assumptions would be used. Summit does not intend to, and disclaims any obligation to, make publicly available any update or other revision to the unaudited internal financial forecasts to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic or industry conditions. The unaudited internal financial forecasts do not take into account all possible financial and other effects on either Summit or First Century, as applicable, of the merger and do not attempt to predict or suggest future results of the combined company. The unaudited internal financial forecasts do not give effect to the impact of negotiating or executing the merger agreement, the expenses that may be incurred in connection with consummating the merger, the potential synergies that may be achieved by the combined company as a result of the merger, the effect of any business or strategic decision or action that has been or will be taken as a result of the merger agreement having been executed, or the effect on either Summit or First Century, as applicable, of any business or strategic decisions or actions that would likely have been taken if the merger agreement had not been executed, but which were instead altered, accelerated, postponed or not taken in anticipation of the merger. Further, the unaudited internal financial forecasts do not take into account the effect on either Summit or First Century, as applicable, of any possible failure of the merger to occur. None of First Century, Summit or Sandler O Neill or their affiliates, officers, directors, advisors or other representatives has made, makes or is authorized in the future to make any representation to any shareholder of First Century, shareholder of Summit or other person regarding Summit s ultimate performance compared to the information contained in the unaudited internal financial forecasts or that the projected results will be achieved.

The inclusion of the unaudited internal financial forecasts herein should not be deemed an admission or representation by Summit or First Century that such forecasts are viewed as material information of Summit, particularly in light of the inherent risks and uncertainties associated with such forecasts. The unaudited internal financial forecasts included below are not being included to influence your decision whether to vote for the merger and the transactions contemplated in connection with the merger, but are being provided because they were made available to First Century and Sandler O Neill in connection with the merger.

In light of the foregoing, and considering that the First Century special meeting will be held several months after unaudited internal financial forecasts were prepared, as well as the uncertainties inherent in any forecasted information, First Century shareholders are cautioned not to place unwarranted reliance on such information, and Summit urges all First Century shareholders to review Summit s most recent SEC filings for a description of Summit s reported financial results. See Where You Can Find More Information on page 129 of this prospectus and proxy statement.

The following unaudited internal financial forecasts were prepared by Summit s management and were reviewed and used by Sandler O Neill in connection with the proposed merger for purposes of the net present value analysis of Summit and the pro forma merger analysis performed by Sandler O Neill in connection with its opinion to the First Century board of directors:

	Projections for Years Ending:				
	12/31/2016	**12/31/2017**	**12/31/2018**	**12/31/2019**	**12/31/2020**
Total Assets ($mm)	$ 1,681	$ 1,744	$ 1,809	$ 1,877	$ 1,948
Total Shareholders Equity ($mm)	156	171	186	202	218
Net Income ($m)	17,452	19,422	20,323	21,097	22,237
Diluted Earnings Per Share	$ 1.60	$ 1.78	$ 1.86	$ 1.93	$ 2.03

Summit Board of Directors Following Completion of the Merger

Upon completion of the merger, the number of directors constituting the Summit board of directors and the Summit Community Bank board of directors will be increased by one, to 16 members, and a person who is an active member of the First Century board of directors as of June 1, 2016 through the effective time, with personal connections to the local civic and business community, who meets the qualifications under Summit s and Summit Community Bank s charter documents and their respective board policies and applicable law will be appointed as a director to complete each of the larger boards.

Public Trading Markets

Summit common stock trades on NASDAQ under the symbol SMMF. First Century common stock is traded on the OTC Pink Open Market (OTCPink) under the symbol FCBS. Before the effective time of the merger, Summit has agreed to use its reasonable best efforts to cause the shares of Summit common stock to be issued in the merger to be approved for listing on NASDAQ. The listing of the shares of Summit common stock is also a condition to the consummation of the merger.

Dissenters or Appraisal Rights

If the merger is consummated, holders of record of First Century common stock who follow the procedures specified by Sections 31D-13-1301 through 31D-13-1331 of the West Virginia Business Corporation Act will be

Table of Contents

entitled to determination and payment in cash of the fair value of their stock (as determined immediately before the effective time of the merger), plus accrued interest from the effective time of the merger until the date of payment. First Century shareholders who elect to follow these procedures are referred to as dissenting shareholders.

A vote in favor of the merger agreement by a holder of First Century common stock will result in a waiver of the shareholder s right to demand payment for his or her shares.

The following summary of the provisions of Sections 31D-13-1301 through 31D-13-1331 of the West Virginia Business Corporation Act is not intended to be a complete statement of such provisions, the full text of which is attached as Appendix C to this prospectus and proxy statement, and is qualified in its entirety by reference thereto.

A holder of First Century common stock electing to exercise appraisal rights must deliver to First Century a written notice of dissent stating that he or she intends to demand payment for his or her shares if the merger is consummated. This notice must be sent before the vote is taken. The dissenting shareholder must not vote, or cause or permit to be voted, any of his or her shares in favor of the proposed transaction or, if action is taken by written consent of the shareholders, must not sign a consent in favor of or otherwise approve the proposed transaction. If the dissenting shareholder fails to comply with these requirements, he or she will not be entitled to appraisal rights. The fair value of the shares as defined above is determined using customary and current valuation concepts and techniques generally employed for similar businesses in the context of the transaction requiring appraisal and without discounting for lack of marketability or minority status. It should be noted that investment banker opinions as to the fairness from a financial point of view of the consideration payable in a transaction such as the proposed merger are not opinions as to, and do not address, fair value under the West Virginia Business Corporation Act.

Within 10 days after the effective time of the merger, Summit, as surviving corporation of the merger, will give written notice of the effective time of the merger by certified mail to each shareholder who filed a written notice of dissent. The notice will provide (i) where demand for payment must be sent and where and when share certificates, if any, must be deposited, (ii) supply a form for demanding payment in compliance with Section 31D-13-1322 of the West Virginia Business Corporation Act, (iii) set a date by which Summit must receive the demand for payment, which may not be less than 40 nor more than 60 days after the date the notice is sent, (iv) state Summit s estimated fair value of the shares; (v) state that the shareholder shall be deemed to have waived the right to demand payment with respect to the shares unless the form is received by Summit by such specified date, (vi) state that, if requested in writing, Summit will provide to the requesting shareholder within 10 days after the date set forth in subsection (iii) above, the number of shareholders that return a form demanding payment by the specified date and the total number of shares owned by such shareholders, (vii) state the date by which the notice to withdraw must be received, which date must be within 20 days after the date set forth in subsection (iii) above, and (viii) be accompanied by a copy of Sections 31D-13-1301 through 31D-13-1331 of the West Virginia Business Corporation Act, inclusive.

Within the time period set forth in the notice, the dissenting shareholder must (i) sign and return the form sent by Summit demanding payment of the fair value of his or her shares, (ii) certify that the shareholder acquired beneficial ownership of the shares before the date required as set forth in the notice, and (iii) deposit his or her share certificates, if any, in accordance with the terms of the notice. Once the shareholder deposits his or her share certificates, or, in the case of uncertificated shares makes demand for payment, that shareholder loses all rights as a shareholder, unless he or she withdraws from the appraisal process by the date described in subsection (vii) of the immediately preceding paragraph.

Within 30 days after the receipt of the dissenting shareholder s demand for payment, Summit, as the surviving corporation, will pay each dissenting shareholder who complied with the required procedures the amount it estimates to be the fair value of the dissenting shareholder s shares, plus accrued interest. Summit will

68

include along with the payment to each dissenting shareholder (i) a balance sheet as of the end of a fiscal year ending not more than 16 months before the date of payment, a statement of income for that year, a statement of changes in the shareholders equity for that year, or, where such financial statements or not reasonably available, then such reasonably equivalent financial information, and the latest available interim financial statements, if any, and a report by the public accountant or statement by the president or other person responsible for First Century s accounting records that complies with Section 31D-13-1324(b) of the West Virginia Business Corporation Act, (ii) a statement of Summit s estimate of the fair value of the shares which shall be equal to or exceed the estimate of the fair value provided in the notice, and (iii) a statement of the dissenting shareholder s right to demand further payment under 31D-13-1326 of the West Virginia Business Corporation Act and that if any such shareholder does not do so within the period specified, such shareholder shall be deemed to have accepted such payment in full satisfaction of Summit s obligations under the West Virginia Business Corporation Act.

Following receipt of payment, a dissenting shareholder, within 30 days, may send Summit notice containing such shareholder s own estimate of fair value and accrued interest, and demand payment for that amount less the amount received pursuant to Summit s payment of fair value to such shareholder. This right is waived if the dissenting shareholder does not make written demand within 30 days of Summit s payment for the shareholder s shares. If a demand for payment remains unsettled, Summit will petition the court to determine fair value and accrued interest. If Summit fails to commence an action within 60 days following the receipt of a dissenting shareholder s demand, Summit will pay each dissenting shareholder whose demand remains unsettled the amount demanded by each dissenting shareholder, plus interest.

All dissenting shareholders whose demands remain unsettled, whether residents of West Virginia or not, must be made parties to the action and the court will render judgment for the fair value of their shares. Each party must be served with the petition. The judgment shall include payment for the amount, if any, by which the court finds the fair value of such shares, plus interest, exceeds the amount already paid. If the court finds that the demand of any dissenting shareholder for payment was arbitrary, vexatious or otherwise not in good faith, the court may assess all court costs, including reasonable fees of appraisers appointed by the court, against such shareholder. Otherwise the court costs will be assessed against Summit. In addition, reasonable fees and expenses of counsel and experts will be determined by the court and may be assessed against Summit if the court finds that it did not substantially comply with the requirements of the West Virginia appraisal rights statute or that it acted arbitrarily, vexatiously, or not in good faith with respect to the rights granted to dissenters under West Virginia law.

If you are a holder of shares and you wish to seek appraisal rights, you are urged to review the applicable West Virginia statutes attached to this prospectus and proxy statement as Appendix C.

Interests of Certain First Century Directors and Executive Officers in the Merger

In considering the recommendations of the First Century board of directors that First Century shareholders vote in favor of the First Century merger proposal, First Century shareholders should be aware that First Century directors and executive officers may have interests in the merger that differ from, or are in addition to, their interests as shareholders of First Century. The First Century board of directors was aware of these interests and took them into account in its decision to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Service as a Director of Summit Financial Group and Summit Community Bank

Under the merger agreement, a person who is an active member of the First Century board of directors as of June 1, 2016 through the effective time, with personal connections to the local civic and business community, who meets the qualifications under Summit s and Summit Community Bank s charter documents and their respective board policies and applicable law, will join the board of directors of Summit and Summit Community

Table of Contents

Bank at the effective time of the merger. As a director of Summit and Summit Community Bank, such individual will be eligible to receive the same cash compensation paid to other members of the Summit and Summit Community Bank board of directors. Summit and Summit Community Bank are required by the merger agreement to re-nominate the former First Century director at future Summit shareholder meetings; provided that the director continues to meet the standards for directors of Summit and Summit Community Bank.

Employment Agreements for First Century Executive Officers

First Century previously had entered into Executive Benefit Agreements with Frank W. Wilkinson (President and Chief Operating Officer) and J. Ronald Hypes (Senior Vice President and Chief Financial Officer). The agreements provide generally that, if within 12 months after a change in control of First Century (or, in some circumstances, within six months prior to a change in control), the executive s employment is terminated involuntarily other than for cause by First Century or its successor, or its affiliates, or by the executive as a result of certain adverse actions taken without executive s consent, then the executive would be entitled to receive: (i) in a single lump sum, his monthly base salary, as defined in the Executive Benefit Agreement, multiplied by the number of months between the date of separation from service and the date that is 30 months after the date of consummation of the change in control, all provided that the executive receives a lump sum payment that is not less than 50% of his annual salary, also as defined in the Executive Benefit Agreement; and (ii) a pro rata portion of his reasonable share of First Century s cash incentive award for the year in which such separation from service occurs. In addition, the Executive Benefit Agreements provide for a gross up payment in the amount of one hundred percent of the excise tax, if any, imposed under Section 4999 of the Code (or any similar tax that may be imposed) on any payment to the executive under the Executive Benefit Agreements or under any other benefit plan or program of First Century or its affiliates, plus the amount of any federal, state and local income taxes and excise tax, if any, imposed on the gross up payment. The executives would also be entitled to reimbursement of reasonable legal fees and expenses in the event they prevail in a dispute respecting a claim to enforce any right or benefit under the Executive Benefit Agreements. The executives were not entitled to severance benefits in any circumstance other than a change in control of First Century as described above. If these executives terminated employment immediately upon the consummation of the merger under circumstances that entitled them to receive their severance benefits, which for the purposes of illustration such termination date is assumed to be January 2, 2017, Mr. Wilkinson would receive cash severance benefits equal to 30 months of his then current base salary valued at $548,250 in a lump sum, plus a pro rata portion of his incentive bonus for 2016 valued at $0 (plus a gross up payment for any excise tax under Section 4999 of the Code, or similar tax, imposed on such payments). Mr. Hypes would receive cash severance benefits valued at $420,270 for the full 30 months, in a lump sum, if such termination were at Mr. Hypes current base salary, plus a pro rata portion of his incentive bonus for 2016, valued at $0 (plus a gross up payment for any excise tax under Section 4999 of the Code, or similar tax, imposed on such payments).

Employment with Summit Community Bank Following the Merger

It is anticipated that Messrs. Wilkinson and Hypes will enter into employment agreements with Summit Community Bank, effective upon the effective time, with an initial two-year term, and one-year renewal terms thereafter unless notice is given not to renew by either party within 30 days prior to the applicable renewal date. Mr. Wilkinson is expected to be Regional President of Summit Community Bank and Mr. Hypes is expected to be the Executive Vice President of Trust and Wealth Management of Summit Community Bank. Mr. Wilkinson s base salary will be at least $200,000 annually, and Mr. Hypes will be at least $180,000 per year.

In addition, for each complete six-month period in which Messrs. Wilkinson and Hypes remain employed with Summit Community Bank during the first year after the merger, each executive will receive, within five business days after the conclusion of the applicable six-month period, a retention bonus, in the case of Mr. Wilkinson, of $137,500 (or $275,000 total, for two six-month periods) and in the case of Mr. Hypes, $105,000 (or $210,000 total, for two six-month periods). Each retention bonus is forfeited if the respective six-month period of employment is not completed; provided, however, that in the event of the executive s death,

Table of Contents

disability, termination without cause or good reason resignation due to certain adverse actions of Summit or its affiliates during such period(s) of employment, the full retention bonus amounts, less any portion thereof already received, shall be payable to the executive or his estate. The retention bonuses are paid in consideration of executive s waiver of any claim for payment that may have arisen in connection the transactions contemplated by the merger.

Both executives will participate in the employee benefit plans, programs and arrangements of Summit Community Bank in the same manner as similarly situated Summit Community Bank employees.

If either of Mr. Wilkinson s or Mr. Hypes employment involuntarily terminates without cause after the date that is one year after the merger, the executive will receive a cash payment equal to six months of executive s average annual base salary (as defined in the employment agreement) based on the two full year periods immediately preceding such termination (whether such employment was with Summit Community Bank or First Century Bank) plus the executive s reasonable share of bonuses through the last day of the term then in effect, without reduction due to the executive not being employed for the full period, all provided that if the severance under the following sentence applies, no such severance shall be due and payable under this sentence. In the event of a change of control of Summit or certain affiliates, then in the event that Mr. Wilkinson or Mr. Hypes resigns for good reason, as defined in the employment agreement, executive is entitled to receive a lump sum cash payment equal to the executive s monthly salary (as defined in the employment agreement) multiplied by the number of months between the date of termination and the two-year anniversary of such change of control, provided that the executive shall receive a lump sum that is not less than 100% of his annual base salary (as defined in the employment agreement) plus the executive s reasonable share of bonuses through the last day of the term then in effect, without reduction due to executive not being employed for the full period, and continued medical insurance benefits for the number of months between the date of termination and the date that is 24 months after the date of such change of control, but in no event will the executive receive such continued benefits if he receives comparable benefits from any other source, all provided further that if such change of control and good reason resignation take place during the one-year period after the merger, these payments shall be in addition to any retention bonus that may also be due.

Both executives agreements will include customary non-compete, non-solicit and confidentiality covenants.

First Century Retirement Benefits

In connection with the merger, it is anticipated that all participants in the First Century 401(k) Plan and the First Century and Affiliates Employees Pension Plan, including Mr. Wilkinson and Mr. Hypes and all First Century executives, will be fully vested in their accounts.

Quantification of Payments and Benefits to First Century s Named Executive Officers

The information set forth in the table below is intended to comply with Item 402(t) of the SEC s Regulation S-K, which requires disclosure of information about certain compensation for each named executive officer of First Century that is based on, or otherwise relates to, the merger (which we refer to as First Century merger-related compensation). As described under the caption Interests of Certain First Century Directors and Executive Officers in the Merger above, Messrs. Wilkinson and Hypes will enter into new employment agreements with Summit Community Bank that will become effective upon the effective time (referred to as the SCB Wilkinson Agreement and the SCB Hypes Agreement, respectively). The First Century merger-related compensation described below is based on each named executive officer s existing employment arrangements with First Century and does not include amounts payable under the SCB Wilkinson Agreement and the SCB Hypes Agreement following the completion of the merger (including (i) post-closing salary, annual incentive compensation, retention awards and other compensation and benefits to be provided under the SCB Wilkinson Agreement and the SCB Hypes Agreement, and (ii) severance payable to Messrs. Wilkinson and Hypes upon a qualifying termination after the effective time pursuant to the SCB Wilkinson Agreement and the SCB Hypes

Table of Contents

Agreement, respectively). For additional details regarding the terms of the payments and benefits that Messrs. Wilkinson and Hypes will be entitled to receive under the SCB Wilkinson Agreement and the SCB Hypes Agreement, respectively, as well as terms of the payments and benefits described below, see the discussion under Interests of Certain First Century Directors and Executive Officers in the Merger above.

The amounts shown in the table below are estimates based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including the assumptions described below and in the footnotes to the table, and do not reflect certain compensation actions that may occur before completion of the merger. For purposes of calculating such amounts, the following assumptions were used:

- the effective time is January 2, 2017, which is the assumed date of the completion of the merger solely for purposes of the disclosure in this section; and

- each named executive officer of First Century is terminated for Good Reason or by a Wrongful Termination (as each is defined in the applicable Executive Benefit Agreement), in either case within 12 months of the effective time of the merger.

Named Executive Officer	Cash ($)[1]	Equity ($)	Tax Reimbursements ($)	Total ($)
Frank W. Wilkinson	$ 548,250			$ 548,250
J. Ronald Hypes	$ 420,270			$ 420,270

(1) Consists of (a) with respect to the Mr. Wilkinson, a lump sum severance payment in an amount equal to 30 months of his then current base salary valued at $548,250 plus a pro rata portion of his incentive bonus for 2016 valued at $0; and (b) with respect to Mr. Hypes, a lump sum severance payment in an amount equal to 30 months of his then current base salary valued at $420,270 plus a pro rata portion of his incentive bonus for 2016 valued at $0. Such amounts are payable only if the executive officers terminated employment immediately upon consummation of the merger under certain circumstances that entitled them to receive their severance benefits. The estimated amounts of the pro rata portion of incentive bonus payments for 2016 are estimated based on the current target incentive bonus of the executive officer.

The payments described above are disclosed only to comply with Item 402(t) of the SEC s Regulation S-K and will not by paid as a result of the merger. The payments above will be waived by each of Mr. Wilkinson and Mr. Hypes in exchange for the retention bonuses described above. See Interests of Certain First Century Directors and Executive Officers in the Merger Employment Agreements for First Century Executive Officers and Interests of Certain First Century Directors and Executive Officers in the Merger Employment with Summit Community Bank Following the Merger described above.

Accounting Treatment of the Merger

The merger will be accounted for using acquisition accounting in accordance with U.S. generally accepted accounting principles, for accounting and financial reporting purposes. Under purchase accounting, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of First Century as of the effective time of the merger will be recorded at their respective fair values and added to those of Summit. Any excess of purchase price over the fair values is recorded as goodwill. Consolidated financial statements of Summit issued after the merger would reflect these fair values and would not be restated retroactively to reflect the historical consolidated financial position or results of operations of First Century.

Table of Contents

THE MERGER AGREEMENT

The following is a summary of the material provisions of the merger agreement. This summary is qualified in its entirety by reference to the merger agreement, a copy of which is included as Appendix A to this prospectus and proxy statement and is incorporated herein by reference. This summary may not contain all of the information about the merger agreement that may be important to you. You should read the merger agreement carefully and in its entirety, as it is the legal document governing the merger.

Terms of the Merger

Each of the Summit board of directors and the First Century board of directors has approved the merger agreement, which provides for the merger of First Century with and into merger sub, a limited liability company and wholly-owned subsidiary of Summit Community Bank, with merger sub as the surviving entity in the merger. Immediately following the merger, merger sub will be liquidated so that Summit Community Bank will own all of the outstanding shares of First Century s wholly owned banking subsidiary First Century Bank. Immediately following the liquidation of merger sub, First Century Bank will be merged with and into Summit Community Bank, or the bank merger, with Summit Community Bank surviving as the surviving bank in the bank merger.

The Summit Community Bank articles of incorporation and the Summit Community Bank bylaws as in effect immediately prior to the completion of the merger will be the articles of incorporation and bylaws of the surviving corporation.

Merger Consideration

Under the terms of the merger agreement, each share of First Century common stock outstanding immediately prior to the effective time of the merger (excluding dissenting shares) will be converted into the right to receive:

- 1.2433 shares of Summit common stock (unless adjusted in the manner described below); or
- $22.50 in cash.

However, the aggregate number of First Century shares that will be converted for cash consideration will be equal to, as close as possible 666,092 shares, or approximately 65% of the merger consideration, and the aggregate per share cash consideration will be equal to, as close as possible, $14,987,073, or approximately 35% of the merger consideration. Accordingly, elections by First Century shareholders to receive a particular form of consideration, whether cash or shares of Summit common stock, will be prorated as necessary to cause the total amount of cash payable and shares issued by Summit in the merger to equal, as closely as possible, the total of cash and stock consideration discussed above.

Based upon the closing sale price of the Summit common stock on the Nasdaq Global Select Market of $19.94 on October 26, 2016, the most current date available prior to the printing of this prospectus and proxy statement, each common share of First Century will be entitled to be exchanged for total stock consideration equal to $24.79 per share.

No fractional shares of Summit common stock will be issued in connection with the merger. Instead, Summit will make to each First Century shareholder who would otherwise receive a fractional share of Summit common stock a cash payment (rounded to the nearest whole cent) equal to (i) such fractional part of a share of Summit common stock multiplied by (ii) $22.50, the per share cash consideration. We refer to the per share stock consideration, the per share cash consideration and cash in lieu of any fractional shares, collectively, as the merger consideration.

Table of Contents

A First Century shareholder also has the right to obtain the fair value of his or her shares of First Century common stock in lieu of receiving the merger consideration by strictly following the appraisal procedures under the WVBCA. Shares of First Century common stock outstanding immediately prior to the effective time of the merger and which are held by a shareholder who does not vote to approve the merger agreement and who properly demands the fair value of such shares pursuant to, and who complies with, the appraisal procedures under the WVBCA are referred to as dissenting shares. See The Merger Appraisal Rights for First Century Shareholders.

If Summit changes the number of shares of Summit common stock outstanding prior to the effective time of the merger as a result of a stock split, stock combination, stock dividend or similar recapitalization with respect to the Summit common stock and the record date for such corporate action is prior to the effective time of the merger, then the per share stock consideration shall be proportionately adjusted as necessary to preserve the relative economic benefit to Summit and First Century.

The value of the shares of Summit common stock to be issued to First Century shareholders in the merger will fluctuate between now and the closing date of the merger. We make no assurances as to whether or when the merger will be completed, and you are advised to obtain current sale prices for the Summit common stock. See Risk Factors Because the sale price of the Summit common stock may fluctuate, you cannot be sure of the value of the merger consideration that you will receive in the merger.

Shareholders Equity

As of the earlier of the effective time or December 31, 2016, if First Century s shareholders equity, as presented on First Century s balance sheet, determined in accordance with GAAP and adjusted to exclude any after-tax net unrealized gains or losses on available-for-sale securities included in accumulated other comprehensive income and any intangibles (the adjusted shareholders equity), is less than $39,664,000, 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 $39,664,000. In calculating the adjusted shareholders equity, all costs and expenses of First Century associated with the merger shall have been paid or accrued prior to the effective date, including but not limited to, legal, accounting, brokerage, advisory or consulting fees, early termination fees for data processing or other contractual arrangement and any change-in-control or similar payments (to employees or otherwise). Any reduction in the merger consideration shall be allocated between the cash consideration and the stock consideration proportionately in accordance with the limitations discussed below.

First Century may distribute, in a lump sum, to the First Century shareholders, immediately prior to the effective time, a cash distribution per share (the special distribution) in the amount by which adjusted shareholders equity exceeds $42,118,000, if any, divided by the number of shares of First Century, provided that such distribution does not cause the merger to be considered something other than a tax-free reorganization in accordance with the Code and any regulations promulgated thereunder. Accordingly, the merger agreement provides that the aggregate amount of the special distribution shall not exceed (i) when combined with amounts paid to dissenting shareholders, an amount that would result in either (A) less than 90% of the fair market value of net assets of First Century or (B) less than 70% of the fair market value of gross assets held by First Century immediately prior to the special distribution, being transferred to merger sub in the merger, or (ii) when combined with the cash consideration, 60% of the merger consideration (determined by adding amounts paid to dissenting shareholders to the merger consideration and the aggregate amount of the special distribution). If First Century s adjusted shareholders equity does not exceed $42,118,000, then the special distribution shall not occur.

Election Procedures; Surrender of First Century Stock Certificates

An election form must be mailed at least 20 days prior to the anticipated effective time of the merger, or the mailing date. The election form (together with transmittal materials) will be mailed to First Century shareholders

Table of Contents

of record as of five business days prior to the mailing date, or the election form record date. First Century shareholders should carefully review and follow the instructions that will be included with the election form. Each holder of First Century common stock must complete and return the election form to the exchange agent by 5:00 p.m. Eastern Time on the 15th day following the mailing date of the election form to First Century shareholders. The election form must be accompanied by the stock certificates representing the First Century common stock held by the First Century shareholder.

Election forms may be revoked or amended at any time prior to the election deadline.

Summit has appointed Computershare as the exchange agent under the merger agreement. The exchange agent will mail to each holder of record of First Century common stock the election form along with instructions for completing the election form and delivering back to the exchange agent the completed election form along with the stock certificates representing the shares of First Century common stock held by the shareholder.

Summit shall make available up to two separate election forms, or such additional election forms as Summit in its sole discretion may permit, to all persons who become holders (or beneficial owners) of First Century common stock between the election form record date and close of business on the business day prior to the election deadline, and First Century shall provide to the exchange agent all information reasonably necessary for it to perform as specified herein. First Century acknowledges that no deadlines for mailing election forms contained in the merger agreement shall be applicable to such shareholders and that the election requests of such shareholders need not be honored.

Within five business days after the election deadline, unless the effective time has not yet occurred, in which case as soon thereafter as practicable, Summit shall cause the exchange agent to effect the allocation among the holders of First Century common stock of rights to receive the stock consideration or the cash consideration in the merger in accordance with the election forms, subject to the adjustments addressed in the merger agreement and set out below.

Upon surrender to the exchange agent of the certificate(s) representing his, her or its shares of First Century common stock, accompanied by a properly completed and executed election form, a First Century shareholder will be entitled to promptly receive after the effective time of the merger the merger consideration (including any cash in lieu of fractional shares). Until surrendered, each such certificate will represent after the effective time of the merger, for all purposes, only the right to receive, without interest, the merger consideration (including any cash in lieu of fractional shares) and any dividends or distributions to which such holder is entitled pursuant to the merger agreement.

No dividends or other distributions with respect to Summit common stock after completion of the merger will be paid to the holder of any unsurrendered First Century stock certificates with respect to the shares of Summit common stock represented by those certificates until those certificates have been properly surrendered. Subject to applicable abandoned property, escheat or similar laws, following the proper surrender of any such previously unsurrendered First Century stock certificate, the holder of the certificate will be entitled to receive, without interest: (i) any cash payable with respect to a fractional share of Summit common stock to which such holder is entitled to pursuant to the merger agreement, if applicable, and the amount of unpaid dividends or other distributions with a record date after the effective time of the merger payable with respect to the whole shares of Summit common stock represented by that certificate; and (ii) at the appropriate payment date, the amount of dividends or other distributions payable with respect to shares of Summit common stock represented by that certificate with a record date after the effective time of the merger (but before the date on which the certificate is surrendered) and with a payment date subsequent to the issuance of the shares of Summit common stock issuable in exchange for that certificate.

Shares of Summit common stock and cash in lieu of any fractional shares may be issued or paid in a name other than the name in which the surrendered First Century stock certificate is registered if: (i) the certificate

75

surrendered is properly endorsed or otherwise in a proper form for transfer; and (ii) the person requesting the payment or issuance pays any transfer or other similar taxes due or establishes to the satisfaction of Summit that such taxes have been paid or are not applicable.

None of Summit, the exchange agent or any other person will be liable to any former First Century shareholder for any amount delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar laws.

In the event any First Century stock certificate is lost, stolen or destroyed, in order to receive the merger consideration (including cash in lieu of any fractional shares), the holder of that certificate must provide an affidavit of that fact and, if reasonably required by Summit or the exchange agent, post a bond in such amount as Summit determines is reasonably necessary to indemnify it against any claim that may be made against it with respect to that certificate.

The total number of shares of First Century common stock to be converted into the right to receive the stock consideration shall not be more than that number equal to 65.0% (as close as possible) of the merger consideration, or approximately 1,237,028 shares of First Century common stock, and the total number of shares of First Century common stock to be converted into the right to receive the cash consideration shall not be more than approximately 666,092 shares of First Century common stock, for total cash consideration of approximately $14,987,073.

Stock Consideration Proration.

If the aggregate number of shares of First Century common stock with respect to which stock election shares and mixed stock shares shall have been validly made (the stock election number) exceeds the maximum stock consideration, then all cash election shares, mixed cash shares and all no election shares of each holder thereof shall be converted into the right to receive the cash consideration, and stock election shares and mixed stock shares of each holder thereof will be converted into the right to receive the stock consideration in respect of that number of stock election shares and mixed stock shares equal to the product obtained by multiplying (x) the number of stock election shares and mixed stock shares held by such holder by (y) a fraction, the numerator of which is the maximum stock consideration and the denominator of which is the stock election number, with the remaining number of such holder s stock election shares and mixed stock shares being converted into the right to receive the cash consideration.

By way of example, if there are a total of 1,000,000 stock election shares, a total of 500,000 mixed election shares electing stock, thus exceeding the maximum stock consideration of 1,237,028, by 262,972, then the shares of First Century common stock held by a shareholder with 1,500 stock election shares would be exchanged in the following manner:

(i) 1,237 shares of First Century common stock would be exchanged for shares of Summit common stock (determined by multiplying (x) the number of stock election shares (1,500) by (y) a fraction, the numerator of which is the stock consideration and the denominator of which is the stock election number (1,237,028 / 1,500,000, equaling 0.824685); and

(ii) 263 shares of First Century common stock would be exchanged for cash.

Cash Consideration Proration.

If the stock election number is less than the maximum stock consideration (the amount by which the maximum stock consideration exceeds the stock election number is referred to as the shortfall number), then all stock election shares and mixed stock shares shall be converted into the right to receive the stock consideration, and the no election shares, mixed cash shares and cash election shares shall be treated as described below.

If the shortfall number is less than or equal to the number of no election shares, then all cash election shares and mixed cash shares shall be converted into the right to receive the cash consideration, and the no election shares of each holder thereof shall convert into the right to receive the stock consideration in respect of that number of no election shares or mixed election shares equal to the product obtained by multiplying (1) the number of no election shares or mixed election shares held by such holder by (2) a fraction, the numerator of which is the shortfall number and the denominator of which is the total number of no election shares, with the remaining number of such holder s no election shares being converted into the right to receive the cash consideration.

Or, if the shortfall number exceeds the number of no election shares, then all no election shares shall be converted into the right to receive the stock consideration, and the cash election shares and mixed cash shares of each holder thereof shall convert into the right to receive the stock consideration in respect of that number of cash election shares equal to the product obtained by multiplying (A) the number of cash election shares held by such holder by (B) a fraction, the numerator of which is the amount by which (x) the shortfall number exceeds (y) the total number of no election shares and the denominator of which is the total number of cash election shares and mixed cash shares, with the remaining number of such holder s cash election shares and mixed cash shares being converted into the right to receive the cash consideration.

By way of example, assuming that all shareholders make an election (and as a result, there are zero no election shares), if there are a total of 1,000,000 stock election shares, a total of 853,120 cash election shares, a total of 50,000 mixed election shares electing cash and the maximum stock consideration equals 1,237,028, resulting in a shortfall number of 237,028, then the shares of First Century common stock held by a shareholder with 500 mixed election shares electing cash would be exchanged in the following manner:

(i) 394 shares of First Century common stock would be exchanged for shares of Summit common stock (determined by multiplying (x) the number of cash election shares and mixed election shares electing cash held by such holder (1,000 plus 500, equaling 1,500) by (y) a fraction, the numerator of which is the shortfall number less the number of no election shares (or zero) and the denominator of which is the total cash election shares and mixed election shares electing cash (237,028 / 1,500,000, equaling 0.262455); and

(ii) 1,106 shares of First Century common stock would be exchanged for cash.

The *pro rata* selection process to be used by the exchange agent shall consist of such equitable pro ration processes as shall be mutually determined by Summit and First Century.

Conditions to Completion of the Merger

Mutual Closing Conditions. The obligations of Summit and First Century to complete the merger are subject to the satisfaction of the following conditions:

- the approval of the merger agreement by First Century shareholders;

- the authorization for listing on the Nasdaq Global Select Market of the shares of Summit common stock to be issued in the merger;

(a) all authorizations, consents, orders or approvals of, or declarations, notices, filings or registrations with, and all expirations and terminations of waiting periods required from, any governmental entity that are necessary to obtain the requisite regulatory approvals shall have been obtained, been made, occurred or been filed, and all such authorizations, consents, orders, approvals, declarations, filings or registrations shall be in full force and effect, and (b) any other consents or approvals from any governmental entity or other third party relating to the merger, the bank merger or any of the other transactions provided for in the merger agreement, except in the case of clause (b) for those the failure of which to be obtained would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Summit Community Bank shall have been obtained, and all such consents or approvals shall be in full force and effect;

the effectiveness of the Registration Statement on Form S-4, of which this prospectus and proxy statement is a part, under the Securities Act, and the absence of a stop order suspending the effectiveness of the Registration Statement on Form S-4 or any proceeding initiated or threatened by the SEC for that purpose;

the absence of any order, injunction or decree issued by any court or agency of competent jurisdiction or other law preventing or making illegal the consummation of the merger, the bank merger or the other transactions contemplated by the merger agreement;

no requisite regulatory approval shall have been granted subject to any condition or conditions that, and there shall not have been any action taken, or any statute, rule, regulation, order or decree enacted, entered, enforced or deemed applicable to the merger or bank merger by any governmental entity of competent jurisdiction that, in connection with the grant of a requisite regulatory approval or otherwise, (a) requires any of the parties to pay any amounts that would be material to any of the parties or to divest any banking office, line of business or operations or to increase its regulatory capital, or (b) imposes any condition, requirement or restriction upon Summit or its subsidiaries, that, in the case of either (a) or (b), would, individually or in the aggregate, reasonably be expected to create a burdensome condition on Summit or its subsidiaries;

the accuracy of such party s representations and warranties, as of the date of the merger agreement and as of the effective time of the merger (or such other date specified in the merger agreement), other than, in most cases, inaccuracies that would not reasonably be expected to have a material adverse effect on such parties;

the performance in all material respects by the other party of its respective obligations under the merger agreement;

the receipt by each party of an officer s certificate executed by the chief executive officer and chief financial officer of the other party certifying that the previous two conditions listed above have been satisfied;

the receipt by each party of its counsel s opinion that the merger shall be classified as a reorganization within the mean of Section 368(a) of the Code; and

the parties shall have used commercially reasonable efforts to execute the key employee contracts referenced in the merger agreement and all change of control fees associated with the previous employment contracts shall be paid by First Century.

Additional Closing Conditions for the Benefit of Summit. In addition to the mutual closing conditions, Summit s obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

as of the effective date, the number of issued and outstanding shares of First Century common stock shall not exceed 1,903,120 and all representations by First Century regarding its capital structure shall be true and correct in all respects as of the date of the merger agreement and as of the effective date as though made on and as of the effective date;

the Dissenting Shares must constitute less than 10.0% of the outstanding shares of First Century common stock;

as of the effective date, the allowance for loan and lease losses for First Century Bank s general loan portfolio shall not be less than $2,254,000; provided, that for the avoidance of doubt, any specific reserves shall be excluded from the determination of allowance for loan and lease losses as of the effective date, in all cases consistent with all applicable rules and regulations;

simultaneously with the execution of the merger agreement, Summit received from each of the individuals set forth on the disclosure schedules, the voting agreement, a form of which is included as an exhibit to Appendix A attached to this prospectus and proxy statement; and

Table of Contents

simultaneously with the execution of the merger agreement, Summit received from each of the directors of First Century, a director support agreement, a form of which is included as an exhibit to Appendix A attached to this prospectus and proxy statement.

Representations and Warranties

The merger agreement contains customary representations and warranties of Summit and First Century relating to their respective businesses, which were made solely for the purposes of the merger agreement. The representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this document and in the documents incorporated by reference into this document. In addition, these representations and warranties:

- may be subject to limitations, qualifications or exceptions agreed upon by the parties, including those qualifications set forth in confidential disclosure schedules in connection with signing the merger agreement;
- will not survive consummation of the merger, except for those representations and warranties that by their terms apply or are to be performed in whole or in part after the effective time of the merger;
- may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to the merger agreement if those statements turn out to be inaccurate;
- are in some cases subject to a materiality standard described in the merger agreement which may differ from what may be viewed as material by you; and
- were made only as of the date of the merger agreement or such other date as is specified in the merger.

Summit will provide additional disclosures in its public reports to the extent it is aware of the existence of any material facts that are required to be disclosed under federal securities laws and that might otherwise contradict the terms and information contained in the merger agreement and will update such disclosures as required by federal securities laws.

The representations and warranties made by Summit and First Century to each other primarily relate to:

- corporate organization, existence and power;
- capitalization;
- ownership of subsidiaries;

corporate authorization to enter into the merger agreement and to consummate the merger;

absence of any breach of organizational documents, violation of law or breach of agreements as a result of the merger;

regulatory approvals required in connection with the merger;

reports filed with governmental entities, including, in the case of Summit, the SEC;

absence of material adverse effect on each party since December 31, 2015 through the date of the merger agreement;

compliance with laws and the absence of regulatory agreements;

accounting methods and internal controls;

litigation;

agreements with regulators;

derivative instruments and transactions;

Table of Contents

- accuracy of the information supplied by each party for inclusion or incorporation by reference in this prospectus and proxy statement; and
- fees paid to financial advisors.

First Century has also made representations and warranties to Summit with respect to:

- financial statements;
- undisclosed liabilities;
- tax matters;
- material contracts;
- employee benefit plans and labor matters;
- the inapplicability to the merger of state takeover laws;
- the vote required by First Century shareholders to approve the merger;
- ownership and other property rights;
- condition of assets;
- intellectual property;
- loan matters;
- maintenance of insurance policies;
- absence of actions or omissions by present or former directors, advisory directors, officers, employees or agents that would give rise to a material claim for indemnification;

transactions with affiliates;

absence of certain gifting practices;

environmental matters;

accuracy of books and records;

employee relationships;

administration of fiduciary accounts;

the opinion from Sandler O Neill; and

no other representations or warranties, express or implied have been made.

Summit also has represented to First Century that no vote of its shareholders is required to consummate the merger and it has, and at the closing of the merger will have, access to sufficient funds available to make all cash payments required to consummate the transactions contemplated by the merger agreement. Summit further represented that no other representations or warranties, express or implied have been made.

Waiver and Amendment

Summit and First Century may jointly amend the merger agreement and each may waive its right to require the other party to adhere to the terms and conditions of the merger agreement. However, Summit and First Century may not do so after First Century shareholders approve the merger agreement if the amendment or waiver would violate the West Virginia Business Corporation Act, require further approval from First Century s shareholders or such amendment changes the form or amount of merger consideration in a manner that is adverse in any respect to First Century s shareholders.

Indemnification; Directors and Officers Insurance

Following the effective time of the merger and for a period of four years thereafter, Summit must indemnify, defend and hold harmless the present directors, officers and employees of First Century and its subsidiaries against all costs or expenses (including reasonable attorneys fees), judgments, fines, losses, claims, damages or liabilities 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 of the merger (including, without limitation, the transactions contemplated by the merger agreement) to the fullest extent that First Century is currently permitted or required to indemnify (and advance expenses to) its directors, officers and employees under the laws of the State of West Virginia, First Century and its subsidiaries respective articles, bylaws, similar constituent documents 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 West Virginia law, First Century and its subsidiaries respective articles, bylaws, similar constituent documents 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.

For a period of four years from the effective time of the merger, Summit must use its reasonable best efforts to maintain director s and officer s liability insurance (determined as of the effective time of the merger) with respect to claims against present and former directors and officers of First Century and its subsidiaries arising from facts or events that occurred before the effective time of the merger, which insurance shall contain at least the same coverage and amounts, and contain terms and conditions no less advantageous, as that coverage currently provided by First Century and its subsidiaries; provided, that in no event shall Summit be required to expend, on an annual basis, more than 150% of the current amount expended by First Century or its subsidiaries to maintain or procure such directors and officers insurance coverage; and provided, further, that if Summit is unable to maintain or obtain the insurance called for by this provision, Summit must use its reasonable best efforts to obtain as much comparable insurance as is available for the insurance amount; and provided, further, that officers and directors of First Century or its subsidiaries may be required to make application and provide customary representations and warranties to Summit s insurance carrier for the purpose of obtaining such insurance.

Summit has agreed that it will not consolidate with or merge with any other corporation or entity where it is not the continuing or surviving corporation, or transfer all or substantially all of its property or assets, unless proper provision is made so that the successors and assigns of Summit and its subsidiaries assume the obligations of indemnification under the merger agreement.

These provisions shall survive the effective time of the merger and are intended to be for the benefit of, and shall be enforceable by, each indemnified party and his or her heirs and representatives.

Acquisition Proposals

First Century has agreed that, from the date of the merger agreement until the effective time of the merger or, if earlier, the termination of the merger agreement, it will not, and will cause its subsidiaries and their 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 (as defined below). However, none of the foregoing prohibits First Century or its subsidiaries officers, directors, agents, advisors, and affiliates from informing any person of the terms of this provision or from contacting any person (or such person s representatives) who has made, after the date of the merger agreement, an acquisition proposal solely to request clarification of the terms and conditions thereof so as to determine whether the acquisition proposal constitutes or is reasonably likely to result in a superior proposal (as defined below). First

Century must immediately cease and cause to be terminated any activities, discussions or negotiations conducted prior to the date of the merger agreement with any persons

Table of Contents

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 this agreement, at any time prior to the approval of the merger agreement by the First Century shareholders, if First Century receives an unsolicited acquisition proposal that the First Century board of directors determines in good faith is reasonably likely to constitute or result in a superior proposal, then First Century may: (i) negotiate and enter into a confidentiality agreement with the third party making the acquisition proposal with terms and conditions no less favorable to First Century than the confidentiality agreement entered into by First Century and Summit prior to the execution of the merger agreement; (ii) furnish First Century confidential information to the third party making the acquisition proposal pursuant to such confidentiality agreement; and (iii) negotiate with the third party making the acquisition proposal regarding such proposal, if the First Century board of directors determines in good faith (following consultation with counsel) that failure to take such actions would, or would be reasonably likely to result in, a violation of its fiduciary duties under applicable law. First Century must advise Summit in writing within two (2) business days following receipt of any acquisition proposal and the substance thereof and must keep Summit apprised of any related developments, discussions and negotiations on a current basis.

An acquisition proposal means any tender or exchange offer, proposal for a merger, consolidation or other business combination involving First Century or any of its subsidiaries or any proposal or offer to acquire equity interests representing 15.0% or more of the voting power of, or at least 10.0% of the assets or deposits of, First Century or any of its subsidiaries, other than the transactions contemplated by the merger agreement.

A superior proposal means a written acquisition proposal that the First Century board (or any committee thereof) concludes in good faith to be more favorable from a financial point of view to its shareholders than the merger (a) after consulting with its financial advisors (who shall be a nationally recognized investment banking firm), (b) after taking into account the likelihood of consummation of such transaction on the terms set forth therein and (c) after taking into account all legal (following consultation with outside counsel), financial (including the financing terms of any such proposal), regulatory and other aspects of such proposal and any other relevant factors permitted under applicable law; provided, however, that for purposes of the definition of superior proposal, the references to 15.0% or more and at least 10.0% in the definition of acquisition proposal shall be deemed to be references to a majority .

The merger agreement generally prohibits the First Century board of directors making a change in recommendation (i.e., from withdrawing or modifying in a manner adverse to Summit the recommendation of the First Century board of directors set forth in this prospectus and proxy statement that the First Century shareholders vote to approve the merger agreement, or from making or causing to be made any third party or public communication proposing or announcing an intention to withdraw or modify in a manner adverse to Summit such recommendation). At any time prior to the approval of the merger agreement by the First Century shareholders, however, the First Century board of directors may effect a change in recommendation or terminate the merger agreement to enter into an agreement in response to a bona fide written unsolicited acquisition proposal that the First Century board of directors determines in good faith constitutes a superior proposal if the First Century board of directors determines (after consultation with counsel) that the failure to do so could be inconsistent with its fiduciary obligations to First Century shareholders under applicable law. The First Century board of directors may not make a change in recommendation, or terminate the merger agreement to pursue a superior proposal, unless: (i) First Century has not breached any of the provisions of the merger agreement relating to acquisition proposals; and (ii) the First Century board of directors determines in good faith (after consultation with counsel) that such superior proposal continues to be a superior proposal (after taking into account all adjustments to the terms of the merger agreement offered by Summit), First Century has given Summit at least four (4) business days prior written notice of its intention to take such action and before making such change in recommendation, First Century has negotiated in good faith with Summit during the notice period (to the extent

Summit wishes to negotiate) to enable Summit to adjust the terms of the merger agreement so that such superior proposal no longer constitutes a superior proposal.

If the First Century board of directors makes a change in recommendation, or if First Century pursues a superior proposal, First Century could be required to pay Summit a termination fee of $1,300,000 in cash. See Termination Fee beginning on page 90.

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 (or on such other date as may be specified in the articles of merger to be filed with the West Virginia Secretary of State). Unless otherwise agreed to by Summit or First Century, the closing of the merger will take place on the last business day of the month in which the last of the conditions to the merger have been satisfied or waived.

Summit may delay the closing of the merger to the last business day of the month if the last necessary approval received is less than three business days from the end of this month, and if during the period of such delay Summit sets a record date for any dividend or other distribution in respect of shares of Summit common stock such that holders of First Century common stock would not be entitled to participate in such dividend or distribution, each holder of First Century common stock will receive a payment equal to the amount and kind of dividend or distribution that each such holder of First Century common stock 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 Summit dividend or distribution.

Regulatory Approvals

The merger and the other transactions contemplated by the merger agreement require the approval of the Federal Deposit Insurance Corporation, or the FDIC and the West Virginia Division of Financial Institutions, or the WV DFI, and a waiver from the Board of Governors of the Federal Reserve System, or the Federal Reserve. As bank holding companies, Summit and First Century are subject to regulation under the BHCA. First Century Bank and Summit Community Bank are West Virginia banking corporations and are regulated by the WV DFI. First Century Bank, and Summit Community Bank filed all required applications seeking approval of the merger with the WV DFI, and the FDIC. Summit filed a request for a waiver of the Section 3 application from the Federal Reserve.

Under the BHCA, the FDIC 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 FDIC has the authority to deny an application if it concludes that the combined organization would have inadequate capital. In addition, the FDIC 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 FDIC 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 WV DFI reviews the merger under similar standards. The merger cannot be consummated prior to receipt of all required approvals.

On August 3, 2016, the Federal Reserve issued a letter granting Summit s request for a waiver of the Section 3 application with the Federal Reserve. On September 12, 2016, Summit Community Bank received an order from the WV DFI approving the application of Summit Community Bank to merge with First Century Bank. On September 30, 2016, the FDIC issued an approval letter enclosing its order and basis for corporation approval with respect to Summit Community Bank s application for consent to merge with First Century Bank.

In accordance with the FDIC s September 30, 2016 approval order, the merger may not be consummated before the fifteenth calendar day following the date of the order. During this period, the United States Department of Justice may file objections to the merger under the federal antitrust laws. As of the date of this prospectus and proxy statement, the fifteen-day waiting period has expired and we have received no indication that the United States Department of Justice will challenge the merger.

Summit and First Century are not aware of any other governmental approvals or actions 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 such further 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 consideration or the exchange ratio for converting First Century 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

Pursuant to the merger agreement, First Century and Summit have agreed to certain restrictions on their activities until the effective time of the merger. First Century has agreed that it will, and will cause each of its subsidiaries to, do the following:

- cooperate with Summit and its subsidiaries to cause First Century to merge with and into merger sub;

- use its best efforts, to terminate or merge, the First Century benefit plans and fund any such benefit plan subject to Title IV of ERISA to the level sufficient to pay the termination liability thereof as set forth on a valuation reasonably acceptable to Summit, prior to the consummation of the merger;

- make all payments with respect to contracts to which First Century or any of its subsidiaries is a party that would give rise to any liability, fee, cost or expense (including any change-in-control fee) arising from the consummation of the merger, except to the extent such change-in-control provisions are waived pursuant to the employment agreements described in the merger agreement;

- use its best efforts, including notifying appropriate parties and negotiating in good faith a reasonable settlement, to ensure that its current data processing contracts and contracts related to the provision of any other electronic banking services will, if the merger occurs, be terminated after the consummation of the merger on a date to be mutually agreed upon by First Century and Summit;

- after the date of the merger agreement, First Century shall permit Summit or an independent third party engaged by Summit and reasonably acceptable to First Century to perform an audit of First Century s and its subsidiaries trust operations.

First Century has further agreed that it will not, and will not permit any of its subsidiaries, to do any of the following, except as expressly permitted by the merger agreement or the prior written consent of Summit:

enter into any new line of business;

change its or its subsidiaries lending, investment, underwriting, risk and asset-liability management or other material banking or operating policies in any material respect, except as required by applicable legal requirements or by policies imposed by a governmental entity;

incur or commit to any capital expenditures or any obligations or liabilities in connection therewith other than capital expenditures and obligations or liabilities incurred or committed to in the ordinary course of business consistent with past practice;

enter into or terminate any material lease, contract or agreement (except with respect to such terminations as may be set forth in the merger agreement) or make any change to any existing material leases, contracts or agreements, except as required by applicable legal requirements or by policies imposed by a governmental entity;

take any action or fail to take any action, which action or failure causes a material breach of any material lease, contract or agreement;

declare or pay any dividends on or make other distributions in respect of any of its capital stock, except for dividends by a wholly owned subsidiary of First Century, or as specifically contemplated in the merger agreement and its regular quarterly dividend of $0.20 per share consistent with past practice;

split, combine, exchange, adjust or reclassify any of its capital stock or issue or authorize or propose the issuance or authorization of any other securities in respect of, in lieu of or in substitution for, shares of its capital stock;

purchase, redeem or otherwise acquire, or permit any subsidiary to purchase, redeem or otherwise acquire, any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock (except for the acquisition of debt previously contracted shares in the ordinary course of business consistent with past practice and except pursuant to agreements in effect on the date and disclosed in the merger agreement);

issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of its capital stock of any class, any voting debt, any stock appreciation rights or any securities convertible into or exercisable or exchangeable for, or any rights, warrants or options to acquire, any such shares or voting debt, or enter into any agreement with respect to any of the foregoing, other than issuances by a wholly owned subsidiary of its capital stock to its parent and other than as trustee or other fiduciary under the terms and conditions of any benefit plan or other trust;

amend or propose to amend its charter, certificate of formation, bylaws or similar organizational documents, as applicable, or, except to the extent permitted by the merger agreement, enter into, or permit any subsidiary to enter into, a plan of consolidation, merger or reorganization with any person other than a wholly owned subsidiary of First Century;

acquire or agree to acquire, by merging or consolidating with, by purchasing equity interest in or the assets of, by forming a partnership or joint venture with, or in any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any assets not in the ordinary course of business; provided, however, that the foregoing shall not prohibit foreclosures, repossessions or other debt previously contracted acquisitions in the ordinary course of business;

sell, lease, assign, encumber or otherwise dispose of, or agree to sell, lease, assign, encumber or otherwise dispose of, any of its assets (including capital stock of its subsidiaries and indebtedness of others held by First Century and its subsidiaries) exceeding $250,000, in the aggregate, in any calendar month, except for sales of OREO, mortgages originated or held by First Century Bank in the ordinary course of business consistent with past practice, investment securities in the ordinary course of business consistent with past practice, and sales of assets as required by applicable legal requirements or by policies imposed by a governmental entity;

incur, create or assume any long-term indebtedness for borrowed money (or modify any of the material terms of any such outstanding long-term indebtedness), guarantee any such long-term indebtedness or issue or sell any long-term debt securities or warrants or rights to acquire any long term debt securities of First Century or any of its subsidiaries or guarantee any long-term debt securities of others, other than indebtedness of any subsidiary of First Century to First Century or to another subsidiary of First Century;

prepay or voluntarily repay any subordinated indebtedness;

make, commit to make, renew, extend the maturity of, or alter any of the material terms of any loan or group of loans to any borrower and its affiliates that, individually or collectively, would be in excess of $4,000,000, except as contemplated by the merger agreement;

intentionally take any action that would, or reasonably might be expected to, result in any of its representations and warranties set forth in the merger agreement being or becoming untrue in any material respect, or in any of the conditions to the merger not being satisfied or in a violation of any provision of the merger agreement, or (unless such action is required by applicable legal requirements) which would adversely affect the ability of the parties to obtain any of the requisite regulatory approvals without imposition of a condition or restriction of the type referred to in the merger agreement;

make any material change in its methods of accounting in effect at December 31, 2015, except as required by changes in generally accepted accounting principles or regulatory accounting principles as concurred in by First Century s independent auditors or required by a governmental entity;

make or rescind any material tax election, make any material amendments to tax returns previously filed, or settle or compromise any material tax liability or refund;

enter into, adopt, amend (except for such amendments as may be required by applicable legal requirements or as provided under the merger agreement) or terminate any First Century benefit plan, or any agreement, arrangement, plan or policy between First Century or a subsidiary of First Century and one or more of its directors or officers;

except for normal pay increases to rank and file employees in the ordinary course of business consistent with past practice or as required by any plan or arrangement as in effect as of the date hereof, materially increase in any manner the compensation or benefits of any director, officer or employee or pay any benefit not required by any plan or arrangement as in effect as of the date hereof or enter into any contract, agreement, commitment or arrangement to do any of the foregoing;

enter into any contract, agreement, commitment or arrangement providing for the payment to any director, officer or employee of compensation or benefits;

enter into any new contract or agreement providing that, with respect to the right to any bonus or incentive compensation, the vesting of any such bonus or incentive compensation, shall accelerate or otherwise be affected by the occurrence of any of the transactions contemplated by the merger agreement, either alone or in combination with some other event;

grant or award any bonus or incentive compensation, or any stock option, restricted stock, restricted stock unit or other equity-related award except as required as an existing obligation of First Century under the terms of any existing agreement;

materially restructure or materially change (on a consolidated basis) its investment securities portfolio, its hedging strategy or its interest rate risk position, through purchases, sales or otherwise, or the manner in which its investment securities portfolio is classified or reported or materially increase the credit or other risk concentrations associated with its investment securities portfolio; provided, however, that the foregoing shall not restrict the purchase or sale of investment securities by First Century or any of its subsidiaries (i) as set forth the merger agreement, (ii) in an amount not exceeding $5,000,000 per transaction with a duration of five (5) years or less that is in the ordinary course of business consistent with past practice or (iii) with respect to services provided by First Century or any affiliate as trustee, investment advisor, custodian or fiduciary of any kind;

adopt a plan of complete or partial liquidation or resolutions providing for or authorizing such a liquidation or a dissolution, restructuring, recapitalization or reorganization; or

agree to, or make any commitment to, take, or authorize, any of the actions prohibited by the foregoing, except with respect to actions taken as trustee, custodian or other fiduciary.

Summit has agreed that it will not, and will not permit any of its subsidiaries, to do the following, except as expressly permitted by the merger agreement or the prior written consent of First Century:

amend the articles or bylaws of Summit in a manner that would adversely affect First Century or any of its subsidiaries;

Table of Contents

- take any action that would reasonably be expected to result in the merger and the bank merger failing to qualify as a reorganization under Section 368(a) of the Code;

- take any action that is likely to materially impair Summit s ability to perform any of its obligations under the merger agreement or merger sub s or Summit Community Bank s ability to perform any of its obligations under the bank merger agreement;

- make an election for merger sub to be treated as a corporation for federal income tax purposes; or

- agree or commit to do any of the foregoing.

In general, each party has also agreed that, except as otherwise permitted by the merger agreement, or as required by applicable law or a governmental entity, or with the prior written consent of the other party, it will:

- use commercially reasonable best efforts to maintain and preserve intact its business organization and advantageous business relationships;

- consult with the other on all strategic, integration and operational matters to the extent such consultation is deemed necessary or appropriate by Summit and is not in violation of applicable legal requirements;

- file all reports, schedules, applications, registrations, and other information required to be filed by each of them with all other relevant governmental entities and to obtain all of the requisite regulatory approvals between the date of the merger agreement and the effective time of the merger;

- use their commercially reasonable efforts to maintain and keep in full force and effect all of their respective policies of insurance presently in effect, or replacements for such policies, including insurance of customer deposit accounts with the FDIC, and take all requisite action (including the making of claims and the giving of notices) pursuant to their respective policies of insurance in order to preserve all rights thereunder with respect to all matters that could reasonably give rise to a claim prior to the effective time of the merger;

- prior to the effective time of the merger, (a) each of First Century and Summit shall exercise, consistent with the terms and conditions of the merger agreement, complete control and supervision over its and its subsidiaries respective operations, (b) First Century shall not be under any obligation to act in a manner that could reasonably be deemed to constitute anti-competitive behavior under federal or state antitrust laws and (c) First Century shall not be required to agree to any material obligation that is not contingent upon the consummation of the merger; and

- use commercially reasonable efforts to cause to be delivered at the closing all documents required as conditions precedent to the consummation of the merger, as applicable.

Regulatory Matters

This prospectus and proxy statement forms part of a Registration Statement on Form S-4 which Summit has filed with the SEC. Each of Summit and First Century has agreed to use its commercially reasonable best efforts to maintain the effectiveness of the Registration Statement for as long as necessary to complete the merger and the other transactions contemplated by the merger agreement.

Summit has agreed to use its commercially reasonable best efforts to obtain all necessary state securities law or blue sky permits and approvals required to carry out the transactions contemplated by the merger agreement, and First Century has agreed to furnish all information concerning First Century and the holders of First Century common stock as may be reasonably requested in connection with any such action.

Summit and First Century have agreed to cooperate with each other and use their respective reasonable best efforts to take, or cause to be taken, all actions necessary or advisable to consummate the merger and the bank merger and to make effective the other transactions contemplated by the merger agreement as promptly as reasonably practicable after the date of the merger agreement. However, neither Summit nor First Century shall be obligated to take any action if the taking of such action or the obtaining of a consent, authorization, order, approval or exemption shall result in a condition or restriction upon such party or on the surviving entity that would have any of the following effects upon such party, (i) require a party to pay an amount that would be material to such party or to divest any banking office, line of business or operations or to increase regulatory capital or (ii) impose any condition, requirement or restriction upon Summit or its subsidiaries, that, in the case of (i) or (ii) above, would individually or in the aggregate, reasonably be expected to create a burdensome condition on Summit or its subsidiaries.

First Century and Summit have the right to review in advance and, to the extent practicable, each will consult the other on, in each case subject to applicable laws, all the information relating to First Century or Summit, as the case may be, and any of their respective subsidiaries, that appear in any filing made with, or written materials submitted to, any third party or any governmental entity in connection with the transactions contemplated by the merger agreement. In addition, Summit and First Century will consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and governmental entities necessary or advisable to consummate the transactions contemplated by the merger agreement, and each party will keep the other apprised of the status of matters relating to the completion of the merger. Summit and First Century shall promptly deliver to each other copies of all filings, orders and material correspondence to and from all governmental entities in connection with the transactions contemplated by the merger agreement.

Additionally, each of Summit and First Century has agreed to furnish to the other, upon request, all information concerning itself, its subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with this prospectus and proxy statement, the Registration Statement on Form S-4 or any other statement, filing, notice or application made by or on behalf of Summit, First Century or any of their respective subsidiaries to any regulatory or governmental entity in connection with the merger, the bank merger of any or the other transactions contemplated by the merger agreement.

NASDAQ Listing

Summit has agreed to use its commercially reasonable best efforts to cause the shares of Summit common stock to be issued to the holders of First Century common stock in the merger to be authorized for listing on the Nasdaq Global Select Market, subject to official notice of issuance, prior to the effective time of the merger.

Employee Matters

Following the effective time of the merger, Summit must maintain employee benefit plans and compensation opportunities for employees of First Century and its subsidiaries on the closing date of the merger, referred to as covered employees, that provide employee benefits and compensation opportunities which, in the aggregate, are substantially comparable to the employee benefits and compensation opportunities that are available on a uniform and non-discriminatory basis to similarly situated employees of Summit or its subsidiaries. Summit will 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. Summit will give the covered employees full credit for their prior service with First Century and its subsidiaries for purposes of eligibility and vesting but not for purposes of benefit accrual under Summit s benefit plans, except this provision will not apply to the Summit Financial Group, Inc. Employee Stock Ownership Plan and no prior service credit will be granted for any purpose under that plan.

Except for employees of First Century Bank with individual agreements that provide for payment of severance under certain circumstances (who will be paid severance only in accordance with such agreements and

Table of Contents

shall not have a right to employer-paid outplacement services), Summit will pay (i) (A) each employee of First Century Bank who is a vice president or more senior and who is involuntarily terminated by Summit or any of its subsidiaries (other than for cause) on or within nine months of the effective date, a severance payment equal to one and one-half weeks of base pay (at the rate in effect on the termination date) for each year of service at First Century Bank, with a minimum payment equal to 12 weeks of base pay and a maximum payment equal to 26 weeks of base pay and (B) each employee of First Century Bank other than any employee who is less senior than a vice president and who is involuntarily terminated by Summit or any of its subsidiaries (other than for cause) on or within nine months of the effective date, a severance payment equal to one week of base pay (at the rate in effect on the termination date) for each year of service at First Century Bank, with a minimum payment equal to 12 weeks of base pay and a maximum payment equal to 26 weeks of base pay, but only if such employee does not have rights to a severance payment under an employment agreement, in which case no severance payment shall be made to such employee pursuant to this provision, and (ii) it will reimburse costs associated with reasonable outplacement services actually incurred no later than the date that is six months after the date of the employee s termination of employment, so that after reimbursement, such services will be at no cost to the employee; provided that (A) documentation of such expenses is provided to Summit by the terminated employee and (B) such services are provided by an outplacement agency selected by Summit.

Expenses

Whether or not the merger is consummated, all costs and expenses incurred in connection with the merger agreement and the transactions contemplated hereby shall be paid by the party incurring such expense, except for any applicable termination fees, and furthermore, with respect to First Century and its subsidiaries, shall be incurred or recognized as an expense for purposes of the calculation of adjusted shareholders equity pursuant to the merger agreement, and except that (a) if the merger and the bank merger are consummated, the surviving entity shall pay, or cause to be paid, any and all property or transfer taxes imposed on either party in connection with the merger, and (b) the printing and mailing expenses incurred in connection with printing and mailing this prospectus and proxy statement shall be shared equally by Summit and First Century.

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or after the approval of the merger agreement by First Century shareholders, as follows:

- by mutual written consent of Summit and First Century;

- by either Summit or First Century, if (i) a regulatory or other governmental authority that must grant a requisite regulatory approval has denied approval of the merger or the bank merger and such denial has become final and non-appealable (provided that the denial is not attributable to the failure of the party seeking to terminate the merger agreement to perform any covenant in the merger agreement required to be performed prior to the effective time of the merger) or (ii) a regulatory or other governmental authority has issued a final, non-appealable order, injunction or decree permanently enjoining or otherwise prohibiting or making illegal the completion of the merger or the bank merger;

- by either Summit or First Century, if the merger has not been completed by March 31, 2017;

by Summit, upon written notice to First Century, if any application for requisite regulatory approval shall have been denied or withdrawn at the request or recommendation of the governmental entity from which a requisite regulatory approval is required or if any such application is approved with commitments, conditions or understandings, whether contained in an approval letter or otherwise, which, imposes a burdensome condition on Summit or its subsidiaries, as applicable;

by either Summit or First Century, if there is a breach by the other party of any representation, warranty, covenant or other agreement set forth in the merger agreement, that would, individually or in the aggregate, result in the failure to satisfy the closing conditions of the party seeking termination and such breach is not cured within thirty (30) days following written notice to the breaching party or by its nature or timing cannot be cured within that time period;

Table of Contents

by Summit, upon written notice to First Century, if, since the date of the merger agreement, there shall have occurred a material adverse effect with respect to First Century;

by First Century, upon written notice to Summit, if, since the date of the merger agreement, there shall have occurred a material adverse effect with respect to Summit;

by Summit, if the First Century board of directors fails to recommend that the First Century shareholders approve the merger agreement or makes a change in recommendation, or if First Century materially breaches any of the provisions of the merger agreement relating to acquisition proposals, as described under Acquisition Proposals ;

by First Century, prior to obtaining the approval of the merger agreement by the First Century shareholders, in order to enter into an agreement relating to a superior proposal in accordance with the provisions of the merger agreement relating to third party proposals, as described under Acquisition Proposals (provided that First Century has not materially breached any such provisions and pays Summit the termination fee described under Termination Fee);

by either Summit or First Century, if the First Century shareholders fail to approve the merger agreement at a duly held meeting of First Century shareholders or any adjournment or postponement thereof (provided that the First Century board of directors has recommended that the First Century shareholders approve the merger agreement and has not made a change in recommendation); and

by First Century, if the average closing price of Summit common stock declines by more than 15% from $17.30 and underperforms an index of banking companies by more than 15% over a designated measurement period, unless Summit agrees to increase the number of shares of Summit common stock to be issued to holders of First Century common stock.

Termination Fee

First Century must pay Summit a termination fee of $1,300,000:

if the merger agreement is terminated by Summit because the First Century board of directors did not recommend that the First Century shareholders approve the merger agreement or made a change in recommendation, or because First Century materially breached any of the provisions of the merger agreement relating to acquisition proposals, as describe under Acquisition Proposals ; or

if the merger agreement is terminated by First Century, prior to obtaining approval of the merger agreement by the First Century shareholders, in order to enter into an agreement relating to a superior proposal in accordance with the provisions of the merger agreement relating to acquisition proposals, as described under Acquisition Proposals .

Summit must pay First Century within one business day the total amount of third party costs expended by First Century in its efforts to terminate its Defined Benefit Plan if:

- if the merger agreement is terminated by First Century because the merger has not been completed by March 31, 2017;
- the merger agreement is terminated by First Century because there is a breach by Summit of any representation, warranty, covenant or other agreement set forth in the merger agreement, that resulted, individually or in the aggregate, in the failure to satisfy the closing conditions of First Century and such breach is not cured within 30 days following written notice to the breaching party or by its nature or timing could not be cured within that time period; or
- the merger agreement is terminated by First Century because a material adverse effect with respect to Summit has occurred since the date of the merger agreement.

Table of Contents

Effect of Termination

If the merger agreement is validly terminated, the merger agreement will become void and have no effect, and none of First Century, Summit, any of their respective subsidiaries or any of the officers or directors of any of them will have any liability under the merger agreement, or in connection with the transactions contemplated by the merger agreement, except that:

- the provisions of the merger agreement relating to confidentiality obligations of the parties, the payment of expenses, the termination fees, publicity and certain other technical provisions will continue in effect notwithstanding termination of the merger agreement; and

- termination will not relieve a breaching party from liability for any willful and material breach of any provision of the merger agreement.

Other than in a case of willful and material breach of the merger agreement, the payment of the termination fee fully discharges First Century from, and is the sole and exclusive remedy of Summit with respect to, any and all losses that may be suffered by Summit based upon, resulting from or arising out of the circumstances giving rise to such termination of the merger agreement.

Surrender of Stock Certificates

Computershare will act as exchange agent in the merger and in that role will process the exchange of First Century stock certificates for Summit common stock. The exchange agent, or Summit and First Century if the exchange agent declines to do so, will also be making any computations required by the merger agreement, and all such computations will be conclusive and binding on the holders of First Century common stock in the absence of manifest error. **In any event, do not forward your First Century stock certificates with your proxy card.**

After the effective time of the merger, each certificate formerly representing First Century common stock, until so surrendered and exchanged, will evidence only the right to receive 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 occurring after the effective time of the merger. The holder of such unexchanged certificates 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 First Century common stock. First Century stock certificates presented for transfer after the completion of the merger will be canceled and exchanged for the merger consideration.

If your First Century 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, Computershare, 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) $22.50, the per share cash consideration. A First Century shareholder whose direct

Table of Contents

shareholdings are represented by multiple First Century stock certificates will have all shares associated with those stock certificates aggregated for purposes of calculating whole shares and cash in lieu of fractional shares to be received upon completion of the merger.

Accounting Treatment

The merger will be accounted for using acquisition accounting in accordance with U.S. generally accepted accounting principles. As such, the assets and liabilities of First Century, 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, will not be amortized and will be evaluated for impairment annually. Consolidated financial statements of Summit issued after the consummation of the merger will reflect such values. In addition, costs incurred in connection with the business combination will be expensed as incurred unless related to the equity issuance. The operating results of First Century will be included in Summit s consolidated financial statements from the date the merger is consummated and afterwards.

Management and Operations after the Merger

One individual from First Century, a person who is an active member of the First Century board of directors as of June 1, 2016 through the effective time, with personal connections to the local civic and business community, who meets the qualifications under Summit s and Summit Community Bank s charter documents and their respective board policies and applicable law, will join the board of directors of Summit and the board of directors of Summit Community Bank. See The Merger Interests of Certain First Century Directors and Executive Officers in the Merger beginning on page 69.

The remaining current directors and senior officers of Summit and Summit Community Bank are expected to continue in their current positions. Information about the current Summit directors and executive officers can be found in the documents listed under Where You Can Find More Information beginning on page 129.

Resales of Summit Common Stock

The shares of Summit common stock to be issued to shareholders of First Century under the merger agreement have been registered under the Securities Act and may be freely traded without restriction by holders, including holders who were affiliates of First Century on the date of the special meeting (except for such holders who become affiliates of Summit as of the effective time of the merger via their appointment to the board of directors of Summit or otherwise). All directors and executive officers of First Century are considered affiliates of First Century for this purpose.

Table of Contents

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following discussion and legal conclusions contained herein constitute and represent the opinion of Hunton & Williams LLP, counsel to Summit, and the opinion of Bowles Rice LLP, counsel to First Century, as to the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of First Century common stock that exchange their shares of First Century common stock for the merger consideration in the merger. The following discussion is based upon the Code, the U.S. Treasury regulations promulgated thereunder and judicial and administrative authorities, rulings, and decisions, all as in effect on the date of this prospectus and proxy statement. These authorities may change, possibly with retroactive effect, and any such change could affect the accuracy of the statements and conclusions set forth in this discussion. This discussion does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction, or under any U.S. federal laws other than those pertaining to the income tax.

The following discussion applies only to U.S. holders of shares of First Century common stock who hold such shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). Further, this discussion does not purport to consider all aspects of U.S. federal income taxation that might be relevant to U.S. holders in light of their particular circumstances and does not apply to U.S. holders subject to special treatment under the U.S. federal income tax laws (such as, without limitation, dealers or brokers in securities, commodities or foreign currencies; traders in securities that elect to apply a mark-to-market method of accounting; banks and certain other financial institutions; insurance companies; mutual funds; tax-exempt organizations; holders subject to the alternative minimum tax provisions of the Code; partnerships, S corporations or other pass-through entities or investors in partnerships, regulated investment companies, real estate investment trusts, controlled foreign corporations, or passive foreign investment companies; former citizens or residents of the United States; holders whose functional currency is not the U.S. dollar, holders who hold shares of First Century common stock as part of a hedge, straddle, constructive sale or conversion transaction or other integrated investment; holders who exercise appraisal rights; or holders who actually or constructively own more than 5% of First Century common stock).

For purposes of this discussion, the term U.S. holder means a beneficial owner of First Century common stock that is for U.S. federal income tax purposes (1) an individual citizen or resident of the United States, (2) a corporation (or entity or an arrangement treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (3) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons (as defined in Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust, or (b) such trust has made a valid election to be treated as a U.S. person for U.S. federal income tax purposes, or (4) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

If an entity or an arrangement treated as a partnership for U.S. federal income tax purposes holds First Century common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Any entity treated as a partnership for U.S. federal income tax purposes that holds First Century common stock, and any partners in such partnership, should consult their own tax advisors.

Determining the actual tax consequences of the merger to you may be complex and will depend on your specific situation and on factors that are not within our control. You should consult with your own tax advisor as to the specific tax consequences of the merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local, foreign and other tax laws and the effect of possible changes in those laws after the date of this proxy statement.

93

Tax Consequences of the Merger Generally

The merger and the bank merger will qualify as a reorganization under Section 368(a) of the Code for U.S. federal income tax purposes. It is a condition to the obligations of Summit that it receive an opinion from Hunton & Williams and of First Century that it receive an opinion from Bowles Rice, each in form reasonably satisfactory to such recipient, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. Neither Summit nor First Century currently intends to waive this opinion condition to its obligation to consummate the merger. If either Summit or First Century waives this opinion condition after this registration statement is declared effective by the SEC, and if the tax consequences of the merger to First Century shareholders have materially changed, Summit and First Century will recirculate appropriate soliciting materials to resolicit the votes of First Century shareholders. The opinion will be based on representation letters provided by Summit and First Century and on customary factual assumptions. The opinion described herein will not be binding on the Internal Revenue Service, which we refer to as the IRS, or any court.

Summit and First Century have not sought and will not seek any ruling from the IRS regarding any matters relating to the merger, and as a result, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below. In addition, if any of the representations or assumptions upon which the opinion is based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected.

The U.S. federal income tax consequences of the merger are as follows:

- if you receive solely stock consideration in the merger, upon exchanging your First Century common stock for Summit common stock, you generally will not recognize gain or loss, except with respect to cash received instead of fractional shares of Summit common stock (as discussed below);

- any First Century shareholder who receives solely cash consideration in the merger will recognize gain or loss upon surrendering his, her or its First Century common stock in an amount equal to the difference between the amount of cash received and his, her or its aggregate adjusted tax basis in the shares of First Century common stock surrendered therefor; and

- if you receive both cash consideration (other than cash received instead of fractional shares of Summit common stock) and stock consideration in the merger, (1) you will not recognize any loss upon surrendering your First Century common stock, and (2) you will recognize gain upon surrendering your First Century common stock equal to the lesser of (a) the excess, if any, of (i) the sum of the amount of cash that you receive plus the fair market value (determined as of the effective time of the merger) of the Summit common stock that you receive over (ii) your aggregate adjusted tax basis in the shares of First Century common stock that you surrender therefor, and (b) the amount of cash consideration that you receive in the merger (excluding cash received instead of fractional shares of Summit common stock).

Gain or loss described in the second bullet point above generally will be capital gain or loss and will be long-term capital gain or loss if, as of the effective time of the merger, the holding period for such shares of First Century common stock exceeds one year. Long-term capital gains of individuals are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Any gain described in the third bullet point above will be capital gain unless your receipt of cash has the effect of a distribution of a dividend, in which case the gain will be treated as a dividend to the extent of your ratable share of First Century s accumulated earnings and profits, as calculated for U.S. federal income tax purposes. For purposes of determining whether your receipt of cash has the effect of a distribution of a dividend, you will be treated as if you first exchanged all of your First Century common stock solely in exchange for Summit common stock (instead of the combination of Summit common stock and cash actually received) and then Summit immediately redeemed a portion of that stock for the cash that you actually received in the merger (referred to herein as the deemed redemption). Receipt of cash in such deemed redemption will generally be

Table of Contents

treated as capital gain and will not have the effect of a dividend to you if such deemed redemption is not essentially equivalent to a dividend or substantially disproportionate, each within the meaning of Section 302(b) of the Code. In order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must result in a meaningful reduction in the First Century shareholder s deemed percentage stock ownership of Summit following the merger. The determination generally requires a comparison of (1) the percentage of the outstanding Summit voting stock that you are deemed actually and constructively to have owned immediately before the deemed redemption to (2) the percentage of the outstanding Summit voting stock that you own immediately after the deemed redemption. In general, the deemed redemption will be substantially disproportionate with respect to a First Century shareholder if the percentage of Summit voting stock that you own immediately after the deemed redemption is less than 80% of the percentage of Summit voting stock that you are deemed actually and constructively to have owned immediately before the deemed redemption. The IRS has indicated in rulings that any reduction in the interest of a minority shareholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs is considered a meaningful reduction and would result in capital gain (as opposed to dividend) treatment. For purposes of applying the foregoing tests, a shareholder will be deemed to own the stock the shareholder actually owns and the stock the shareholder constructively owns under the attribution rules of Section 318 of the Code. Under Section 318 of the Code, a shareholder will be deemed to own the shares of stock owned by certain family members, by certain estates and trusts of which the shareholder is a beneficiary, and by certain affiliated entities, as well as shares of stock subject to an option actually or constructively owned by the shareholder or such other persons. If, after applying these tests, the deemed redemption results in a capital gain, the capital gain will be long-term if your holding period for your First Century common stock is more than one year as of the date of the exchange. If, after applying these tests, the deemed redemption results in the gain recognized being classified as a dividend, such dividend will be treated as either ordinary income or qualified dividend income. Any gain treated as qualified dividend income will be taxable to you at the long-term capital gains rate, provided you held the shares giving rise to such income for more than 60 days during the 121 day period beginning 60 days before the effective time of the merger. The determination as to whether you will recognize a capital gain or dividend income as a result of your exchange of First Century common stock for a combination of Summit common stock and cash in the merger is complex and is determined on a shareholder-by-shareholder basis. Accordingly, we urge you to consult your own tax advisor with respect to any such determination that is applicable to your individual situation.

The aggregate tax basis of the Summit common stock that you receive in the merger, including any fractional shares deemed received and redeemed for cash as described below, will equal your aggregate adjusted tax basis in the shares of First Century common stock that you surrender in the merger (less any tax basis attributable to cash received instead of a fractional share in Summit common stock), decreased by the amount of any cash consideration (other than cash received instead of fractional shares of Summit common stock) received and increased by the amount of any gain recognized in the merger (including any portion of the gain that is treated as a dividend, as described above, and excluding any gain recognized as a result of cash received instead of a fractional share). Your holding period for the shares of Summit common stock that you receive in the merger (including any fractional share deemed received and redeemed for cash as described below) will include your holding period for the shares of First Century common stock that you surrender in the merger. If you acquired different blocks of First Century common stock at different times or at different prices, gain or loss must be calculated separately for each identifiable block of shares of First Century common stock surrendered in the merger, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares. Holders should consult their tax advisors regarding the manner in which cash and shares of Summit common stock should be allocated among different blocks of their First Century common stock surrendered in the merger. The basis and holding period of each block of Summit common stock you receive will be determined on a block-for-block basis depending on the basis and holding period of the blocks of First Century common stock exchanged for such block of Summit common stock.

95

Table of Contents

Cash Instead of Fractional Shares

If you receive cash instead of a fractional share of Summit common stock, you will be treated as having received such fractional share of Summit common stock pursuant to the merger and then as having received cash in redemption for such fractional share of Summit common stock. As a result, you generally will recognize gain or loss equal to the difference between the amount of cash received instead of a fractional share and the tax basis in your shares of First Century common stock allocable to that fractional share of Summit common stock. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if, as of the effective time of the merger, the holding period for such fractional share (including the holding period of shares of First Century common stock surrendered therefor) exceeds one year.

Net Investment Income Tax

A Medicare contribution tax is imposed on the net investment income of certain individuals, estates and trusts with income exceeding certain threshold amounts. A holder that is an individual is subject to a 3.8% tax on the lesser of: (1) his or her net investment income for the relevant taxable year, or (2) the excess of his or her modified adjusted gross income for the taxable year over a certain threshold (between $125,000 and $250,000 depending on the individual s U.S. federal income tax filing status). Estates and trusts are subject to similar rules. Net investment income generally would include any capital gain recognized in connection with the merger (including any gain treated as a dividend), as well as, among other items, other interest, dividends, capital gains and rental or royalty income received by such individual. Holders should consult their tax advisors as to the application of this additional tax to their circumstances.

Possible Treatment of Merger as a Taxable Transaction

The IRS may determine that the merger does not qualify as a nontaxable reorganization under Section 368(a) of the Code. In that case, each First Century shareholder would recognize a gain or loss equal to the difference between the (1) the sum of the fair market value of Summit common stock and cash received by the First Century shareholder in the merger, and (2) the First Century shareholder s adjusted tax basis in the shares of First Century common stock exchanged therefor. This gain or loss generally will be a capital gain or loss, and will be long-term capital gain or loss if, as of the effective time of the merger, the holding period for such shares of First Century common stock exceeds one year. The likely tax treatment of the merger will not be known until the effective time of the merger, as the aggregate value of the Summit common stock to be received by First Century shareholders will fluctuate with the market price of the Summit common stock. Holders should consult their tax advisors as to the tax implications of the merger being treated as a taxable transaction.

Tax Treatment of Special Distribution

Under limited circumstances, First Century may make a special distribution. Each holder of First Century common stock receiving the special distribution who: (a) is not a nonresident alien; (b) is not a nominee; (c) is not a corporation subject to income taxation under Subchapter C of Chapter 1 of the Code; (d) is neither a regulated investment company, as defined in Section 851 of the Code, nor a real estate investment trust, as defined in Section 856 of the Code; (e) is not under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property; (f) does not know or have reason to know that the special distribution is in fact a payment in lieu of a dividend rather than an actual dividend and First Century reports the special distribution to the holder of First Century common stock on Form 1099-DIV; (g) does not elect to treat the special distribution as investment income under Section 163(d)(4)(B)(iii) of the Code; and (h) has held the First Century common stock held by such holder for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which the First Century common stock becomes ex-dividend with respect to the special distribution, will likely be entitled to treat the special distribution as qualified dividend income subject to federal income taxation as net capital gain under Section 1(h)(11) of the Code. It is not likely that any holder of First Century common stock will recoup any income tax basis in any of their respective shares of First Century common stock upon receipt of the special distribution.

Table of Contents

HOLDERS OF FIRST CENTURY COMMON STOCK SHOULD CONSULT THEIR TAX ADVISORS TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE RECEIPT OF THE SPECIAL DISTRIBUTION IF IT IS DECLARED AND PAID AS PART OF CONSUMMATING THE MERGER.

Information Reporting and Backup Withholding

First Century shareholders are required to retain permanent records and make such records available to any authorized IRS officers and employees. The records should include the number of shares of First Century common stock exchanged, the number of shares of Summit common stock received, the fair market value of the First Century common stock exchanged, and the holder s adjusted basis in the Summit common stock received.

If you are a non-corporate holder of First Century common stock, you may be subject, under certain circumstances, to backup withholding (currently at a rate of 28%) on any cash payments you receive pursuant to the merger. You generally will not be subject to backup withholding, however, if you:

- furnish a correct taxpayer identification number, certify that you are not subject to backup withholding on IRS Form W-9 (or substantially similar form) and otherwise comply with all the applicable requirements of the backup withholding rules;
- provide a certification of foreign status on an appropriate IRS Form W-8 or successor form; or
- provide proof that you are otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules are not an additional tax and will generally be allowed as a refund or credit against your U.S. federal income tax liability, provided you timely furnish the required information to the IRS.

Certain Reporting Requirements

If a U.S. holder that receives Summit common stock in the merger is considered a significant holder, such U.S. holder will be required (1) to file a statement with its U.S. federal income tax return in accordance with Treasury Regulation Section 1.368-3 providing certain facts pertinent to the merger, including such U.S. holder s tax basis in, and the fair market value of, the First Century common stock surrendered by such U.S. holder in the merger, and (2) to retain permanent records of these facts relating to the merger. A significant holder is any First Century shareholder that, immediately before the merger, (a) owned at least 5% (by vote or value) of the outstanding stock of First Century, or (b) owned First Century securities with a tax basis of $1.0 million or more.

This discussion of anticipated material U.S. federal income tax consequences is for general information purposes only and is not tax advice. Holders of First Century common stock are urged to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty. Holders of First Century common stock are also urged to consult their tax advisors with respect to the effect of possible changes in any of those laws after the date of this prospectus and proxy statement.

97

Table of Contents

INFORMATION ABOUT SUMMIT

Summit is a West Virginia corporation registered as a bank holding company pursuant to the BHCA. Summit was incorporated on March 3, 1987, organized on March 5, 1987, and began conducting business on March 5, 1987. As of December 31, 2015, 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 BHCA, Summit s present business is community banking. As of June 30, 2016, Summit s consolidated assets approximated $1.57 billion and total shareholders equity approximated $150.7 million. At June 30, 2016, Summit s loan portfolio, net of unearned income and allowance for loan losses, was $1.17 billion and its deposits were $1.10 billion.

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 18 full service offices - 9 located throughout West Virginia and 9 throughout Northern Virginia and the Shenandoah Valley.

For more information regarding Summit, please see Summit s Annual Report on Form 10-K for the year ended December 31, 2015, its quarterly report on Form 10-Q for the quarter ended June 30, 2016 and its prospectus and proxy statement for its 2016 Annual Meeting of shareholders, each of which are incorporated into this prospectus and proxy statement by reference.

As previously disclosed, Summit, through Summit Community Bank, completed its acquisition of Highland County Bankshares, Inc. (HCB), a Virginia corporation headquartered in Monterey, Virginia. The acquisition was completed in three steps: first, HCB merged with Summit Merger Subsidiary, Inc., a wholly-owned subsidiary of Summit, and HCB, as the surviving entity, became a wholly-owned subsidiary of Summit; second, HCB was dissolved and distributed its assets and liabilities to Summit in accordance with Virginia law; and third, First and Citizens Bank, Inc., HCB s subsidiary bank, was merged into Summit.

Table of Contents

INFORMATION ABOUT FIRST CENTURY

General

First Century, formerly Pocahontas Bankshares Corporation, was organized under the laws of West Virginia in 1983 at the direction of the Board of Directors of The First National Bank of Bluefield (Bluefield). On March 1, 1984, the effective date of the corporate reorganization, the shareholders of Bluefield became the shareholders of First Century, and Bluefield became a wholly-owned subsidiary of First Century. On March 11, 1988, First Century acquired control of the Bank of Oceana, Oceana, WV (Oceana). On May 24, 1991, First Century formed First Century Bank, Roanoke, Virginia. During 1993, the main office of First Century Bank was redesignated to Wytheville, Virginia. Effective November 28, 1994, the merger of Bank of Oceana into The First National Bank of Bluefield was completed and the name of the resulting entity was changed to First Century Bank, National Association (FCBNA), with its main office in Bluefield, West Virginia. Effective May 7, 1999, First Century Bank was merged into FCBNA. Effective January 20, 2012, FCBNA converted from a national banking charter to a West Virginia state bank and retained membership in the Federal Reserve System as its federal regulator, operating under the name First Century Bank.

Substantially all of the operations of First Century are carried on through First Century Bank which is First Century s only subsidiary. The officers and directors of First Century, who are also officers and directors of First Century Bank, receive their entire compensation from First Century Bank.

First Century s principal business and major source of revenue is, and is expected to remain, commercial banking. First Century currently derives substantially all its revenues from dividends paid by First Century Bank. The earnings, asset growth and current capital position of the subsidiary influence dividend payments by First Century Bank.

As of June 30, 2016, First Century had total assets of $410 million, total loans, net of unearned income and reserves, of $240 million, total deposits of $352 million, and total shareholders equity of $46 million. First Century focuses on the local communities in southern West Virginia and southwestern Virginia and offers a full line of business-related loan, deposit and cash management products through experienced professionals.

Properties

The principal executive offices of First Century are located at 500 Federal Street, Bluefield, West Virginia. The telephone number for First Century s principal executive offices is (304) 325-8181. First Century operates 12 full service offices, one loan production office and 17 ATM locations throughout southern West Virginia and southwestern Virginia.

Description of First Century Capital Stock

The authorized capital stock of First Century consists of 10,000,000 shares, par value $1.25 per share. As of the last practicable trading day before the distribution of this prospectus and proxy statement, there were 1,903,120 shares of First Century s common stock outstanding, held by approximately 345 shareholders of record.

The following summary describes the material features and rights of First Century s common stock and is subject to, and qualified in its entirety by, applicable law and the provisions of First Century s amended and restated articles of incorporation and bylaws.

Voting Rights. All voting rights are vested in the holders of First Century s common stock. On all matters subject to a vote of shareholders, First Century s shareholders will be entitled to one vote for each share of common stock owned.

First Century s shareholders have cumulative voting rights with regard to election of directors.

Table of Contents

Dividend Rights. First Century s shareholders are entitled to receive dividends when and as declared by First Century s board of directors. The payment of dividends is also subject to the restrictions set forth in the West Virginia Business Corporation Act and the limitations imposed by the Federal Reserve Board.

First Century s payment of dividends depends upon receipt of dividends from First Century Bank, First Century s banking subsidiary. Payment of dividends by First Century Bank is regulated by the Federal Reserve and the WV DFI and generally, the prior approval of the Federal Reserve is required if the total dividends declared by First Century 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 Federal Reserve is required when a state 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 Federal Reserve may prohibit dividends if it deems the payment to be an unsafe or unsound banking practice. The Federal Reserve has issued guidelines for dividend payments by state 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 First Century s affairs, the holders of First Century common stock are entitled to receive pro rata all of First Century s assets for distribution to shareholders. There are no redemption or sinking fund provisions applicable to the common stock.

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

Preemptive Rights. No holder of any share of First Century capital stock has any preemptive right to subscribe to an additional issue of capital stock or to any security convertible into such stock.

Anti-Takeover Provisions. Provisions of First Century s amended and restated articles of incorporation and bylaws may have anti-takeover effects. These provisions may discourage attempts by others to acquire control of First Century without negotiation with First Century s board of directors. The effect of these provisions is discussed briefly below.

Amendment of Amended and Restated Articles of Incorporation. First Century s amended and restated articles of incorporation requires the approval of 66 2/3% of shareholders to amend certain of the provisions of First Century s amended and restated articles of incorporation. This requirement is intended to prevent a shareholder who controls a majority of First Century common stock from avoiding the requirements of important provisions of First Century s amended and restated articles of incorporation simply by amending or repealing those provisions. Accordingly, the holders of a minority of the shares of First Century common stock could block the future repeal or modification of certain provisions of First Century s amended and restated articles of incorporation, even if that action were deemed beneficial by the holders of more than a majority, but less than 66 2/3%, of First Century common stock.

Business Combination Provisions. First Century s amended and restated articles of incorporation provide that at least 66 2/3% of the authorized, issued and outstanding voting shares must approve certain business combination transactions unless the particular business combination transaction has been previously approved by at least 75% of the board of directors, in which case a simple majority vote of the shareholders is required.

Listing. First Century common stock is traded on the OTC Pink Open Market (OTCPink) under the symbol FCBS.

Transfer Agent. The transfer agent for First Century s common stock is Computershare. The transfer agent s address is P.O. Box 30170, College Station, Texas 77842.

Table of Contents

First Century Management s Discussion and Analysis of Financial Condition and Results of Operations

Average Statements of Financial Condition and Net Interest Differential

	2015			2014			2013		
				(Dollars in Thousands)					
	Average Balance	**Interest**	**Average Rate**	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS:									
Interest-bearing deposits with banks	**$ 31,687**	**$ 92**	**0.29%**	$ 18,607	$ 61	0.33%	$ 34,381	$ 119	0.35%
Securities available for sale and other equity securities:									
U. S. Government agency securities	**64,288**	**865**	**1.35%**	61,659	827	1.34%	54,668	705	1.29%
Mortgage backed securities	**11,895**	**269**	**2.27%**	16,222	394	2.43%	19,854	407	2.05%
Other securities	**594**	**45**	**7.61%**	970	48	4.93%	1,105	28	2.53%
Total securities available for sale	**108,464**	**1,271**	**1.17%**	97,458	1,330	1.36%	110,008	1,260	1.15%
Securities held to maturity:									
State and municipal securities	**33,628**	**962**	**2.86%**	32,321	966	2.99%	32,431	982	3.03%
Total securities held to maturity	**33,628**	**962**	**2.86%**	32,321	966	2.99%	32,431	982	3.03%
Federal funds sold				4,973	2	0.04%	5,000	2	0.04%
Loans	**236,511**	**11,691**	**4.94%**	239,314	11,464	4.79%	238,310	11,409	4.79%
Total interest-earning assets	**$ 378,603**	**$ 13,925**	**3.68%**	$ 374,066	$ 13,762	3.68%	$ 385,749	$ 13,652	3.54%
Allowance for loan losses	**(3,210)**			(3,712)			(4,674)		
Cash and due from banks demand	**9,983**			9,932			10,745		
Bank Premises and equipment net	**11,454**			11,752			12,036		
Other assets	**14,853**			16,376			13,766		
TOTAL ASSETS	**$ 411,684**			$ 408,415			$ 417,622		

LIABILITIES AND STOCKHOLDERS EQUITY:									
Interest-bearing demand deposits	**$ 99,551**	**$ 72**	**0.07%**	$ 96,282	$ 70	0.07%	$ 97,507	$ 69	0.07%
Savings deposits	**64,456**	**75**	**0.12%**	61,466	72	0.12%	59,484	74	0.12%
Time deposits	**127,547**	**960**	**0.75%**	131,711	933	0.71%	135,131	968	0.72%
Total interest-bearing deposits	**291,554**	**1,106**	**0.38%**	289,459	1,074	0.37%	292,121	1,111	0.38%
Short-term debt	**10,575**	**17**	**0.16%**	12,063	22	0.18%	14,988	28	0.19%
Total interest-bearing liabilities	**$ 302,129**	**$ 1,123**	**0.37%**	$ 301,522	$ 1,096	0.36%	$ 307,109	$ 1,139	0.37%
Demand deposits	**61,516**			61,182			65,209		
Other liabilities	**3,754**			2,478			4,411		
TOTAL LIABILITIES	**367,399**			365,183			376,729		
Stockholders equity	**44,285**			43,232			40,893		
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**$ 411,684**			$ 408,415			$ 417,622		
Average rate paid to fund earning assets			**0.30%**			0.29%			0.30%
NET INTEREST DIFFERENTIAL		**$ 12,802**	**3.38%**		$ 12,666	3.39%		$ 12,513	3.24%

For purposes of this schedule, interest on nonaccrual loans have been included only to the extent reflected in the income statement. However, the nonaccrual loan balance is included in the average amount outstanding. Income on loans includes loan fees of $77,000 in 2015, $78,000 in 2014 and $81,000 in 2013. Interest income on tax exempt securities is shown based on the actual yield.

101

Table of Contents

Volume/Rate Analysis

	Increase (Decrease) in Interest					
	2015 vs. 2014			2014 vs. 2013		
	(Dollars in Thousands)					
	Due to Change in[1]			Due to Change in[1]		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income on:						
Loans	**$ 37**	**$ (6)**	**$ 31**	$ 48	$ 7	$ 5
Securities available for sale and other equity securities	**235**	**(294)**	**(58)**	(103)	173	70
Securities held to maturity	**67**	**(71)**	**(4)**	(3)	(12)	(16)
Federal funds sold	**(1)**	**(1)**	**(3)**			
Interest-bearing deposits with banks	**37**	**(6)**	**31**	(52)	(6)	(58)
TOTAL INTEREST INCOME	**375**	**(378)**	**(4)**	(110)	162	51
Interest expense on:						
Interest-bearing demand deposits	**2**	**(0)**	**2**	2	(0)	2
Savings deposits	**3**	**(0)**	**3**	3	(5)	(3)
Time deposits	**(28)**	**54**	**27**	(24)	(11)	(35)
Short-term borrowings	**(3)**	**(2)**	**(5)**	(5)	(0)	(6)
TOTAL INTEREST EXPENSE	**(24)**	**51**	**27**	(25)	(17)	(42)
NET INTEREST INCOME	**$ 350**	**$ (327)**	**$ 23**	$ (135)	$ 145	$ 10

[1] *Changes due to a combination of volume and rate have been allocated proportionally to volume and rate.*

This narrative will assist you in your analysis of the accompanying consolidated financial statements and supplemental financial information. It should be read in conjunction with the audited consolidated financial statements and the notes that follow, along with the selected financial data presented elsewhere in this report. We are not aware of any market or institutional trends, events or uncertainties that will have or are reasonably likely to have a material effect on the liquidity, capital resources or operations of the Company, except as discussed herein. We are also not aware of any current recommendations by any regulatory authorities, which would have such a material effect if implemented, except as discussed herein.

Corporate Structure and Acquisitions

First Century is chartered under the laws of West Virginia and operates as a financial holding company headquartered in Bluefield, WV. We began active operations in March 1984, in a business combination with our then sole subsidiary, The First National Bank of Bluefield. Through a series of acquisitions and consolidations, we now operate one subsidiary bank. During 2011, our subsidiary bank filed with the WV DFI to convert from a national banking charter to a West Virginia state banking charter. This conversion was effective January 20, 2012 and the bank now operates under the name, First Century Bank, Bluefield, WV. First Century Bank is engaged in commercial banking activities that provide a broad menu of financial services to individuals and businesses. First Century Bank operates

12 branch offices, a loan production office and 17 ATM locations throughout southern West Virginia and southwestern Virginia.

Critical Accounting Policies

Our accounting policies are an integral part to understanding the results reported. Accounting policies are described in detail in Note 1 to the Consolidated Financial Statements. Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, and follow general practices within the financial services industry. Our most complex accounting policies require us to make estimates, assumptions and judgments to ascertain the valuation of assets, liabilities, commitments and contingencies reported in our financial statements and accompanying notes.

Table of Contents

These estimates, assumptions, and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions, and judgments and as such have a greater possibility of producing results that could be materially different than originally reported.

Allowance for Loan Losses

We maintain, through the provision expense, an allowance for loan losses that we believe to be adequate to absorb probable credit losses inherent in the portfolio. The procedures that we use entail preparation of a loan watch list and assigning each loan a classification. For those individually significant loans where it is determined that it is not probable that the borrower will make all payments in accordance with the original loan agreement, we perform an impairment analysis. The measurement of impaired loans is based on either the fair value of the underlying collateral, the present value of the future cash flows discounted at the historical effective interest rate stipulated in the loan agreement, or the estimated market value of the loan.

Other classified loans are categorized and allocated appropriate reserves. We also reserve for other loans more than 90 days past due that were not considered in the aforementioned procedures. We segregate the remaining portfolio into consumer, commercial and residential real estate loans, and apply the historical net charge off percentage of each category to the current amount outstanding in those categories. Additionally, as part of this analysis we include such factors as concentrations of credit, collateral deficient loans, volume and trends in delinquencies, loan portfolio composition, loan volume and maturity of the portfolio, national and local economic conditions and the experience, ability and depth of lending management and staff.

Greater detail regarding the determination of the adequacy of the allowance for loan losses is provided later in this Management s Discussion and Analysis of Financial Condition and Results of Operations, as well as in Note 3 of Notes to Consolidated Financial Statements included elsewhere in this prospectus and proxy statement.

Pensions

We have a defined benefit pension plan covering substantially all employees with at least nine months of service who are at least 20 ½ years of age. Pension expense is determined by an actuarial valuation based on assumptions that are evaluated annually as of December 31, the measurement date for pension obligations. The most significant assumptions are the long-term expected rate of return on plan assets, the discount rate used to determine the present value of the pension obligations, and the weighted-average rate of expected increase in future compensation levels. We review these assumptions with the plan s actuaries and modify them as necessary to reflect current market conditions as well as anticipated long-term market conditions. During the fourth quarter of 2011, we ceased new accruals of pension benefits and closed the pension plan to new entrants.

Greater detail regarding pension benefits is provided later in this Management s Discussion and Analysis of Financial Condition and Results of Operations, as well as in Note 6 of Notes to Consolidated Financial Statements included elsewhere in this prospectus and proxy statement.

Table of Contents

Balance Sheet Analysis

Loans

AMOUNTS OF LOANS OUTSTANDING

	December 31,				
	2015	2014	2013	2012	2011
	(Dollars in Thousands)				
Commercial	**$ 28,656**	$ 18,282	$ 21,669	$ 17,671	$ 21,525
Commercial-real estate					
Construction	**1,317**	1,772	6,745	8,199	7,291
Owner occupied	**25,885**	35,145	37,111	39,426	50,116
Non-owner occupied	**51,922**	57,325	50,617	51,162	50,817
Total commercial loans	**107,780**	112,524	116,142	116,458	129,749
Consumer	**15,634**	16,107	16,027	15,647	16,844
Residential real estate	**103,576**	105,006	102,009	98,155	97,142
Residential construction	**7,244**	6,131	4,740	4,766	4,632
Total consumer loans	**126,454**	127,244	122,776	118,568	118,618
Total Loans	**$ 234,234**	$ 239,768	$ 238,918	$ 235,026	$ 248,367

MATURITY SCHEDULE OF LOANS

	Remaining Maturity at December 31, 2015			
	(Dollars in Thousands)			
	1 Year or Less	1 to 5 Years	After 5 Years	Total
Commercial	$ 22,768	$ 3,137	$ 2,751	$ 28,656
Commercial-real estate				
Construction	977	340		1,317
Owner Occupied	5,581	7,836	12,468	25,885
Non-owner occupied	3,736	17,244	30,942	51,922
Total commercial loans	33,062	28,557	46,161	107,780
Consumer	3,081	10,022	2,531	15,634
Residential real estate	9,130	41,749	52,697	103,576
Residential construction	1,928	3,339	1,977	7,244
Total consumer loans	14,139	55,110	57,205	126,454
Total Loans	$ 47,201	$ 83,667	$ 103,366	$ 234,234

With predetermined interest rates	$ 30,881	$ 81,545	$ 81,809	$ 194,235
With floating interest rates	16,320	2,122	21,557	39,999
TOTAL	$ 47,201	$ 83,667	$ 103,366	$ 234,234

Our primary goal is to meet the credit needs of the retail and commercial customers in our primary markets of southern West Virginia and southwestern Virginia. Total loans decreased approximately $5,534,000, or 2.3%, in 2015, following a 0.4% increase or $850,000 in 2014. Competition in our market was very aggressive during 2015 for the acquisition of new loans as new, quality loan opportunities were not prevalent. Our participation loan portfolio of approximately $24,461,000 declined approximately 11.4% for the year. Additionally, loan demand was weak during 2015 in all of our local markets. We continued to adhere to our philosophy of not retaining long-term fixed-rate commitments in order to better manage our interest rate risk. In order to provide consumers with a long term option for home financing, we originate and sell mortgages to the Federal National Mortgage Association, or Fannie Mae. During 2015 we originated and sold approximately $9,677,000 in long-term mortgages compared to approximately $8,300,000 during 2014. At December 31, 2015, the loan portfolio

Table of Contents

comprised 62.4% of total interest-earning assets as compared to 65.6% of total interest-earning assets at December 31, 2014, and contributed 84.0% of total interest income in 2015, and 83.3% in 2014.

During 2015, our emphasis was balanced between managing credit quality issues including higher levels of nonperforming assets and seeking loan opportunities from strong, small to mid-sized companies with known management and excellent financial stability. Most of the commercial loans in the portfolio have variable rates of interest. Additionally, we continued to make loans available in the retail marketplace. We also continued to maintain relationships with other community banks in Virginia and West Virginia to seek loan participation opportunities outside of our existing footprint.

Consistent with our philosophy on relationship banking, most of our borrowers are also depositors and utilize other banking services. The average yield of the loan portfolio increased to an average rate of 4.9% in 2015 compared to 4.8% in 2014. The increase in loan yield for 2015 was attributable to the recovery of interest income upon the receipt of life insurance proceeds due to the passing of a loan customer who had been in default. Earnings reflect pressure on the net interest margin arising from the continued emphasis on economic stimulus by the Federal Reserve during 2015 that has resulted in an extended period of low interest rates. During 2009 we implemented interest rate floors in pricing our variable rate loans in order to establish a baseline of income from any given loan. We continued this strategy during 2015.

Our commercial loan portfolio is generally diversified and geographically dispersed within the region of southern West Virginia and southwest Virginia. At December 31, 2015, we had loan concentrations of $27,592,000, or 60.9% of stockholders equity in loans to lessors of residential property, and $21,889,000, or 48.3% of stockholders equity in loans to lessors of nonresidential property. These concentrations are diversified by geography throughout our market area. There are no other concentrations of lines of business or industry that represent greater than 25% of stockholders equity. Within each specific industry, our borrowers are diversified as to specialty, service or other unique feature of the overall industry. A substantial portion of our customers ability to honor their contractual commitment is largely dependent upon the economic health of the respective industry within the overall economic environment of southern West Virginia and southwestern Virginia. Our local economy has been negatively impacted by the continued regulatory pressure on the coal industry and the utilities that use fossil fuels for energy production. We have seen many mine closures and similar effects on the businesses that service the mining industry. This also has an impact on our consumer loan portfolio as individuals employed in the mining or mining related fields are beginning to have difficulty maintaining current payment status.

Table of Contents

The consumer portion of our loan portfolio consists of both secured and unsecured loans made to individuals and families for various reasons including the purchase of automobiles, home improvements, educational expenses and other worthwhile purposes. We continue to carefully monitor the consumer sector during this period of economic downturn. Rising unemployment and a deepening recession will usually result in higher delinquency rates and other deterioration in this sector. We continue to monitor this sector and the local residential housing sector for indications of further deterioration.

NONPERFORMING ASSETS AND LOAN LOSS ANALYSIS

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in Thousands)				
Average amount of loans outstanding	**$ 236,511**	$ 239,314	$ 238,310	$ 241,255	$ 257,929
Allowance for loan losses:					
Balance at beginning of the year	**$ 3,422**	$ 4,605	$ 4,755	$ 4,905	$ 5,875
Loans charged off					
Commercial	**(1)**		(23)	(546)	(1,929)
Commercial Real Estate		(434)	(23)	(231)	(1,735)
Consumer	**(124)**	(144)	(133)	(148)	(154)
Residential Real Estate	**(170)**	(127)	(177)	(264)	(521)
Construction		(548)			
Unallocated					
TOTAL LOANS CHARGED OFF	**(295)**	(1,253)	(356)	(1,189)	(4,339)
Loan recoveries					
Commercial	**17**	250	7	34	8
Commercial Real Estate	**81**	73	51	63	62
Consumer	**27**	51	61	53	57
Residential Real Estate	**17**	9	12	4	1
Construction					
Unallocated					
TOTAL LOAN RECOVERIES	**142**	383	131	154	128
Net loans charged off	**(153)**	(870)	(225)	(1,035)	(4,211)
Provision for loan losses	**283**	(313)	75	885	3,241
BALANCE AT END OF THE YEAR	**$ 3,552**	$ 3,422	$ 4,605	$ 4,755	$ 4,905
Ratio of net loans charged off to average loans outstanding	**0.06%**	0.36%	0.09%	0.43%	1.63%
Provision for loan losses as a percent of loans	**0.12%**	(0.13)%	0.03%	0.37%	1.26%
Allowance at year end as a percent of loans	**1.52%**	1.43%	1.93%	2.02%	1.97%
Nonperforming assets (at year end)					
Nonaccrual loans	**$ 5,060**	$ 2,366	$ 7,494	$ 8,492	$ 13,827
Loans past due ninety days or more and still accruing	**765**	517	1,055	754	830
Troubled debt restructurings	**2,172**	2,415	2,210	1,397	1,429

Other real estate owned	**4,899**	9,178	4,490	4,648	1,180
TOTAL NONPERFORMING ASSETS	**$ 12,896**	$ 14,476	$ 15,249	$ 15,291	$ 17,266
Nonperforming assets/total loans	**5.5%**	6.0%	6.4%	6.5%	7.0%
Nonperforming assets/total assets	**3.2%**	3.6%	3.7%	3.7%	4.1%

Table of Contents

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

	2015		2014		2013		2012		2011	
	(Dollars in Thousands)									
	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
Commercial	**$ 937**	**12.23%**	$ 443	7.62%	$ 587	9.07%	$ 449	7.52%	$ 764	8.67%
Commercial Real Estate	**1,657**	**33.78%**	1,143	39.31%	1,728	39.54%	1,968	42.03%	1,528	43.57%
Consumer	**207**	**6.67%**	140	6.72%	242	6.71%	284	6.66%	477	6.78%
Residential Real Estate	**596**	**44.22%**	716	43.79%	642	42.70%	564	41.76%	1,135	39.11%
Construction	**139**	**3.09%**	206	2.56%	1,149	1.98%	1,131	2.03%	891	1.86%
Unallocated	**16**	**N/A**	774	N/A	257	N/A	359	N/A	110	
TOTAL	**$ 3,552**	**100%**	$ 3,422	100%	$ 4,605	100%	$ 4,755	100%	$ 4,905	100%

Nonperforming assets, including nonaccrual loans, loans past-due 90 days or more, restructured loans and other real estate owned, decreased $1,580,000, or 10.9%, to $12,896,000 at December 31, 2015, following a decrease of $773,000, or 5.1%, to $14,476,000 at December 31, 2014. Nonperforming assets as a percentage of total assets decreased from 3.6% at December 31, 2014 to 3.2% at December 31, 2015.

Impaired credits consist primarily of loans collateralized by commercial real estate where the borrower has experienced financial difficulties as a result of the downturn in the local and national economies. There is no other concentration by locale or industry that is common among these loans.

For the year ended December 31, 2015, impaired loans increased $1,926,000 or 30.3%, to $8,276,000. Our collection efforts include foreclosure sales, often resulting in the borrower seeking protection in bankruptcy. Other borrowers make efforts to liquidate assets to avoid foreclosure on primary collateral. Our success in maximizing collateral value will, in large part, depend on the absorption rate of commercial real estate property.

During 2015, management continued to focus efforts on evaluating the Company s commercial real estate exposure to determine the potential impact on future earnings should conditions in this sector continue to deteriorate. Our policy is to discontinue the accrual of interest on loans that are past due more than 90 days, unless those loans are well collateralized and in process of collection. We may also classify loans that are on a current payment status or past due less than 90 days as nonaccrual if the repayment of principal or interest is in doubt. Once a loan is placed in nonaccrual status we apply payments that are received to reducing the outstanding principal balance. Interest income is only recognized after the borrower can demonstrate cash flow and the ability to amortize the remaining debt, and, performs under the new arrangement for at least six payments. Nonaccrual loans were $5,060,000 at December 31, 2015, compared with $2,366,000 at December 31, 2014. Our holdings of other real estate owned decreased to

$4,899,000 at December 31, 2015, compared with $9,178,000 at December 31, 2014 due to the sale of our largest property which had a recorded balance of approximately $4.4 million. The liquidation resulted in a net loss of approximately $615,000. Other real estate owned is recorded at fair value less estimated selling costs.

We maintain an allowance for loan losses that we believe to be adequate to absorb probable credit losses inherent in the portfolio. We are committed to the early recognition of problem loans, and to an appropriate and adequate level of allowance. During 2015, we monitored our loan portfolio with enhanced scrutiny to identify potential deterioration. As a result of an increase in total nonperforming loans, the allowance for loan losses was 1.52% of year-end loans at December 31, 2015 compared to 1.43% at December 31, 2014. The estimation of the adequacy of the allowance for loan losses is the most significant estimate that we determine. Different amounts could result under different conditions or assumptions.

We use an independent third-party firm to enhance our loan review function. This process includes a thorough evaluation of our credit administration systems and personnel. The objective is to have an effective loan

Table of Contents

review system that provides us with information that will produce a more focused and effective approach in managing credit risk inherent in the loan portfolio. As a part of this process, we use a system of loan grades to further support the adequacy of the loan loss allowance.

Specific reserves are recorded on impaired loans of $1,211,000 and $202,000 at December 31, 2015 and 2014, respectively. Other classified loans are categorized and allocated appropriate reserves. Other loans more than 90 days past due that have not been considered in these procedures are assigned a classification of Substandard and are reserved for accordingly.

SECURITIES

The following table shows the carrying values of securities at the respective periods, which is fair value for available for sale securities and amortized cost for securities held to maturity:

	December 31,		
	2015	2014	2013
	(Dollars in Thousands)		
Securities available for sale:			
U.S. Government agency securities	**$ 64,974**	$ 67,468	$ 59,097
U.S. Government agency mortgage-backed securities	**12,561**	14,964	17,163
TOTAL SECURITIES AVAILABLE FOR SALE	**$ 77,535**	$ 82,432	$ 76,260
Securities held to maturity:			
State and municipal obligations	**$ 34,632**	$ 32,027	$ 33,166
TOTAL SECURITIES HELD TO MATURITY	**$ 34,632**	$ 32,027	$ 33,166

MATURITIES OF SECURITIES

The following table shows the contractual maturities of debt securities at December 31, 2015 and the weighted average yields of such securities:

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in Thousands)									
Securities available for sale:										
U.S. Government agency securities	$ 5,022	0.67%	$ 59,952	1.39%	$		$		$ 64,974	1.33%
U.S. Government agency mortgage-					690	2.50%	11,871	2.30%	12,561	2.31%

backed securities										
TOTAL SECURITIES AVAILABLE FOR SALE	$ 5,022	0.67%	$ 59,952	1.39%	$ 690	2.50%	$ 11,871	2.30%	$ 77,535	1.49%
Securities held to maturity:										
State, county, and municipal securities	$ 1,007	2.55%	$ 10,414	2.66%	$ 17,360	3.14%	$ 5,851	3.47%	$ 34,632	3.04%
TOTAL SECURITIES HELD TO MATURITY	$ 1,007	2.55%	$ 10,414	2.66%	$ 17,360	3.14%	$ 5,851	3.47%	$ 34,632	3.04%

Yields on tax-exempt obligations have been computed based on tax equivalent yield.

During 2015, securities, our second largest category of assets, decreased by $2,292,000 or 2.0%. At December 31, 2015, securities comprised 29.9% of total interest-earning assets compared to 31.3% of total interest-

Table of Contents

earning assets at December 31, 2014. The composition of our securities portfolio reflects our investment strategy of maximizing portfolio yields subject to risk and liquidity considerations. The primary objective of our investment strategy is to maintain an appropriate level of asset liquidity and provide us with a tool to assist in controlling and managing our interest rate position while at the same time producing appropriate levels of interest income. In order to maintain liquidity and flexibility, we categorize most investments in the available for sale portfolio. We typically purchase U.S. Government agency and U.S. Government agency mortgage-backed securities in order to maintain the maximum liquidity of the portfolio. We have not purchased any of the preferred stocks or private label mortgage products that have resulted in impairment charges for many other financial companies.

The remaining securities, primarily state, county and municipal obligations, comprise the held to maturity portfolio. Net unrealized gains in the held-to-maturity portfolio amounted to approximately $624,000 at December 31, 2015, compared to $579,000 at December 31, 2014. The primary reason for the increase was due to the continued decline in long term interest rates. The held to maturity portfolio increased to $34,632,000 at December 31, 2015, from $32,027,000 at December 31, 2014. State and municipal securities contained no individual issues in excess of 10% of stockholders equity.

At December 31, 2015, we had $1,603,000 fair value in securities held to maturity having continuous unrealized loss positions for more than 12 months with gross unrealized losses of $39,000. As these losses were due to fluctuations in interest rates and not attributable to deterioration in credit quality, we did not recognize any other-than-temporary impairment in 2015.

Deposits

Deposits, our major source of funds, increased approximately $6,158,000, or 1.8%, in 2015, following a decrease of $13,616,000, or 3.8%, in 2014. Noninterest-bearing deposits increased $1,772,000 in 2015, following a decrease of $7,715,000 in 2014. These changes in noninterest-bearing deposits demonstrate the effect of normal fluctuations within our commercial depositor base. The average rate paid on interest-bearing deposits in 2015 was 0.38% and 0.37% in 2014. Strong competition for deposits exists in our primary market among commercial banks, savings banks, thrift institutions, credit unions, mutual funds, brokerage houses, insurance companies, and certain national retailers. Despite this intense competition, we continue to evaluate pricing strategies that will insure the long-term benefit of maintaining market share without sacrificing profitability. As a result, interest-bearing deposits decreased $4,386,000, or 1.5%, in 2015.

AVERAGE DEPOSITS

	2015 Average		2014 Average		2013 Average	
	Amount	**Rate**	Amount	Rate	Amount	Rate
			(Dollars in Thousands)			
Noninterest-bearing demand deposits	**$ 61,516**	**N/A**	$ 61,182	N/A	$ 65,209	N/A
Interest-bearing demand deposits	**99,551**	**0.07%**	96,282	0.07%	97,507	0.07%
Savings deposits	**64,456**	**0.12%**	61,466	0.12%	59,484	0.12%
Time deposits	**127,547**	**0.75%**	131,711	0.71%	135,131	0.72%
TOTAL AVERAGE DEPOSITS	**$ 353,070**	**0.31%**	$ 350,641	0.31%	$ 357,331	0.31%

There are no foreign offices. Average balances are computed on daily balances.

MATURITIES OF TIME CERTIFICATES OF DEPOSIT OF $100,000 OR MORE

	December 31, 2015 (Dollars in Thousands)
Under 3 months	$ 6,326
3 to 6 months	9,071
6 to 12 months	15,408
Over 12 months	18,888
TOTAL CERTIFICATES OF DEPOSIT OF $100,000 OR MORE	$ 49,693

Table of Contents

SHORT-TERM BORROWED FUNDS

	December 31,	
	2015	2014
	(Dollars in Thousands)	
Federal funds purchased and securities sold under agreements to repurchase	**$ 7,299**	$ 9,559
Other borrowed funds	**125**	236
TOTAL BORROWED FUNDS	**$ 7,424**	$ 9,795

The approximate average interest rates, average amounts outstanding, and maximum amounts outstanding at any month-end for federal funds purchased and securities sold under agreements to repurchase are as follows:

	2015	2014
	(Dollars in Thousands)	
Average interest rates at December 31	**0.14%**	0.16%
Maximum amounts outstanding at any month-end	**$ 15,407**	$ 12,411
Average daily amount outstanding	**$ 10,800**	$ 12,374
Weighted average interest rates	**0.17%**	0.19%

The weighted average interest rates are calculated by dividing the annual interest expense by the related average daily amounts outstanding.

Capital Resources

The total per share dividend for 2015 increased to $0.83 per share from the $0.79 per share paid in 2014. Quarterly cash dividends paid to shareholders during 2015 totaled $1,580,000 and $1,503,000 in 2014. At the December 31, 2015 closing price of our stock, the current dividend reflects a dividend yield of approximately 3.95%.

We are dependent upon dividends paid by First Century Bank to fund dividends to the shareholders and to cover other operating costs. Our board of directors considers historical financial performance, future prospects, and anticipated needs for capital in formulating the dividend payment policy. Future dividends are dependent upon our financial results, regulatory capital requirements and general economic conditions.

One of our primary objectives is to maintain a strong capital position. Stockholders equity increased $625,000 or 1.4% in 2015. This increase resulted primarily from an increase in retained earnings of $746,000. Additionally, during 2015 we did not repurchase any treasury shares through our stock repurchase program. We will continue to evaluate capital utilization to provide the most long-term value for our shareholders.

Conceptually, risk-based capital requirements assess the risk of a financial institution s balance sheet and off-balance sheet commitments in relation to its capital. In July 2013, the Federal Reserve issued final rules to include technical changes to its market risk capital rules to align them with the Basel III regulatory capital framework and meet certain requirements of the Dodd-Frank Act. Effective January 1, 2015, the final rules require First Century Bank to comply with the following minimum capital ratios: (i) a new common equity Tier 1 capital ratio of 4.5% of risk-weighted assets; (ii) a Tier 1 capital ratio of 6.0% of risk-weighted assets (increased from the prior requirement of 4.0%); (iii) a total capital ratio of 8.0% of risk-weighted assets (unchanged from the prior requirement); and (iv) a leverage ratio of 4.0% of total assets (unchanged from the prior requirement).

In addition, the final rules require a capital conservation buffer of 2.5% be phased in beginning January 1, 2016, at 0.625% of risk-weighted assets, increasing by the same amount each year until fully implemented at 2.5% on January 1, 2019. Once fully implemented, First Century Bank will be required to maintain (i) a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer (which is added to the 4.5% common equity Tier 1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 7.0% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the 2.5% capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0%, plus the 2.5% capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation), and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average assets.

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of common equity Tier 1 to risk-weighted assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall.

The new common equity Tier 1 capital at December 31, 2015, which is the first period for the new capital ratio calculation, was $45,630,000 or 18.58% of total risk weighted assets.

Beginning January 1, 2015, the Company calculates its regulatory capital under the U.S. Basel III Standardized Approach. The Company calculated regulatory capital measures for periods prior to 2015 under previous regulatory requirements.

Our Tier I capital, which consists of stockholders equity, adjusted for certain intangible assets, amounted to $45,630,000 at December 31, 2015, or 18.58% of total risk-weighted assets, compared to $44,884,000 at December 31, 2014, or 18.17% of total risk-weighted assets. Tier II capital, or supplementary capital, includes capital components such as qualifying allowance for loan losses, and can equal up to 100% of an institution s Tier I capital with certain limitations. Our Tier II capital amounted to $3,076,000 at December 31, 2015, and $3,092,000 at December 31, 2014, or 1.25% of total risk-weighted assets for both years. Our total consolidated risk-based capital was $48,706,000 at December 31, 2015, or 19.83% of total risk-weighted assets, compared to $47,976,000, or 19.42% of total risk-weighted assets as of December 31, 2014. Additionally, risk-based capital guidelines require that we maintain a minimum leverage ratio (Tier I capital divided by average adjusted total consolidated assets) of 4%, which may be increased for institutions with higher levels of risk or that are experiencing or anticipating significant growth. We have not been advised by any regulatory agency of any additional specific minimum leverage ratio applicable to us. As of December 31, 2015 and 2014, the Company s leverage ratio was 11.26% and 11.14% respectively.

Asset and Liability Management and Interest Rate Sensitivity

Our income stream is subject to risk resulting from interest rate fluctuations to the extent there is a difference between the amount of our interest-earning assets and the amount of our interest-bearing liabilities that are prepaid, withdrawn, mature or reprice in specified periods. The goal of asset and liability management is to maintain high quality and consistent growth of net interest income with acceptable levels of risk to changes in interest rates.

Interest rate sensitivity varies with different types of interest-earning assets and interest-bearing liabilities. Overnight federal funds, on which rates change daily, and loans that are tied to the prime rate differ considerably from long-term securities and fixed rate loans. Similarly, time deposits of $100,000 and over, NOW accounts and money market deposit accounts are much more interest rate sensitive than savings accounts and other interest-bearing liabilities. We use a number of tools to measure interest rate risk, including simulating net interest income under various rate scenarios, monitoring the change in present value of the asset and liability portfolios under the same rate scenarios and monitoring the difference or gap between rate sensitive assets and liabilities over various time periods.

We have traditionally priced our commercial loans with variable rates tied to the prime rate of interest. With the dramatic reduction in the prime rate at the end of 2008, we implemented interest rate floors during 2009 on new and renewed commercial loans. We continued this policy through 2015 and at December 31, 2015 we had $44,156,000 in variable rate loans that were at their interest rate floor. This allowed us to retain a portion of our interest income, but will ultimately delay the repricing opportunities for these loans until the prime rate rises above the floor rates on the loans. Also, with the potential for rising interest rates, our customers are requesting fixed rate commitments for new and renewed loans. See the Analysis of Interest Rate Sensitivity Table for more information regarding our risk to changes in interest rates.

We continue to monitor asset/liability gap positions, while incorporating more sophisticated risk measurement tools, including simulation modeling which calculates expected net interest income based on projected interest-earning assets, interest-bearing liabilities and interest rates. Using simulation modeling allows us to evaluate earnings and capital at risk due to significant changes in interest rates. We monitor exposure to the effect of instantaneous changes in rates from 200 basis points down to 400 basis points up over a one and two-year horizon in increments of 100 basis points. As of December 31, 2015 and 2014, simulation indicated the impact of a 200 basis point increase in rates would result in an increase in net interest income over a one-year horizon of 6.01% and 1.58%, respectively. A 200 basis point decline over a one-year horizon in rates would result in a decrease in net interest income from an unchanged rate environment of 5.43% and 9.15%, respectively, at December 31, 2015 and 2014. These changes fall within our policy limits for the maximum negative impact to net interest income from a change in interest rates. Because of the current low interest rate environment, we also evaluate various scenarios to determine the impact of more significant changes in interest rates. We also test the assumptions in our model to determine the reasonableness of the results produced relative to the potential for inaccuracies in our assumptions. For instance, our model determines certain decay rates for non-maturity deposits. With the extended period of low interest rates, we need to understand the potential for the cost of non-maturity deposits to be higher in a rising rate environment than traditional decay analysis would indicate. Therefore, we test the decay rate assumptions to determine the impact of faster decay speeds on the impact of changes in net interest income.

ANALYSIS OF INTEREST RATE SENSITIVITY

	Months		Years		
	Less Than 3	3 - 12	1 - 5	Over 5	Totals
	(Dollars in Thousands)				
Investment securities	$ 16,268	$ 17,494	$ 65,146	$ 13,852	$ 112,760
Federal funds sold and interest-bearing balances with banks	29,127				29,127
Loans	64,202	40,274	93,395	36,363	234,234
Interest-earning assets	109,597	57,768	158,541	50,215	376,121
Time deposits	22,049	58,320	45,565		125,934
Other interest-bearing deposits	20,194		145,307		165,501
Other interest-bearing liabilities	7,394		30		7,424
Interest-bearing liabilities	49,637	58,320	190,902		298,859
Interest sensitivity gap	$ 59,960	$ (552)	$ (32,361)	$ 50,215	$ 77,262
Cumulative interest sensitivity gap	$ 59,960	$ 59,408	$ 27,047	$ 77,262	
	2.21x	0.99x	0.83x	null	1.26x

Ratio of interest-earning assets to interest-bearing liabilities				
Ratio of cumulative interest sensitivity gap to total earning assets	221%	155%	109%	126%

Liquidity Management

Liquidity management involves our ability to meet the cash flow requirements of depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs.

Table of Contents

To ensure that we are positioned to meet immediate and future cash demands, we rely on liquidity analysis, knowledge of business trends over past economic cycles and forecasts of future conditions.

Liquidity can best be demonstrated by an analysis of cash flows. Our primary source of cash flows is from investing activities, principally the maturities and calls of investment securities. With the continued low interest rate environment during 2015, maturities and calls of investment securities were $29,026,000, compared to $9,666,000 in 2014. This rapid flow of liquidity allowed us to reallocate a portion of the available for sale portfolio into municipal securities which provided more relative value at various purchasing opportunities during the year. As of December 31, 2015, we had approximately $36,734,000 of investment securities that had scheduled maturities within 36 months. Payments from mortgage-backed securities in excess of this amount, as well as security calls while interest rates remain low, will provide additional cash flow for reinvestment.

In addition, operating activities provided $4,790,000 of liquidity for the year ended December 31, 2015, compared to $3,897,000 in 2014. The principal elements of these operating flows are net income, increased for significant non-cash expenses for the provision for loan losses, and depreciation and amortization.

In 2015, cash flows from financing activities increased $17,813,000, primarily due to an increase in demand and savings deposits.

A secondary source of liquidity comes from investing activities.

We also have access to additional sources of liquidity through the Federal Reserve System, through our membership in the Federal Home Loan Bank system and through correspondent bank relationships. As of December 31, 2015, First Century Bank had a maximum borrowing capacity exceeding $60,000,000 through the Federal Home Loan Bank of Pittsburgh. These funds can be made available with various maturities and interest rate structures. As a member, we are required to own stock in the Federal Home Loan Bank of Pittsburgh. The amount of stock we own is based on the amount of outstanding borrowings at any given point in time. Borrowings are also collateralized by a blanket lien by the Federal Home Loan Bank on its member s qualifying assets. At December 31, 2015, First Century Bank owned $199,000 of stock and had no outstanding loan advances with either the Federal Home Loan Bank of Pittsburgh or the Federal Reserve Bank of Richmond.

We also have federal funds lines of credit from two correspondent banks totaling $8,700,000. There were no outstanding balances on either line at December 31, 2015.

Income Statement Analysis

Earnings Overview

Net income for the two years ended December 31, 2015 and 2014, was $2,326,000 and $3,175,000, respectively. On a per share basis, diluted net income was $1.22 in 2015 compared to $1.67 in 2014. Return on average equity (ROAE) was 5.13% in 2015 compared to 7.17% in 2014. Return on average assets, or ROAA, for the year ended December 31, 2015 was 0.57% compared to 0.78% in 2014. Earnings for 2015 reflect the additional provision for loan losses and increase in noninterest expense, offset by an increase in interest income. Core earnings of the bank reflect the net interest margin as a percentage of average assets of 3.1% for 2015 and 3.0% for 2014.

A summary of the significant factors influencing our results of operations and related ratios is included in the following discussion.

Table of Contents

Earnings Per Share

The Earnings Per Share Table summarizes the principal sources of changes in earnings per share from 2014 to 2015.

EARNINGS PER SHARE

Net income per share - 2014	**$ 1.67**
Increase (decrease) due to change in:	
Net interest income	0.07
Provision for loan losses	(0.31)
Other operating income	(0.06)
Personnel expense	(0.21)
Other expense	0.07
Net income per share - 2015	**$ 1.22**

Net Interest Income

The major portion of our earnings is derived from net interest income, which is the interest income on interest-earning assets less the interest expense on interest-bearing liabilities. During 2015, net interest income increased $135,000 or 1.1%. This followed a 1.2% increase in 2014. Net interest income resulted in a net interest margin to earning assets ratio of 3.30% for both 2015 and 2014.

For the year ended December 31, 2015, interest income increased $162,000, or approximately 1.2%, compared to an increase of $110,000, or 0.88% for 2014. Interest on loans increased $227,000, or 2.0% during 2015 compared with an increase of $55,000, or 0.5% for 2014. Interest on securities decreased $94,000, or 4.2% for 2015, following an increase of $113,000, or 5.3% for 2014. Interest income reflects a yield on average earnings assets of 3.68% for 2015, compared with 3.69% for 2014 .

For 2015 interest expense increased $27,000, or 2.5%. This followed a decrease in interest expense of $43,000, or 3.8% for 2014. Interest expense reflects a cost on average interest-bearing liabilities of 0.37% for 2015, compared with 0.36% for 2014.

Net interest income is affected by many factors, but most significantly by the prevailing interest rates during the period, the spread between the various sources and uses of funds, and by changes in the volume of various assets and liabilities. Earnings reflect pressure on net interest income arising from the long-term, low interest rate environment. We continue to price in interest floors on our variable rate loans. We are continuing this strategy as we have renewals and other opportunities to reprice loans. At this point in the economic cycle, most of our interest-bearing deposits are priced at rates that leave no capacity for reductions. Additionally, as previously mentioned reinvestment opportunities in the investment portfolio were not readily available at comparable rates as the maturing or called security.

Provision for Loan Losses

The most significant impact on our earnings in 2015 and 2014 continues to be our provision for loan losses. The provision for loan losses was $283,000 for 2015, compared to $(313,000) for 2014, or an increase of $596,000, or

190.4%. The provision for loan losses as a percentage of average loans was 0.1% for 2015, compared with (0.1%) for 2014. Charge-offs decreased $958,000 during 2015. We incurred charge-offs of $951,000 related to two borrowers during 2014 that reflects the majority of the difference. Additionally, recoveries of previous charge-offs were down $241,000, or 62.9% in 2015. The ratio of net charge offs to average loans outstanding was 0.0% for 2015, compared with 0.4% for 2014.

Table of Contents

Noninterest Income and Expense

Noninterest income net of securities gains and losses decreased $122,000, or 2.3% in 2015 after decreasing $218,000 or 3.9% in 2014. Fees from fiduciary activities remained nearly unchanged increasing $18,000, or 1.0%. The largest component of noninterest income is service charges on deposit accounts. These fees were essentially unchanged in 2015, following a decrease of approximately $194,000 or 11.6% in 2014. Investment gains of $40,000 were recognized in 2015 with no gains recognized in 2014, from the sale of securities.

During 2015, investment gains of $40,000 were recognized from the sale of approximately $4,927,000 in mortgage-backed and other government agency securities. Management believed the pricing for these securities was being artificially inflated by current Federal Reserve monetary policy and decided to capture a portion of those gains while they were available.

Noninterest expense increased $690,000, or 5.0% in 2015, following a $197,000, or 1.5% increase in 2014.

Personnel expense is the largest component of noninterest expense. Personnel expense increased $393,000, or 6.5% in 2015, following a decrease of $44,000, or 0.7% in 2014. The majority of the increase for 2015 was the result of significant lump sum distributions from the defined benefit pension plan triggering a settlement accounting adjustment of approximately $256,000. For a complete discussion of our employee benefit programs, refer to Note 6 of the Notes to Consolidated Financial Statements, presented elsewhere in this report.

Our total expense for FDIC insurance was $327,000 in 2015 compared with $351,000 in 2014, a reduction of $24,000, or 6.8%. Impairment write downs of other real estate owned increased $604,000, or 4.76%, due primarily to a $615,000 impairment charge on the largest property held by First Century Bank at $4.4 million which was sold in 2015.

We incurred lower noninterest expense for legal and other costs related to collection efforts of our nonperforming assets, advertising expense, supplies expense, consulting fees and director s fees.

Income Taxes

Our income tax provision for 2015 reflected net tax expense of $1,040,000, compared to $1,464,000 in 2014. This resulted in an effective income tax rate of 30.8% for 2015 and 31.6% for 2014. Income taxes computed at the statutory rate are reduced primarily by interest earned on state and municipal obligations. For a more complete discussion of the Company s tax position, refer to Note 7 of the Notes to Consolidated Financial Statements, presented elsewhere in this report.

RETURN ON EQUITY AND ASSETS

	December 31,		
	2015	2014	2013
Percentage of net income to:			
Average stockholders equity	**5.25%**	7.34%	7.58%
Average total assets	**0.56%**	0.78%	0.74%
	68.00%	47.00%	45.00%

Percentage of dividends declared per common share to net income per common share			
Percentage of average stockholders equity to average total assets	**10.76%**	10.59%	9.79%

The Effects of Inflation and Changing Prices

Our company is affected by inflation in several ways, but not to the same extent as a company that makes large capital expenditures or has a large investment in inventory. Our asset and liability structure is primarily monetary in nature and, therefore, its financial results are more affected by changes in interest rates than by inflation. However, the actions of the Federal Reserve Board indicate that interest rate management will continue to be the primary tool used to curtail inflationary pressures. Inflation does affect our noninterest expense, such as personnel expense and the cost of services and supplies. These increases must be offset to the extent possible, by increases in noninterest income and by controlling noninterest expense.

Table of Contents

Per Share Data by Quarter

The common stock of the Company is quoted on the OTC Pink Open Market (OTCPink) under the trading symbol FCBS. The Per Share Data by Quarter Table shows the approximate high and low bid price for 2015 and 2014. Also presented below are the dividends paid for those respective years. The number of shareholders of record on December 31, 2015, was 357 and outstanding shares totaled 1,903,120.

PER SHARE DATA BY QUARTER

			Market Quotations			
	Dividends		**2015**		2014	
Quarter	**2015**	2014	**High**	**Low**	High	Low
First Quarter	**$ .24**	$ .23	**$ 20.00**	**$ 16.00**	$ 18.40	$ 15.35
Second Quarter	**$ .19**	$ .18	**$ 21.20**	**$ 18.00**	$ 19.00	$ 17.80
Third Quarter	**$ .20**	$ .19	**$ 20.00**	**$ 18.00**	$ 19.00	$ 17.75
Fourth Quarter	**$ .20**	$ .19	**$ 27.98**	**$ 18.50**	$ 19.00	$ 17.55

Trust Asset Responsibility

Assets managed by our Trust Division are presented in the graph below at market value. These assets are not included in the financial statements contained elsewhere in this report.

Trust account administration and investment management are linked through the talents of a skilled professional and support staff. Their education and experience through decades of service results in specialization in personal and retirement relationships, foundations and charitable endowments.

Table of Contents

CONDENSED STATEMENTS OF FINANCIAL CONDITION

Statistical Summary, 2015 2011

	December 31,									
	2015	%	2014	%	2013	%	2012	%	2011	%
	(Dollars in Thousands, Except Per Share Data)									
Loans	**$ 234,234**	58	$ 239,768	60	$ 238,918	58	$ 235,026	57	$ 248,367	60
Securities	**112,760**	28	115,042	29	110,463	27	95,905	24	95,049	23
Federal funds sold					5,000	1	5,000	1	10,000	2
Interest bearing deposits with banks	**29,127**	7	11,413	3	28,010	7	42,687	10	34,840	8
INTEREST-EARNING ASSETS	**376,121**	93	366,223	92	382,391	93	378,618	92	388,256	93
Cash and due from banks	**9,533**	2	9,607	2	9,439	2	10,658	3	10,902	2
Premises and equipment	**11,201**	3	11,679	3	11,790	3	12,264	3	12,503	3
Other assets	**12,836**	3	17,155	4	13,436	3	14,027	3	11,064	3
Allowance for loan losses	**(3,552)**	(1)	(3,422)	(1)	(4,605)	(1)	(4,755)	(1)	(4,905)	(1)
TOTAL ASSETS	**$ 406,139**	100	$ 401,242	100	$ 412,451	100	$ 410,812	100	$ 417,820	100
Savings deposits	**$ 165,501**	41	$ 157,804	40	$ 155,805	38	$ 155,914	38	$ 150,227	36
Time deposits	**125,934**	31	129,245	32	137,145	33	134,708	33	145,019	35
Other interest bearing liabilities	**7,424**	2	9,795	2	10,282	2	13,581	3	20,097	5
INTEREST-BEARING LIABILITIES	**298,859**	74	296,844	74	303,232	73	304,203	74	315,343	76
Demand deposits	**58,825**	14	57,053	14	64,768	16	60,260	15	57,403	13
Other liabilities	**3,164**	1	2,679	1	1,731	1	4,449	1	4,350	1
TOTAL LIABILITIES	**360,848**	89	356,576	89	369,731	90	368,912	90	377,096	90
STOCKHOLDERS EQUITY	**45,291**	11	44,666	11	42,720	10	41,900	10	40,724	10
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	**$ 406,139**	100	$ 401,242	100	$ 412,451	100	$ 410,812	100	$ 417,820	100
TOTAL DEPOSITS	**$ 350,260**		$ 344,102		$ 357,718		$ 350,882		$ 352,649	

BOOK VALUE PER SHARE	**$ 23.80**	$ 23.47	$ 22.45	$ 22.02	$ 21.40
TANGIBLE BOOK VALUE PER SHARE	**$ 21.07**	$ 20.75	$ 19.72	$ 19.29	$ 18.68

Table of Contents

SUMMARY OF OPERATIONS

Statistical Summary, 2015 2011

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in Thousands, Except Per Share Data)				
Interest income	**$ 13,924**	$ 13,762	$ 13,652	$ 14,338	$ 15,903
Interest expense	**1,123**	1,096	1,139	1,583	2,418
NET INTEREST INCOME	**12,801**	12,666	12,513	12,755	13,485
Provision for loan losses	**283**	(313)	75	885	3,241
Net interest income after provision for loan losses	**12,518**	12,979	12,438	11,870	10,244
Noninterest income	**5,276**	5,398	5,616	5,994	6,793
Noninterest expense	**14,428**	13,738	13,541	13,874	13,943
INCOME BEFORE INCOME TAXES	**3,366**	4,639	4,513	3,990	3,094
Provision for income taxes	**1,040**	1,464	1,412	1,066	878
NET INCOME	**$ 2,326**	$ 3,175	$ 3,101	$ 2,924	$ 2,216
EARNINGS PER COMMON SHARE:					
Basic and diluted	**$ 1.22**	$ 1.67	$ 1.63	$ 1.54	$ 1.16
Dividends per common share	**$ 0.83**	$ 0.79	$ 0.73	$ 0.65	$ 0.45
Payout ratio	**68%**	47%	45%	42%	39%

Off-Balance Sheet Arrangements

We are involved with some off-balance sheet arrangements that have or are reasonably likely to have an effect on our financial condition, liquidity, or capital.

The components of the Company s off-balance sheet financial commitments at December 31, 2015 and 2014 are as follows:

	December 31,	
	2015	2014
	(Dollars in Thousands)	
Unused lines of credit		

Home equity lines	**$ 4,816**	$ 4,911
Commercial real estate, construction and land development secured by real estate	**14,507**	19,711
Other unused commitments	**25,820**	23,993
Total unused lines of credit	**$ 45,143**	$ 48,615
Financial standby letters of credit	**$ 1,381**	$ 1,317

The carrying amount and fair value of financial standby letters of credit was $9,000 and $7,000 at December 31, 2015 and 2014, respectively. Also, at December 31, 2015 and 2014, the Company had residential mortgage loan commitments outstanding of $678,000 and $178,000, respectively. Derivative financial instruments related to these commitments were $2,000 at December 31, 2015 and $1,000 at December 31, 2014, respectively.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Table of Contents

DESCRIPTION OF SUMMIT CAPITAL STOCK

General

The authorized capital stock of Summit consists of 20,250,000 shares, of which 20,000,000 shares are common stock, par value $2.50 per share, and 250,000 shares are preferred stock, par value $1.00 per share. As of the last practicable trading day before the distribution of this prospectus and proxy statement, there were 10,704,441 shares of Summit s common stock outstanding, held by approximately 1,144 shareholders of record. We previously have issued 40,000 shares of a series of preferred stock known as the Rockingham National Bank Series Convertible Preferred Stock, 3,710 shares of 8% Non-Cumulative Convertible Preferred Stock, Series 2009 and 12,000 shares of 8% Non-Cumulative Convertible Preferred Stock, Series 2011 all of which shares have since converted to common stock. The shares of the Rockingham National Bank Series Convertible Preferred Stock, the 8% Non-Cumulative Convertible Preferred Stock, Series 2009, and the 8% Non-Cumulative Convertible Preferred Stock, Series 2011 issued and converted to common stock were restored to the status of authorized and unissued shares of preferred stock without designation as to series.

As of the last practicable trading day before the distribution of this prospectus and proxy statement, 66,830 shares of Summit s common stock were reserved for issuance upon the exercise of options that have been granted under Summit s 1998 Option Plan and 8,000 shares of Summit s common stock were reserved for issuance upon the exercise of options that have been granted under Summit s 2009 Option Plan. At Summit s annual meeting of shareholders that was held on May 15, 2014, Summit s shareholders approved the Summit Financial Group, Inc. 2014 Long-Term Incentive Plan, pursuant to which we are authorized to issue up to 500,000 shares of common stock upon the exercise of stock options, stock appreciation rights, restricted stock, and restricted stock units granted under the plan. Summit has made awards of 166,717 stock-settled stock appreciation rights under the 2014 Long-Term Incentive Plan as of the last practicable trading day before the distribution of this prospectus and proxy statement.

Common Stock

The following summary describes the material features and rights of Summit common stock and is subject to, and qualified in its entirety by, applicable law and the provisions of Summit s amended and restated articles of incorporation and bylaws.

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

Dividend Rights. Summit s shareholders are entitled to receive dividends when and as declared by Summit s board of directors. The payment of dividends is also subject to the restrictions set forth in the West Virginia Business Corporation Act and the limitations imposed by the Federal Reserve Board.

Summit s payment of dividends depends upon receipt of dividends from Summit Community Bank, Summit s banking subsidiary. Payment of dividends by Summit Community Bank is regulated by the FDIC and the WV DFI and generally, the prior approval of the FDIC is required if the total dividends declared by Summit Community 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 Summit s affairs, the holders of Summit common stock are entitled to receive pro rata all of Summit s assets for distribution to shareholders. There are no redemption or sinking fund provisions applicable to the common stock.

Table of Contents

Summit s board of directors may approve for issuance, without approval of the holders of common stock, preferred stock that has voting, dividend or liquidation rights superior to that of Summit common stock and which may adversely affect the rights of holders of common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in control of Summit.

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.

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

Anti-Takeover Provisions. Provisions of Summit s amended and restated articles of incorporation and bylaws may have anti-takeover effects. These provisions may discourage attempts by others to acquire control of Summit without negotiation with Summit s board of directors. The effect of these provisions is discussed briefly below.

Authorized Stock. The shares of Summit s common stock authorized by Summit s amended and restated articles of incorporation but not issued provide Summit s board of directors with the flexibility to effect financings, acquisitions, stock dividends, stock splits and stock-based grants without the need for a shareholder vote. Summit s board of directors, consistent with its fiduciary duties, could also authorize the issuance of shares of preferred stock, and could establish voting, conversion, liquidation and other rights for preferred stock being issued, in an effort to deter attempts to gain control of Summit.

Classification of Board of Directors. Summit s amended and restated articles of incorporation currently provide that the board of directors is divided into three classes of as nearly equal size as possible, with one class elected annually to serve for a term of three years. This classification of the board of directors may discourage a takeover of Summit because a shareholder with a majority interest in the company would have to wait for at least two consecutive annual meetings of shareholders to elect a majority of the members of the board of directors.

Amendment of Amended and Restated Articles of Incorporation. Summit s amended and restated articles of incorporation requires the approval of 66 2/3% of shareholders to amend certain of the provisions of Summit s amended and restated articles of incorporation. This requirement is intended to prevent a shareholder who controls a majority of Summit common stock from avoiding the requirements of important provisions of Summit s amended and restated articles of incorporation simply by amending or repealing those provisions. Accordingly, the holders of a minority of the shares of Summit common stock could block the future repeal or modification of certain provisions of Summit s amended and restated articles of incorporation, even if that action were deemed beneficial by the holders of more than a majority, but less than 66 2/3%, of Summit common stock.

Business Combination Provisions. Summit s amended and restated articles of incorporation provide that at least 66 2/3% of the authorized, issued and outstanding voting shares must approve certain business combination transactions unless the particular business combination 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 is required. In addition, Summit s amended and restated articles of incorporation provide that neither Summit nor any of its subsidiaries may become a party to any business combination transaction unless certain fair price requirements are satisfied.

Anti-Greenmail Provisions. Summit s amended and restated articles of incorporation provide that it may not repurchase, directly or indirectly, any shares of Summit s common stock at a purchase price that is greater than fair market value for such shares, from a 10% or greater shareholder (or an affiliate or associate of such

Table of Contents

shareholder) who acquired at least half of such shares within the last two years, unless such stock repurchase is approved by the holders of at least a majority of Summit s outstanding shares of common stock (other than the interested shareholder).

Listing. Summit s common stock is listed on the Nasdaq Capital Market under the symbol SMMF.

Transfer Agent. The transfer agent for Summit s common stock is Computershare. The transfer agent s address is P.O. Box 30170, College Station, Texas 77845.

Certain Provisions of the Bylaws

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 or her role as a director or officer and do not relieve a director or officer from liability if he or she engaged in willful misconduct or a knowing violation of the criminal law or any federal or state securities law.

Summit s articles of incorporation provide that each director or officer of Summit shall be indemnified for costs and expenses arising out of any criminal or civil suit or proceeding against the director or officer by reason of being a director or officer of Summit. However, a director or officer shall not be indemnified if he or she is adjudged in such suit or proceeding to be liable for negligence or misconduct in performance of a duty owed to the corporation, unless and only to the extent that the applicable court determines in view of all circumstances of the case, that such person is fairly and reasonably entitled to indemnity of expenses. 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.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling Summit pursuant to the foregoing provisions, Summit has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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.

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 Summit common stock, or the perception that such sales could occur, could adversely affect the prevailing market price of the shares.

Table of Contents

COMPARATIVE RIGHTS OF SHAREHOLDERS

The rights of Summit shareholders and First Century shareholders are governed by the West Virginia Business Corporation Act. The rights of shareholders under both corporations are also governed by their respective articles of incorporation and bylaws. Following the merger, the rights of First Century shareholders that receive Summit common stock will be governed by the articles and bylaws of Summit. This summary does not purport to be a complete discussion of, and is qualified in its entirety by reference to, First Century s articles of incorporation and bylaws, Summit s articles of incorporation and bylaws, and West Virginia law.

Authorized Capital Stock

Summit	*First Century*
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, \$1.25 par value per share.

Preemptive Rights

Summit	*First Century*
The articles of incorporation of Summit provide that shareholders do not have preemptive rights to purchase, subscribe for, or take any part of any stock, whether unissued or treasury shares, or any part of the notes, debentures, bonds or other securities issued, optioned or sold by Summit.	The articles of incorporation of First Century provide that shareholders do not have preemptive or preferential rights to subscribe for any shares, whether unissued or treasury shares, or to any obligations convertible into shares of First Century.

Size of Board of Directors

Summit	*First Century*
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 15 individuals, and immediately following the merger will consist of 16 individuals.	First Century s bylaws and articles of incorporation provide that the board of directors shall consist of at least five and no more than 25 shareholders, the exact number within such limits to be fixed from time to time by resolution of the shareholders adopted by an affirmative vote of the holders of at least two-thirds (66 2/3%) shares. The First Century board of directors currently consists of 9 individuals.

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.

Shareholders of Summit and First Century are allowed to cumulate their votes in the election of directors. Each share of Summit stock or First Century 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.

Table of Contents

Classes of Directors

Summit	*First Century*
Summit s Articles 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.	First Century has one class of directors. The term of the class of directors shall expire at each annual meeting of the shareholders.

Qualifications of Directors

Summit	*First Century*
Summit s bylaws require that a person own a minimum of 2,000 shares of stock of Summit to be qualified as a director.	First Century s bylaws require that a person own shares of First Century to be qualified as a director.

Filling Vacancies on the Board

Summit	*First Century*
Summit s bylaws provide that each vacancy existing on the board of directors 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.	First Century s bylaws provide that any vacancy on the board of directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum 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; provided that the board of directors may not increase the size of the board to a number which exceeds the number of directors last elected by the shareholders.

Removal of Directors

Summit	*First Century*
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 sufficient to elect the director under cumulative voting is voted against the director s removal.	First Century s articles of incorporation provide that a director may be removed by First Century shareholders at any shareholder meeting without cause, by the affirmative vote of two-thirds of all the votes entitled to be cast for the election of directors.

Table of Contents

Notice of Shareholder Proposals and Director Nominations

Summit	*First Century*
Summit s Articles 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 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.	Shareholders may make a nomination for director provided that such nomination or nominations for an annual meeting must be made in writing, delivered to the secretary of First Century, no later than December 31st immediately preceding the annual meeting. In the case of the election of directors at a special meeting, such nomination or nominations must be made in writing, delivered to the secretary of First Century, no earlier than 90 days prior to the date of the special meeting and no later than ten days following the day on which such notice of the date of the meeting was mailed to the shareholders or such public disclosure of the date of the meeting was made, whichever occurs first.
	First Century s bylaws provide that notice of shareholder proposed business except with regard to the nomination of directors, shall be delivered to the secretary of First Century no later than the December 31st immediately preceding the annual meeting of shareholders.

Anti-Takeover Provisions Business Combinations

Summit	*First Century*
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.	First Century s Articles of Incorporation provide that at least 66 2/3% of the authorized, issued and outstanding voting shares of First Century must approve certain business combinations unless the business combination has been previously approved by at least three-fourths of the board of directors of First Century, in which case only a simple majority vote of the shareholders shall be required at a meeting in which a quorum exists.
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.

Shareholder Action Without a Meeting

Unless otherwise set forth in the corporation s articles of incorporation, West Virginia law provides that action required or permitted by law to be taken at a shareholders meeting may be taken without a meeting, if a written consent that describes the action is signed by all of shareholders entitled to vote on the action, bears the date of each signature and is delivered for inclusion with the minutes or corporate records of the corporation. Summit s bylaws and First Century s bylaws each 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.

Table of Contents

Calling Annual Meetings of Shareholders

Summit	*First Century*
The annual meeting of the shareholders of Summit shall be held on the third Thursday in May of each calendar year or on such other date as may be designated in the notice and call of such meeting, at such place either within or without the State of West Virginia as the board of directors shall, from time to time, determine, and the place and the hour at which such meeting shall be held shall be stated in the notice and call of such meeting.	The annual meeting of the shareholders of First Century shall be held on the third Tuesday of April, at such place as the board of directors may designate or at such other date as the board of directors may designate.

Notice of Meetings

Summit s bylaws and First Century s bylaws each require that the notice of annual and special meetings be given by mailing a notice to each shareholder at the address appearing on the books of the corporation. Notices for special meeting must state the purpose of the meeting. The notice must be mailed to the last address of the shareholders as they appear upon the books of the corporation, and for both annual and special meetings, not less than 10 days and no more than 60 days before the date of such meeting.

Vote Required for Amendments to Articles of Incorporation and Certain Transactions

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. The articles of incorporation of First Century require the affirmative vote of the holders of a majority of the voting interest in the outstanding voting stock entitled to be cast on the matter, unless a greater amount is required by law. An abstention is not considered a vote cast for purposes of the voting requirements, but a shareholder who abstains in person or by proxy is considered present for purposes of the quorum requirement.

Summit	*First Century*
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 shareholders by the favorable vote of not less than 66 2/3% of the directors of Summit, and any such amendment, change or repeal so recommended shall require only a majority vote.	First Century s articles of incorporation provide that any amendment to the articles of incorporation, must be approved by the affirmative vote of at least two-thirds (66 2/3%) of the shares entitled to vote.
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.

Table of Contents

Amendment of Bylaws

Summit	*First Century*
Under West Virginia law, the Summit bylaws may be amended by the affirmative vote of a majority of all votes of shareholders entitled to be cast on the matter, unless a different number is specified in the articles of incorporation or required by the board of directors. 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 shareholders.	Under West Virginia law, the First Century bylaws may be amended by the affirmative vote of a majority of all votes of shareholders entitled to be cast on the matter, unless a different number is specified in the articles of incorporation or required by the board of directors. First Century 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 majority of the board of directors or by the shareholders with an affirmative vote of two-thirds (66 2/3%) of the shares of First Century entitled to vote at an election of directors.

Appraisal Rights

Under West Virginia law, shareholders 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 a 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 shareholders to a fraction of a share if the corporation has the obligation or right to repurchase the fractional shares. However, appraisal rights are not available to shareholders in the event of one of the foregoing corporate actions if the stock is (i) listed on the New York Stock Exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held by 2,000 or more shareholders and the outstanding shares of stock, excluding shares held by affiliates or shareholders holding more than 10% of the outstanding shares, have an aggregate market value of $20 million or more.

Dividends

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 shareholders who have rights superior to those receiving the dividend.

Table of Contents

Discharge of Duties; Exculpation and Indemnification

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	*First Century*
Summit s articles of incorporation provide that each director or officer of Summit shall be indemnified for costs and expenses arising out of any criminal or civil suit or proceeding against the director or officer by reason of being a director or officer of Summit. However, a director or officer shall not be indemnified if he or she is adjudged in such suit or proceeding to be liable for negligence or misconduct in performance of a duty owed to the corporation, unless and only to the extent that the applicable court determines in view of all circumstances of the case, that such person is fairly and reasonably entitled to indemnity of expenses which the court shall deem proper..	First Century s bylaws provide that each director or officer of First Century shall be indemnified for costs and expenses arising out of any criminal or civil suit or proceeding against the director or officer by reason of being a director or officer of First Century to the extent permitted under West Virginia law.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF FIRST CENTURY

The following table sets forth certain information as of October 26, 2016, concerning the number and percentage of shares of First Century common stock beneficially owned by each of First Century s directors and executive officers and by First Century s directors and executive officers as a group. In addition, the table includes information with respect to persons known to First Century who own or may be deemed to own more than 5% of First Century common stock as of October 26, 2016. Except as otherwise indicated, all shares are owned directly, the named person possesses sole voting and sole investment power with respect to all such shares, and none of such shares are pledged as security.

	Number of Shares Beneficially Owned	Percentage of Class Beneficially Owned
5% Shareholders:		
Michael R. Shott[(1)]	112,650	5.92%
The Ethel N. Bowen Foundation[(2)]	130,000[(3)]	6.83%
Frank W. Wilkinson, President and Chief Executive Officer of First Century and First Century Bank	213,850[(6)]	11.24%
Directors:		
D. Richard Browning	1,200	*
J. Richard Chambers	91,431[(4)]	4.80%
R. Woodrow Duba	1,000	*
Robert M. Jones, Jr.	87,924	4.62%
John H. Shott	9,000	*
Michael R. Shott, Chairman of First Century and First Century Bank	112,650	5.92%
Walter L. Sowers	32,251[(5)]	1.69%
Wm. Chandler Swope	4,200	*
Frank W. Wilkinson, President and Chief Executive Officer of First Century and First Century Bank	213,850[(6)]	11.24%
Executive Officers:		
William E. Albert	2,398	*
J. Ronald Hypes	11,400[(7)]	*
Directors and Executive Officers as a group (11 persons)	567,304	29.81%

* Represents less than 1% of First Century s outstanding common stock.

(1) The address of this beneficial owner is P.O. Box 3818, Mooresville, North Carolina 28117.

(2) The address of this beneficial owner is 500 Federal Street, Bluefield, West Virginia 24701.

(3) These shares are held by First Century Bank as a safekeeping custodian for The Ethel N. Bowen Foundation. The Ethel N. Bowen Foundation is a private charitable foundation, the affairs of which are governed by a board of directors composed of three persons. One of these directors, F.W. Wilkinson is also a director of First Century Bankshares, Inc. and First Century Bank. The other directors are Henry C. Bowen and B. K. Satterfield. F. W. Wilkinson does not hold any beneficial ownership of the shares held by The Ethel N. Bowen Foundation.

(4)

Includes 78,510 shares owned of record by Mr. Chambers. Includes 9,774 shares owned of record by Mr. Chambers former wife, 687 shares owned of record by Mr. Chambers wife, and 2,460 shares owned of record by Mr. Chambers son.

(5) Includes 18,051 shares owned of record by Mr. Sowers. Also includes 14,200 shares owned of record by Mr. Sowers wife.

(6) Includes 202,550 shares owned of record by Mr. Wilkinson. Also includes 8,400 shares owned by Mr. Wilkinson s children and 2,900 shares owned by Mr. Wilkinson s wife.

(7) Includes 1,579 shares owned jointly with Mr. Hypes wife, 300 shares owned jointly with Mr. Hypes children, 1,586 shares held in Mr. Hypes individual retirement account and 7,935 shares held in Mr. Hypes 401(k) plan.

Table of Contents

LEGAL MATTERS

Hunton & Williams LLP (Dallas, Texas) and Bowles Rice LLP (Charleston, West Virginia) will opine as to the qualification of the merger as a merger and the tax treatment of the consideration paid in connection with the merger under the Code. Bowles Rice LLP will opine as to the legality of the common stock of Summit offered by this prospectus and proxy statement.

EXPERTS

The consolidated financial statements of Summit appearing in Summit s Annual Report (Form 10-K) for the year ended December 31, 2015, and the effectiveness of Summit s internal control over financial reporting as of December 31, 2015, have been audited by Arnett Carbis Toothman LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and Summit management s assessment of the effectiveness of internal controls over financial reporting as December 31, 2015 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 First Century attached to this prospectus and proxy statement for the years ended December 31, 2015 and 2014 have been audited by Brown Edwards & Company, L.L.P., independent registered public accounting firm. Such consolidated financial statements are attached to this prospectus and proxy statement and the registration statement on Form S-4 and have been attached hereto and to the registration statement in reliance upon the report by Brown Edwards & Company, L.L.P., independent registered public accounting firm, and upon the authority of Brown Edwards & Company, L.L.P. as experts in accounting and auditing.

FIRST CENTURY ANNUAL MEETING

First Century will hold a 2017 annual meeting of shareholders only if the merger is not completed. If determined to be necessary, First Century s board of directors will provide each shareholder of First Century information relevant to First Century s 2017 annual meeting of shareholders.

WHERE YOU CAN FIND MORE INFORMATION

Summit filed with the SEC under the Securities Act the registration statement on Form S-4 to register the shares of Summit common stock to be issued to First Century 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 to omit certain information included in the registration statement from this prospectus and proxy statement. This prospectus and proxy statement is part of the registration statement and is a prospectus of Summit in addition to being First Century s proxy statement for the First Century special meeting.

Summit (File No. 0-16587) files 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, that file electronically with the SEC. The address of that site is http://www.sec.gov. Summit also posts its SEC filings on its web site, www.summitfgi.com. Information contained on the Summit website is not incorporated by reference into this prospectus and proxy statement, and you should not consider information contained in its website as part of this

Table of Contents

prospectus and proxy statement. You can also inspect reports, proxy statements and other information that Summit have filed with the SEC at the National Association of Securities Dealers, Inc., 1735 K Street, Washington, D.C. 20096.

The SEC allows Summit to incorporate by reference information into this prospectus and proxy statement. 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 prospectus and proxy statement, except for any information that is superseded by information that is included directly in this prospectus and proxy statement.

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

Annual Report on Form 10-K	Year ended December 31, 2015.
Quarterly Reports on Form 10-Q	Quarters ended June 30, 2016 and March 31, 2016
Current Reports on Form 8-K	Filed on February 3, 2016, February 17, 2016 (as amended), March 1, 2016, May 23, 2016, June 2, 2016, June 3, 2016 and October 3, 2016

Summit also incorporates by reference additional documents that may be filed under Sections 13(a), 14 and 15(d) of the Securities Exchange Act with the SEC between the date of this prospectus and proxy statement and the date of First Century s special meeting of shareholders or the termination of the merger agreement. These include periodic reports such as Definitive Proxy Materials for the 2016 Annual Meeting of Shareholders, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

You can obtain additional copies of the documents incorporated by reference in this prospectus and proxy statement free of charge by requesting them in writing or by telephone from the following address:

Summit Financial Group, Inc.

300 North Main Street

Moorefield, West Virginia 26836

Attention: Robert S. Tissue

Telephone: (304) 530-1000

If you would like to request any documents, please do so by November 22, 2016 in order to receive them before the shareholder meeting.

Neither Summit nor First Century 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 prospectus and proxy statement or in any of the materials that we have incorporated into this prospectus and proxy statement. Therefore, if anyone does give you information of this sort, you should not rely on it. Information in this prospectus and proxy statement about Summit has been supplied by Summit and information about First

Century has been supplied by First Century. The information contained in this prospectus and proxy statement speaks only as of the date of this prospectus and proxy statement unless the information specifically indicates that another date applies.

The representations, warranties and covenants described in this prospectus and proxy statement and included in the merger agreement were made only for purposes of the merger agreement and as of specific dates, are solely for the benefit of Summit and First Century, may be subject to limitations, qualifications or exceptions agreed upon by the parties, including those included in confidential disclosures made for the purposes of, among other things, allocating contractual risk between Summit and First Century rather than establishing matters as facts, and may be subject to standards of materiality that differ from those standards relevant to investors. You should not rely on the representations, warranties or covenants or any description thereof as characterizations of the actual state of facts or condition of Summit, First Century or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in public disclosures by Summit or First Century. The representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this prospectus and proxy statement and in the documents incorporated by reference into this prospectus and proxy statement. See Where You Can Find More Information on page 129.

INDEX TO FINANCIAL STATEMENTS OF FIRST CENTURY

Table of Contents

CONDENSED STATEMENTS OF FINANCIAL CONDITION

Statistical Summary, 2015 2011

	December 31,									
	2015	%	2014	%	2013	%	2012	%	2011	%
	(Dollars in Thousands, Except Per Share Data)									
Loans	**$ 234,234**	**58**	$ 239,768	60	$ 238,918	58	$ 235,026	57	$ 248,367	60
Securities	**112,760**	**28**	115,042	29	110,463	27	95,905	24	95,049	23
Federal funds sold					5,000	1	5,000	1	10,000	2
Interest bearing deposits with banks	**29,127**	**7**	11,413	3	28,010	7	42,687	10	34,840	8
INTEREST-EARNING ASSETS	**376,121**	**93**	366,223	92	382,391	93	378,618	92	388,256	93
Cash and due from banks	**9,533**	**2**	9,607	2	9,439	2	10,658	3	10,902	2
Premises and equipment	**11,201**	**3**	11,679	3	11,790	3	12,264	3	12,503	3
Other assets	**12,836**	**3**	17,155	4	13,436	3	14,027	3	11,064	3
Allowance for loan losses	**(3,552)**	**(1)**	(3,422)	(1)	(4,605)	(1)	(4,755)	(1)	(4,905)	(1)
TOTAL ASSETS	**$ 406,139**	**100**	$ 401,242	100	$ 412,451	100	$ 410,812	100	$ 417,820	100
Savings deposits	**$ 165,501**	**41**	$ 157,804	40	$ 155,805	38	$ 155,914	38	$ 150,227	36
Time deposits	**125,934**	**31**	129,245	32	137,145	33	134,708	33	145,019	35
Other interest bearing liabilities	**7,424**	**2**	9,795	2	10,282	2	13,581	3	20,097	5
INTEREST-BEARING LIABILITIES	**298,859**	**74**	296,844	74	303,232	73	304,203	74	315,343	76
Demand deposits	**58,825**	**14**	57,053	14	64,768	16	60,260	15	57,403	13
Other liabilities	**3,164**	**1**	2,679	1	1,731	1	4,449	1	4,350	1
TOTAL LIABILITIES	**360,848**	**89**	356,576	89	369,731	90	368,912	90	377,096	90
STOCKHOLDERS EQUITY	**45,291**	**11**	44,666	11	42,720	10	41,900	10	40,724	10
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	**$ 406,139**	**100**	$ 401,242	100	$ 412,451	100	$ 410,812	100	$ 417,820	100

TOTAL DEPOSITS	**$ 350,260**	$ 344,102	$ 357,718	$ 350,882	$ 352,649
BOOK VALUE PER SHARE	**$ 23.80**	$ 23.47	$ 22.45	$ 22.02	$ 21.40
TANGIBLE BOOK VALUE PER SHARE	**$ 21.07**	$ 20.75	$ 19.72	$ 19.29	$ 18.68

SUMMARY OF OPERATIONS

Statistical Summary, 2015 2011

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in Thousands, Except Per Share Data)				
Interest income	**$ 13,924**	$ 13,762	$ 13,652	$ 14,338	$ 15,903
Interest expense	**1,123**	1,096	1,139	1,583	2,418
NET INTEREST INCOME	**12,801**	12,666	12,513	12,755	13,485
Provision for loan losses	**283**	(313)	75	885	3,241
Net interest income after provision for loan losses	**12,518**	12,979	12,438	11,870	10,244
Noninterest income	**5,276**	5,398	5,616	5,994	6,793
Noninterest expense	**14,428**	13,738	13,541	13,874	13,943
INCOME BEFORE INCOME TAXES	**3,366**	4,639	4,513	3,990	3,094
Provision for income taxes	**1,040**	1,464	1,412	1,066	878
NET INCOME	**$ 2,326**	$ 3,175	$ 3,101	$ 2,924	$ 2,216
EARNINGS PER COMMON SHARE:					
Basic and diluted	**$ 1.22**	$ 1.67	$ 1.63	$ 1.54	$ 1.16
Dividends per common share	**$ 0.83**	$ 0.79	$ 0.73	$ 0.65	$ 0.45
Payout ratio	**68%**	47%	45%	42%	39%

F-2

Table of Contents

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, **2015**	December 31, 2014
	(Dollars in Thousands, Except Per Share Data)	
ASSETS		
Cash and due from banks	**$ 9,533**	$ 9,607
Interest-bearing balances with banks	**29,127**	11,413
Securities available-for-sale	**77,535**	82,432
Securities held-to-maturity (estimated fair value of $35,256 in 2015 and $32,606 in 2014)	**34,632**	32,027
Federal Home Loan Bank and Federal Reserve Bank Stock	**593**	583
Loans	**234,234**	239,768
Less allowance for loan losses	**3,552**	3,422
Net loans	**230,682**	236,346
Premises and equipment, net	**11,201**	11,679
Other real estate owned	**4,899**	9,178
Goodwill	**5,183**	5,183
Other assets	**2,754**	2,794
TOTAL ASSETS	**$ 406,139**	$ 401,242
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Noninterest-bearing	**$ 58,825**	$ 57,053
Interest-bearing	**291,435**	287,049
Total deposits	**350,260**	344,102
Other borrowings	**7,424**	9,795
Other liabilities	**3,164**	2,679
TOTAL LIABILITIES	**360,848**	356,576
Commitments and contingencies (see Notes 8 and 9)		
STOCKHOLDERS EQUITY		
Common stock - $1.25 par value; 10,000,000 shares authorized and 2,000,000 shares issued at December 31, 2015 and 2014; 1,903,120 shares outstanding at December 31, 2015 and 2014	**2,500**	2,500
Paid-in capital	**757**	757
Retained earnings	**47,903**	47,157
Accumulated other comprehensive loss, net of tax	**(3,589)**	(3,468)
Treasury stock, at cost; 96,880 shares at December 31, 2015 and 2014	**(2,280)**	(2,280)
TOTAL STOCKHOLDERS EQUITY	**45,291**	44,666

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**$ 406,139**	$ 401,242

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 2015	2014
	(Dollars in Thousands, Except Per Share Data)	
INTEREST INCOME		
Interest and fees on loans	**$ 11,691**	$ 11,464
Interest on balances with banks	**92**	61
Interest and dividends from securities available for sale:		
Taxable	**1,179**	1,269
Interest and dividends from securities held to maturity:		
Taxable	**247**	257
Tax-exempt	**715**	709
Interest on federal funds sold		2
TOTAL INTEREST INCOME	**13,924**	13,762
INTEREST EXPENSE		
Interest on time certificates of $100,000 or more	**403**	358
Interest on other deposits	**703**	716
Interest on short-term borrowings	**17**	22
TOTAL INTEREST EXPENSE	**1,123**	1,096
Net interest income	**12,801**	12,666
Provision for loan losses	**283**	(313)
Net interest income after provision for loan losses	**12,518**	12,979
NONINTEREST INCOME		
Income from fiduciary activities	**1,897**	1,879
Service charges on deposit accounts	**1,472**	1,666
Other noninterest income	**1,867**	1,853
Securities gains	**40**	
TOTAL NONINTEREST INCOME	**5,276**	5,398
NONINTEREST EXPENSE		
Salaries, wages, and other employee benefits	**6,432**	6,039
Premises and equipment	**2,710**	2,639
Data processing	**1,107**	1,028
FDIC assessments	**327**	351
Loan collection expense	**381**	667

Impairment write downs of other real estate owned	**731**	127
Advertising and public relations	**113**	132
Postage	**189**	199
Supplies and printing	**206**	197
Consulting fees	**158**	175
Director fees	**257**	286
Other noninterest expense	**1,817**	1,898
TOTAL NONINTEREST EXPENSE	**14,428**	13,738
Income before income taxes	**3,366**	4,639
Provision for income taxes	**1,040**	1,464
NET INCOME	**$ 2,326**	$ 3,175
NET INCOME PER COMMON SHARE:		
Basic and diluted	**$ 1.22**	$ 1.67
AVERAGE SHARES OUTSTANDING:		
Basic and diluted	**1,903,120**	1,903,120

The accompanying notes are an integral part of the consolidated financial statements.

F-4

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31, 2015	2014
	(Dollars in thousands)	
NET INCOME	**$ 2,326**	$ 3,175
Other comprehensive income (loss), net of tax:		
Unrealized gains from available-for-sale securities, net of income tax effect of ($55) for 2015 and ($708) for 2014	**92**	1,191
Reclassification adjustment to transfer net securities gains recognized in net income, net of income tax effect of ($15), for 2015	**(25)**	
Unrealized losses for pension and postretirement benefit obligations, net of income tax effect of $160 for 2015 and $521 for 2014	**(270)**	(957)
Reclassification adjustment to transfer net actuarial losses to pension and postretirement benefit expense, net of tax effect of ($49) in 2015 and ($24) in 2014, included in Salaries, wages, and other employee benefits	**82**	40
Other comprehensive income (loss)	**(121)**	274
COMPREHENSIVE INCOME	**$ 2,205**	$ 3,449

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Treasury Stock	Total
			(Dollars in thousands)			
Balance at December 31, 2013	$ 2,500	$ 757	$ 45,485	$ (3,742)	$ (2,280)	$ 42,720
Net income			3,175			3,175
Other comprehensive income (loss)				274		274
Cash dividends paid $0.79 per share			(1,503)			(1,503)
Balance at December 31, 2014	$ 2,500	$ 757	$ 47,157	$ (3,468)	$ (2,280)	$ 44,666
Balance at December 31, 2014	$ 2,500	$ 757	$ 47,157	$ (3,468)	$ (2,280)	$ 44,666
Net income			2,326			2,326
Other comprehensive income (loss)				(121)		(121)
Cash dividends paid $0.83 per share			(1,580)			(1,580)
Balance at December 31, 2015	**$ 2,500**	**$ 757**	**$ 47,903**	**$ (3,589)**	**$ (2,280)**	**$ 45,291**

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Months Ended December 31,	
	2015	2014
	(Dollars in Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before adjustments to reconcile net income to net cash provided by operating activities:	**$ 2,326**	$ 3,175
Provision for loan losses, net	**283**	(313)
Depreciation and amortization	**849**	844
Securities gains	**(40)**	
Deferred income tax expense (benefit)	**(15)**	777
Pension plan settlement cost	**256**	
Impairment write-downs on other real estate owned	**731**	127
(Gains) Losses on disposal of other real estate owned	**(25)**	54
Net investment amortization	**352**	371
(Increase) Decrease in interest receivable	**(10)**	27
(Increase) Decrease in other assets	**67**	(759)
Increase (Decrease) in interest payable and other liabilities	**16**	(406)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**4,790**	3,897
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities held-to-maturity	**(6,624)**	(2,207)
Purchases of securities available-for-sale	**(25,282)**	(10,964)
(Purchases) Redemptions of FHLB Stock	**(10)**	454
Proceeds from maturities and calls of securities held-to-maturity	**3,810**	3,175
Proceeds from maturities and calls of securities available-for-sale	**25,216**	6,491
Proceeds from sales of securities available for sale	**4,967**	
Net (increase) decrease in loans	**4,704**	(6,748)
Proceeds from disposal of other real estate owned	**4,233**	812
Acquisition of fixed assets	**(371)**	(733)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**10,643**	(9,720)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in demand and savings deposits	**9,469**	(5,716)
Net decrease in time deposits	**(3,311)**	(7,900)
Net decrease in short-term borrowings	**(2,371)**	(487)
Cash dividends paid	**(1,580)**	(1,503)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**2,207**	(15,606)
Net increase (decrease) in cash and cash equivalents	**$ 17,640**	$ (21,429)
Cash and cash equivalents at beginning of year	**21,020**	42,449

Cash and cash equivalents at end of year	**$ 38,660**	$ 21,020
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	**$ 1,122**	$ 1,105
Income taxes	**$ 943**	$ 560
Supplemental disclosures of non-cash transactions:		
Transfers of loans to other real estate owned	**$ 677**	$ 5,411
Loans made to finance purchases of other real estate owned	**$**	$ 383

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting and Reporting Policies

First Century Bankshares, Inc. (the Corporation or the Company), and its wholly owned subsidiary, First Century Bank, Inc. (FCB), operate twelve branches and one loan production office in southern West Virginia and southwestern Virginia.

The Corporation s primary source of revenue is derived from loans to customers who are predominately small to medium size businesses and middle income individuals. The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The following is a summary of the more significant accounting and reporting policies:

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates relate to the calculation of the allowance for loan losses, valuation of impaired loans, valuation of other real estate owned, goodwill impairment and valuation of pension and postretirement benefits. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of First Century Bankshares, Inc. and its wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include cash on hand and amounts due from banks (including cash items in process of collection); interest bearing balances with banks and federal funds sold. To comply with Federal Reserve regulations, the subsidiary bank is required to maintain reserve balances with the Federal Reserve Bank of Richmond. The amount of those reserve balances was $275,000 at both December 31, 2015 and 2014, respectively.

Securities

Securities are classified as either held-to-maturity, available-for-sale or trading. Classification of securities is determined on the date of purchase. In determining such classification, debt securities that the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. All other securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses included in comprehensive income. The Corporation has no securities classified as trading.

Realized gains and losses, determined using the specific identification method, and declines in value judged to be other than temporary are included in noninterest income. Premiums and discounts are amortized into interest income using a level yield method.

Loans

Loans are reported at their principal outstanding balance net of charge-offs and certain other deferred or unearned income. Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans. Interest income, net of amortization or accretion of deferred items, is recognized as earned using the interest method.

Table of Contents

The segments of the Company s loan portfolio are disaggregated to a level that allows management to monitor risk and performance. In reviewing risk, management has determined there to be several different risk categories within the loan portfolio. The allowance for loan losses consists of amounts applicable to: (i) the commercial loan portfolio; (ii) the commercial real estate loan portfolio; (iii) the consumer loan portfolio; (iv) the residential real estate portfolio: and, (iv) the residential construction loan portfolio. The commercial real estate (CRE) loan segment is further disaggregated into three classes. Commercial construction loans are generally made to developers or investors for the purpose of acquiring, developing and constructing residential or commercial structures. Non-owner occupied CRE loans, which include loans secured by non-owner occupied nonfarm nonresidential properties, generally have a greater risk profile than all other CRE loans, which include multifamily structures and owner-occupied commercial structures. Construction lending is generally considered to involve a higher degree of credit risk than long-term permanent financing. Construction loans to businesses for building commercial structures are inherently more risky than residential construction loans that are generally made to individuals for the acquisition of and/or construction on a lot or lots on which a residential dwelling is to be built. If the estimate of construction cost proves to be inaccurate, the Company may be compelled to advance additional funds to complete the construction with repayment dependent, in part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan. If the Company is forced to foreclose on a project prior to completion, there is no assurance that it will be able to recover the entire unpaid portion of the loan. In addition, the Company may be required to fund additional amounts to complete a project and may have to hold the property for an indeterminate period of time. The commercial business segment consists of loans made for the purpose of financing the activities of commercial customers. The residential mortgage loan segment is made up of fixed rate and adjustable rate single-family amortizing term loans, which are primarily first liens. The consumer loans consist of motor vehicle loans, savings account loans, personal lines of credit, overdraft loans, other types of secured consumer loans, and unsecured personal loans.

Allowance for Loan Losses and Reserve for Unfunded Lending Commitments

It is the policy of the Corporation to maintain an allowance for loan losses and a reserve for unfunded lending commitments that equals management s best estimate of probable credit losses that are inherent in the portfolio at the balance sheet date. The adequacy of the allowance for loan losses is periodically evaluated by the Corporation in order to maintain the allowance at a level that is sufficient to absorb probable credit losses. Management s evaluation of the adequacy of the allowance is based on a review of the Corporation s historical loss experience, known and inherent risks in the loan portfolio, including adverse circumstances that may affect the ability of the borrower to repay interest and/or principal, the estimated value of collateral, and an analysis of the levels and trends of delinquencies, charge-offs, and the risk ratings of the various loan categories. Such factors as the level and trend of interest rates and the condition of the national and local economies and industry concentrations are also considered.

The allowance for loan losses is established through charges to earnings in the form of a provision for loan losses. Increases and decreases in the allowance due to changes in the measurement of impaired loans are included in the provision for loan losses. Loans continue to be classified as impaired unless they are brought fully current and the collection of scheduled interest and principal is considered probable.

A loan is considered impaired, based on current information and events, if it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The measurement of impaired loans that are collateral dependent is based on the fair value of the collateral. The measurement of other impaired loans is generally based on the present value of expected future cash flows discounted at the loan s contractual interest rate.

The Corporation uses several factors in determining if a loan is impaired. The internal asset classification procedures include a thorough review of significant loans and lending relationships and include the accumulation of related data.

This data includes loan payment status, borrowers financial data and borrowers operating factors such as cash flows, operating income or loss, etc.

When a loan or portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance and subsequent recoveries, if any, are credited to the allowance.

Unsecured loans are typically charged-off within 90 days of becoming delinquent. All secured consumer loans are to be charged-off or written down to fair value of collateral on or before becoming 120 days past due. Loans secured by residential real estate are written down to the fair value of collateral on or before becoming 180 days past due, unless the loan is in bankruptcy or other legal collection proceedings and may go 365 days before a charge-off is taken.

Secured commercial loans, including commercial, commercial real estate and commercial construction loans, are to be charged off promptly upon determination that all or a portion of any loan balance is uncollectible. A commercial loan is considered uncollectible when the borrower is delinquent in principal or interest and 1) it is unlikely the borrower will have the ability to pay the debt in a timely manner, 2) collateral value is insufficient to cover the outstanding indebtedness and 3) guarantors do not provide adequate support.

We identify past due loans based on contractual terms on a loan by loan basis.

The methodology used to determine an estimate for the reserve for unfunded lending commitments is inherently similar to the methodology used in calculating the allowance for loan losses adjusted for factors specific to binding commitments, including the probability of funding and exposure at the time of funding. The reserve for unfunded lending commitments is included in other liabilities with increases or decreases included in noninterest expense. At December 31, 2015 and 2014, the reserve for unfunded lending commitments was $10,000. Estimates may change at some point in the future.

Income Recognition on Impaired and Nonaccrual Loans

Loans, including impaired loans, are generally classified as nonaccrual if they are past due as to maturity or payment of principal or interest for a period of more than 90 days, unless such loans are well-collateralized and in the process of collection. If a loan or a portion of a loan is classified as doubtful or is partially charged off, the loan is classified as nonaccrual. Loans that are on a current payment status or past due less than 90 days may also be classified as nonaccrual if repayment in full of principal and/or interest is in doubt.

Loans may be returned to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within an acceptable period of time, and there is a sustained period of repayment performance by the borrower, in accordance with the contractual terms of the loan agreement.

While a loan is classified as nonaccrual and the future collectability of the recorded loan balance is doubtful, collections of interest and principal are generally applied as a reduction to principal outstanding. When the future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a nonaccrual loan had been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Cash receipts in excess of that amount are recorded as recoveries to the allowance for loan losses until prior charge-offs have been fully recovered.

Loan Servicing

At December 31, 2015 and 2014, the Corporation serviced the home mortgage loans of approximately 1,000 borrowers. Loans are serviced for the Federal National Mortgage Association (Fannie Mae). As of December 31, 2015, the Corporation serviced loans with an aggregate principal amount of approximately $98,740,000 compared to

$106,083,000 at December 31, 2014. The average annual servicing fee on its servicing portfolio was 0.25% for 2015 and 2014. The Corporation s servicing business collects mortgage payments, administers tax and insurance escrows, and seeks to mitigate losses on defaulted loans and responds to borrower inquiries. Fannie

Table of Contents

Mae reserves the right to change service providers at its discretion. Therefore, the Corporation does not recognize an intangible asset for mortgage servicing rights. During 2015 and 2014, the loan servicing function generated fees of approximately $254,000 and $272,000, respectively.

Other Real Estate Owned

Other real estate owned includes properties on which the Corporation s subsidiary has foreclosed and taken title, or has taken possession of the collateral in-substance, but has not completed legal foreclosure proceedings. Real estate properties acquired as a result of foreclosures are carried at the lower of the recorded investment in the loan or the fair value less estimated selling costs. Any excess of the outstanding principal loan balance over the fair value less estimated selling costs of the foreclosed property is charged to the allowance for loan losses. Any subsequent fair value adjustments and net operating expenses are charged to noninterest expense.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight line method based upon the estimated useful lives of the assets. Buildings and improvements have estimated useful lives of 20 to 40 years. Equipment and fixtures have estimated useful lives of 3 to 10 years. The cost of major improvements is capitalized. The expenditures for maintenance and repairs are charged to expense as incurred. Gains or losses on assets sold are included in other noninterest income or expense.

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

The Corporation applies a financial-components approach that focuses on control when accounting and reporting for transfers and servicing of financial assets and extinguishments of liabilities. Under that approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. This approach provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings.

Goodwill And Other Intangibles

Goodwill and indefinite-lived intangible assets are not amortized, but are reviewed at least annually for impairment. If impaired, goodwill or indefinite-lived intangible assets are written down to fair value, calculated using the discounted cash flow method. The unimpaired balance of goodwill and indefinite-lived intangibles totaled approximately $5,183,000 at December 31, 2015 and 2014.

Income Taxes

The Corporation files a consolidated federal income tax return. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

The Corporation classifies interest and penalties related to income tax assessments, if any, in interest expense or noninterest expense, respectively in the consolidated statements of operations. Tax years 2012 through 2015 are subject to examination by the Internal Revenue Service and the West Virginia Department of Taxation. The Corporation has analyzed the tax positions taken or expected to be taken in its tax returns and has concluded it has no liability related to uncertain tax positions.

Table of Contents

Segment Information

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Corporation has determined that it has one significant operating segment, the providing of general commercial financial services to customers located in the geographic areas of southern West Virginia and southwestern Virginia. The various products are those generally offered by community banks, and the allocation of resources is based on the overall performance of the institution, versus the individual branches or products.

Comprehensive Income

The Company classifies items of other comprehensive income by their nature in the financial statements and displays accumulated other comprehensive income separately from retained earnings in the equity section of the balance sheet. Unrealized gains and losses on available-for-sale securities and net accrued pension and postretirement benefit liability are the components of the Company s other accumulated comprehensive income.

Postemployment Benefits

The Corporation has a defined benefit pension plan covering employees meeting certain age and service requirements. There are also two defined benefit post retirement plans that provide medical and life insurance benefits. The net periodic costs of these plans are computed in accordance with Accounting Standards Codification Topic 712, Compensation Nonretirement Postemployment Benefits.

Subsequent Events

Subsequent events were evaluated through March 11, 2016, the date the financial statements were available to be issued.

Recent Accounting Pronouncements and Changes

In January 2014, the FASB issued ASU No. 2014-04, Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40). The amendments in this Update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments were effective for annual periods, and interim periods within those annual periods beginning after December 15, 2014. The adoption of this ASU did not have a material impact on the Company s financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 was effective for annual reporting periods, and interim periods within that period, beginning after December 15, 2016 and early adoption was not permitted. ASU No. 2015-14 issued in August

Table of Contents

2015 deferred the effective date of this Update to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of this ASU is not expected to have a material effect on the Company s current financial position or results of operations; however, it may impact the reporting of future financial statement disclosures.

In January 2016, ASU No. 2016-01 Financial Instruments Overall (Subtopic 825-10) was issued by the FASB. The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of these amendments on its financial statements.

Other accounting standards have been issued by the FASB that are not currently applicable to the Company or are not expected to have a material impact on the Company s financial statements.

2. Securities

Securities available-for-sale at December 31, 2015 and 2014 are summarized as follows:

	2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
U.S. Government agency obligations	**$ 65,272**	**$ 46**	**$ 344**	**$ 64,974**
U.S. Government agency mortgage-backed securities	**12,515**	**75**	**29**	**12,561**
TOTAL SECURITIES AVAILABLE-FOR-SALE	**$ 77,787**	**$ 121**	**$ 373**	**$ 77,535**

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
U.S. Government agency obligations	$ 68,037	$ 42	$ 611	$ 67,468
U.S. Government agency mortgage-backed securities	14,754	214	4	14,964
TOTAL SECURITIES AVAILABLE-FOR-SALE	$ 82,791	$ 256	$ 615	$ 82,432

Securities held-to-maturity at December 31, 2015 and 2014 are summarized as follows:

	2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
State and municipal obligations	**$ 34,632**	**$ 721**	**$ 97**	**$ 35,256**
TOTAL SECURITIES HELD-TO-MATURITY	**$ 34,632**	**$ 721**	**$ 97**	**$ 35,256**

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
State and municipal obligations	$ 32,027	$ 715	$ 136	$ 32,606
TOTAL SECURITIES HELD-TO-MATURITY	$ 32,027	$ 715	$ 136	$ 32,606

Table of Contents

Securities with an aggregate fair value of $34,613,000 at December 31, 2015 and $35,879,000 at December 31, 2014, were pledged to secure public and trust deposits and for other purposes required or permitted by law, including approximately $10,932,000 at December 31, 2015 and $9,559,000 at December 31, 2014 pledged to secure repurchase agreements.

Sales of securities available for sale were as follows:

	2015	2014
	(Dollars in Thousands)	
Proceeds from sales	**$ 4,967**	$
Gross realized gains	**40**	

The amortized cost and estimated fair value for securities available-for-sale and securities held-to-maturity by contractual maturities at December 31, 2015 are shown in the following tables. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	Amortized Cost	Fair Value	Net Unrealized Gains (Losses)
	(Dollars in Thousands)		
Due in one year or less	$ 5,021	$ 5,022	$ 1
Due after one year through five years	60,251	59,952	(299)
Due after five years through ten years	676	690	14
Due after ten years	11,839	11,871	32
TOTAL SECURITIES AVAILABLE-FOR-SALE	$ 77,787	$ 77,535	$ (252)

	Amortized Cost	Fair Value	Net Unrealized Gains
	(Dollars in Thousands)		
Due in one year or less	$ 1,007	$ 1,017	$ 10
Due after one year through five years	10,414	10,570	156
Due after five years through ten years	17,360	17,672	312
Due after ten years	5,851	5,997	146
TOTAL SECURITIES HELD-TO-MATURITY	$ 34,632	$ 35,256	$ 624

Table of Contents

The Company held 25 available-for-sale securities and 19 held-to-maturity securities with unrealized losses at December 31, 2015. The following table shows the gross unrealized losses and fair value of the Corporation s investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category at December 31, 2015:

	Less Than Twelve Months		More than Twelve Months	
	(Dollars in Thousands)			
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Description of Security				
Securities available for sale:				
U.S. Government agency obligations	$ 293	$ 35,755	$ 51	$ 2,949
U.S. Government agency mortgage-backed securities	29	5,554		
TOTAL SECURITIES AVAILABLE-FOR-SALE	$ 322	$ 41,309	$ 51	$ 2,949
Securities held to maturity:				
State and municipal obligations	$ 58	$ 6,586	$ 39	$ 1,603
TOTAL SECURITIES HELD-TO-MATURITY	$ 58	$ 6,586	$ 39	$ 1,603

For all of these securities, because the decline in market value is attributable to changes in interest rates and not credit quality and because the Corporation has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Corporation does not consider these investments to be other-than-temporarily impaired at December 31, 2015.

3. Loans and Allowance for Loan Losses

Loans at December 31, 2015 and 2014 consisted of the following:

	December 31,	
	2015	2014
	(Dollars in Thousands)	
Commercial	**$ 28,656**	$ 18,282
Commercial real estate		
Construction	**1,317**	1,772
Owner occupied	**25,885**	35,145
Non-owner occupied	**51,922**	57,325
Total commercial loans	**107,780**	112,524
Consumer	**15,634**	16,107

Residential real estate	**103,576**	105,006
Residential construction	**7,244**	6,131
Total consumer loans	**126,454**	127,244
TOTAL LOANS	**$ 234,234**	$ 239,768

Loans are shown net of deferred fees of $235,000 and deferred costs of $660,000 at December 31, 2015, and net of deferred fees of $259,000 and deferred costs of $675,000 at December 31, 2014.

Table of Contents

The Corporation s subsidiary has had and can be expected to have in the future various banking transactions with directors, executive officers, their immediate families and affiliated companies in which they are principal shareholders (commonly referred to as related parties). These loans to related parties are summarized as follows:

	2015	2014
	(Dollars in Thousands)	
BALANCE AT BEGINNING OF YEAR	**$ 18,222**	$ 12,369
New loans	**2,118**	8,663
Repayments	**13,571**	2,810
BALANCE AT END OF YEAR	**$ 6,769**	$ 18,222

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company has a structured loan rating process with both internal and external oversight. The Credit Administration Department is responsible for the timely and accurate risk rating of the loan portfolio at origination and on an ongoing basis. As part of this process the Company s loan officers are responsible for providing the Credit Administration Department with all necessary information needed to accurately risk rate the loans in excess of $300,000 in their portfolios at origination and on an ongoing basis. Loans under $300,000 are assigned a risk rating by the responsible lender based upon the class and risk characteristics of the loan. The Company s approving Committees review risk ratings when approving a loan. Additionally, on a quarterly basis any risk rating changes are reported to the Discount Committee and the Board of Directors, except those made within the pass risk ratings. Detailed problem loan reports, including plans for resolution, are completed on loans classified as OAEM and Substandard greater than $250,000 on a quarterly basis. The Company s process requires the review and evaluation of impaired loans greater than $250,000 and all troubled debt restructures to be updated at least quarterly. The Company engages an external consultant to conduct loan review on a quarterly basis. Generally, the external consultant reviews commercial relationships to achieve a minimum 70% penetration level and all adversely classified commercial credits.

Loans are categorized into one of nine loan grades with grades 1 through 5 representing various levels of acceptable loans and grades 6 through 9 representing various levels of credit deterioration.

6. ***Special Mention (OAEM)***

A special mention asset has potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution s credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Loans graded a 6 may be experiencing adverse operating trends such as declining revenues or margins or an ill-proportioned balance sheet caused by increasing accounts receivable and/or inventory balances not supported by an increase in sales revenue. Other reasons supporting this classification include adverse economic or market conditions, pending litigation or any other material structural weakness.

7. ***Substandard***

Substandard loans are inadequately protected by current sound net worth, paying capacity of the borrower, or pledged collateral. Loans are normally graded 7 when they have unsatisfactory characteristics causing more than acceptable levels of risk. A loan graded 7 normally has one or more well-defined weaknesses that could jeopardize repayment of the debt. The following are examples of situations that might cause a loan to be graded 7:

Cash flow deficiencies jeopardize future loan payments.

Sale of non-collateral assets has become a primary source of loan repayment.

The relationship has deteriorated to the point that sale of collateral is now the bank s primary source of repayment.

The borrower is bankrupt, or for any other reason, future repayment is dependent on court action.

Table of Contents

8. Doubtful

Loans are graded 8 if they contain a weakness so serious that collection or liquidation in full is questionable. An 8 classification will result in the loan being placed in non-accrual.

9. Loss

A 9 rating is assigned to loans considered uncollectible and of such little value that their continuance as an active bank asset is not warranted. This rating does not mean that the asset has no recovery or salvage value, but rather that the asset should be charged off now, even though partial or full recovery may be possible in the future.

The following table presents loans by credit quality indicator at December 31, 2015.

	Pass	Special Mention	Substandard	Total
		(Dollars in Thousands)		
Commercial	$ 26,982	$ 245	$ 1,429	$ 28,656
Commercial real estate				
Construction	1,317			1,317
Owner occupied	23,249	333	2,303	25,885
Nonowner occupied	48,578	715	2,629	51,922
Consumer	15,536	30	68	15,634
Residential real estate	100,027	465	3,084	103,576
Residential construction	7,170		74	7,244
TOTAL	$ 222,859	$ 1,788	$ 9,587	$ 234,234

The following table presents loans by credit quality indicator at December 31, 2014.

	Pass	Special Mention	Substandard	Total
		(Dollars in Thousands)		
Commercial	$ 17,677	$	$ 605	$ 18,282
Commercial real estate				
Construction	1,772			1,772
Owner occupied	29,847	3,396	1,902	35,145
Non-owner occupied	52,661	2,031	2,633	57,325
Consumer	16,065	1	41	16,107
Residential real estate	101,021	231	3,754	105,006
Residential construction	6,031		100	6,131
TOTAL	$ 225,074	$ 5,659	$ 9,035	$ 239,768

Table of Contents

The following table presents loans by past due status at December 31, 2015.

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due and Still Accruing
	(Dollars in Thousands)						
Commercial	$	$ 45	$ 1,099	$ 1,144	$ 27,512	$ 28,656	$
Commercial real estate							
Construction					1,317	1,317	
Owner occupied	1,271	116	733	2,120	23,765	25,885	
Non-owner occupied		394	970	1,364	50,558	51,922	
Consumer	160	65	73	298	15,336	15,634	73
Residential real estate	1,275	683	1,018	2,976	100,600	103,576	692
Residential construction	180	8		188	7,056	7,244	
TOTAL	$ 2,886	$ 1,311	$ 3,893	$ 8,090	$ 226,144	$ 234,234	$ 765

The following table presents loans by past due status at December 31, 2014.

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due and Still Accruing
	(Dollars in Thousands)						
Commercial	$ 342	$ 42	$	$ 384	$ 17,898	$ 18,282	$
Commercial real estate							
Construction					1,772	1,772	
Owner occupied	539	26		565	34,580	35,145	
Nonowner occupied	327			327	56,998	57,325	
Consumer	243	67	20	330	15,777	16,107	15
Residential real estate	1,721	810	1,195	3,726	101,280	105,006	485
Residential construction	189		17	206	5,925	6,131	17
TOTAL	$ 3,361	$ 945	$ 1,232	$ 5,538	$ 234,230	$ 239,768	$ 517

Table of Contents

The following table presents impaired loans at December 31, 2015.

	Carrying Amount	Unpaid Principal Balance	Associated Allowance	Average Carrying Amount	Interest Income Recognized
			(Dollars in Thousands)		
With no related allowance recorded:					
Commercial	$ 113	$ 113	$	$ 121	$ 8
Commercial real estate					
Construction					
Owner occupied	1,164	1,164		1,181	44
Nonowner occupied	2,396	2,396		2,423	93
Total commercial loans	$ 3,673	$ 3,673	$	$ 3,725	$ 145
Consumer	$ 22	$ 22	$	$ 29	$ 2
Residential real estate	1,010	1,010		1,035	34
Residential construction	69	69		71	5
Total consumer loans	$ 1,101	$ 1,101	$	$ 1,135	$ 41
With an allowance recorded:					
Commercial	$ 1,065	$ 1,065	$ 441	$ 1,067	$ 11
Commercial real estate					
Construction					
Owner occupied	1,800	1,800	677	1,826	29
Nonowner occupied	55	55		59	2
Total commercial loans	$ 2,920	$ 2,920	$ 1,118	$ 2,952	$ 42
Consumer	$	$	$	$	$
Residential real estate	582	582	93	604	11
Residential construction					
Total consumer loans	$ 582	$ 582	$ 93	$ 604	$ 11
Total:					
Commercial	$ 1,178	$ 1,178	$ 441	$ 1,188	$ 19
Commercial real estate					
Construction					
Owner occupied	2,964	2,964	677	3,007	73
Nonowner occupied	2,451	2,451		2,482	95
Total commercial loans	$ 6,593	$ 6,593	$ 1,118	$ 6,677	$ 187
Consumer	$ 22	$ 22	$	$ 29	$ 2

Residential real estate	1,592	1,592	93	1,639	45
Residential construction	69	69		71	5
Total consumer loans	$ 1,683	$ 1,683	$ 93	$ 1,739	$ 52

Table of Contents

The following table presents impaired loans at December 31, 2014.

	Carrying Amount	Unpaid Principal Balance	Associated Allowance	Average Carrying Amount	Interest Income Recognized
	(Dollars in Thousands)				
With no related allowance recorded:					
Commercial	$ 274	$ 274	$	$ 284	$ 9
Commercial real estate					
Construction					
Owner occupied	1,736	1,736		1,749	38
Nonowner occupied	2,088	2,088		2,114	140
Total commercial loans	$ 4,098	$ 4,098	$	$ 4,147	$ 187
Consumer	$ 21	$ 21	$	$ 27	$ 1
Residential real estate	880	880		895	35
Residential construction	74	74		76	5
Total consumer loans	$ 975	$ 975	$	$ 998	$ 41
With an allowance recorded:					
Commercial	$ 99	$ 99	$ 99	$ 100	$ 5
Commercial real estate					
Construction					
Owner occupied					
Nonowner occupied	363	363	3	378	23
Total commercial loans	$ 462	$ 462	$ 102	$ 478	$ 28
Consumer					
Residential real estate	$ 815	$ 815	$ 100	$ 830	$ 28
Residential construction					
Total consumer loans	$ 815	$ 815	$ 100	$ 830	$ 28
Total:					
Commercial	$ 373	$ 373	$ 99	$ 384	$ 14
Commercial real estate					
Construction					
Owner occupied	1,736	1,736		1,749	38
Nonowner occupied	2,451	2,451	3	2,492	163
Total commercial loans	$ 4,560	$ 4,560	$ 102	$ 4,625	$ 215
Consumer	$ 21	$ 21	$	$ 27	$ 1

Residential real estate	1,695	1,695	100	1,725	63
Residential construction	74	74		76	5
Total consumer loans	$ 1,790	$ 1,790	$ 100	$ 1,828	$ 69

The following table presents nonaccrual loans, accruing loans past due 90 days or more, and restructured loans at December 31:

	2015	2014
	(Dollars in Thousands)	
Nonaccrual loans	**$ 5,060**	$ 2,366
Accruing loans past due 90 days or more	**$ 765**	$ 517
Restructured loans (accruing)	**$ 2,172**	$ 2,415

F-19

Table of Contents

The following table presents the composition of nonaccrual loans at December 31, 2015 and 2014.

	December 31,	
	2015	2014
	(Dollars in Thousands)	
Commercial	**$ 1,099**	$ 186
Commercial real estate		
Construction		
Owner occupied	**2,004**	544
Nonowner occupied	**969**	
Total commercial loans	**$ 4,072**	$ 730
Consumer	**$ 34**	$ 43
Residential real estate	**948**	1,584
Residential construction	**6**	9
Total consumer loans	**$ 988**	$ 1,636
TOTAL NONACCRUAL LOANS	**$ 5,060**	$ 2,366

In addition to the review of credit quality through the credit review process, we construct a comprehensive allowance analysis for the loan portfolio at least quarterly. The procedures that we use entail preparation of a loan watch list and assigning each loan a classification. Commercial loans with an aggregate loan balance in excess of $250,000 that meet one or more of the following conditions require the completion of a Problem Loan Report and an impairment analysis by Credit Administration with the assistance of the responsible lender. The conditions are as follows:

a. Commercial loans graded OAEM, Substandard, Doubtful or Loss

b. Commercial loan in non-accrual status

c. Commercial loans deemed impaired

d. Commercial loans past due greater than 90 days

e. Trouble debt restructures

f. Other mitigating circumstances i.e. bankruptcy, death of borrower/guarantor, etc.

The portfolio is segregated into loan pools consisting of commercial loans, commercial real estate owner occupied loans, commercial real estate non-owner occupied loans, commercial construction and land development loans, residential real estate loans, residential construction loans and consumer loans. A five-year historical net charge-off percentage of each category is compiled. This data is then used to establish an average charge off percentage for each category.

The loans specified on the loan watch list are then assigned a classification that is intended to be representative of the degree of risk associated with that particular loan(s). An on-going three-year migration analysis of the pools of loans graded OAEM, Substandard, Doubtful and Loss as compared to their historical charge-offs is completed annually. This three-year average percentage is then applied to the respective loan pool.

We review concentrations of credit, classes of loans and pledged collateral to determine the existence of any deterioration. In addition, we consider volume and trends in delinquencies and nonaccrual loans, the loan portfolio composition, loan volume and maturity of the portfolio, national and local economic conditions and the experience, ability and depth of our lending management and staff.

Table of Contents

The following tables summarize changes in the allowance for loan losses applicable to each category of the loan portfolio:

	For the Year Ended December 31, 2015						
	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Construction	Unallocated	Total
	(Dollars in Thousands)						
Balance at beginning of period	$ 443	$ 1,143	$ 140	$ 716	$ 206	$ 774	$ 3,422
Provision for loan losses	478	433	164	33	(67)	(758)	283
Recoveries on loans previously charged off	17	81	27	17			142
Loans charged off	(1)		(124)	(170)			(295)
Balance at end of period	$ 937	$ 1,657	$ 207	$ 596	$ 139	$ 16	$ 3,552

	For the Year Ended December 31, 2014						
	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Construction	Unallocated	Total
	(Dollars in Thousands)						
Balance at beginning of period	$ 587	$ 1,728	$ 242	$ 642	$ 1,149	$ 257	$ 4,605
Provision for loan losses	(394)	(224)	(9)	192	(395)	517	(313)
Recoveries on loans previously charged off	250	73	51	9			383
Loans charged off		(434)	(144)	(127)	(548)		(1,253)
Balance at end of period	$ 443	$ 1,143	$ 140	$ 716	$ 206	$ 774	$ 3,422

The following table presents the allocation of the allowance for loan losses at December 31, 2015 and 2014.

	December 31, 2015						
	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Construction	Unallocated	Total
	(Dollars in Thousands)						
Reserve ending balance	$ 937	$ 1,657	$ 207	$ 596	$ 139	$ 16	$ 3,552
Individually evaluated for impairment	$ 441	$ 677	$	$ 93	$	$	$ 1,211
Collectively evaluated for impairment	$ 496	$ 980	$ 207	$ 503	$ 139	$ 16	$ 2,341

Principal balance outstanding:							
Individually evaluated for impairment	$ 1,178	$ 5,415	$ 22	$ 1,592	$ 69	$	$ 8,276
Collectively evaluated for impairment	27,478	72,392	15,612	101,984	8,492		225,958
Total loans	$ 28,656	$ 77,807	$ 15,634	$ 103,576	$ 8,561	$	$ 234,234

F-21

Table of Contents

	December 31, 2014						
	Commercial	Commercial Real Estate	Consumer	Residential Real Estate	Construction	Unallocated	Total
	(Dollars in Thousands)						
Reserve ending balance	$ 443	$ 1,143	$ 140	$ 716	$ 206	$ 774	$ 3,422
Individually evaluated for impairment	$ 99	$ 3	$	$ 100	$	$	$ 202
Collectively evaluated for impairment	$ 344	$ 1,140	$ 140	$ 616	$ 206	$ 774	$ 3,220
Principal balance outstanding:							
Individually evaluated for impairment	$ 373	$ 4,187	$ 21	$ 1,695	$ 74	$	$ 6,350
Collectively evaluated for impairment	17,909	88,283	16,086	103,311	7,829		233,418
Total loans	$ 18,282	$ 92,470	$ 16,107	$ 105,006	$ 7,903	$	$ 239,768

The Company s loan portfolio also includes certain loans that have been modified in a troubled debt restructuring (TDR), where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Company s collection activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower s sustained repayment performance for a reasonable period, generally six months.

When the Company modifies a loan, management evaluates any possible impairment based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, except when the sole remaining source of repayment for the loan is the operation or liquidation of the collateral. In these cases management uses the current fair value of the collateral, less selling costs, instead of discounted cash flows. If management determines that the value of the modified loan is less than the recorded investment in the loan, net of charge-offs, deferred loan fees or costs and unamortized premium or discount, impairment is recognized by segment or class of loan, as applicable, through an allowance estimate or a charge-off to the allowance. Segment and class status is determined by the loan s classification at origination.

The following tables include the recorded investment and number of modifications for these loans by type of concession. The Company reports the recorded investment in the loans prior to modifications and also the recorded investment in the loans after the loans were restructured. There were no modifications for troubled debt restructurings within the previous year where concessions were made and subsequently defaulted in the current reporting period for the years ended December 31, 2015 or 2014, respectively.

Table of Contents

Troubled debt restructurings

For the Years Ended December 31, 2015 and 2014:

	2015			2014		
	Number Of Modifications	Recorded Investment Prior to Modification	Recorded Investment After Modification	Number Of Modifications	Recorded Investment Prior to Modification	Recorded Investment After Modification
		(Dollars in Thousands)			(Dollars in Thousands)	
Loan Term Extension						
Commercial	**$**	**$**	**$**	$ 1	$ 148	$ 148
Commercial real estate Construction						
Owner occupied						
Non-owner occupied						
Consumer	**2**	**12**	**9**	3	35	21
Residential real estate	**1**	**68**	**67**	3	97	93
Residential construction						
TOTAL	**$ 3**	**$ 80**	**$ 76**	$ 7	$ 280	$ 262

Foreclosed properties as of December 31, 2015, included 17 residential real estate properties totaling $1,252,000.

Consumer mortgage loans secured by residential real estate properties that were in the process of foreclosure as of December 31, 2015, totaled $113,000.

4. Premises and Equipment

Premises and equipment at December 31, 2015 and 2014 consisted of the following:

	December 31,	
	2015	2014
	(Dollars in Thousands)	
Land	**$ 2,552**	$ 2,552
Buildings and improvements	**16,281**	16,050
Equipment and fixtures	**6,405**	6,390
Total	**25,238**	24,992
Less accumulated depreciation	**14,037**	13,313

NET PREMISES AND EQUIPMENT	**$ 11,201**	$ 11,679

Depreciation charged to operating expense amounted to $849,000 in 2015 and $844,000 in 2014.

Certain premises and equipment are utilized under long-term operating leases. The aggregate minimum annual rental commitments under those leases total approximately $74,000 in 2016, $75,000 in 2017, $72,000 in 2018, $58,000 in 2019 and $46,000 in 2020. Total net rent expense included in the accompanying consolidated financial statements was $73,000 in 2015 and $103,000 in 2014.

Table of Contents

The following provides information for equipment that is determined to be utilized under long-term capital leases:

Assets	December 31,		**Liabilities**	December 31,	
	2015	2014		**2015**	2014
	(Dollars in Thousands)			(Dollars in Thousands)	
Leased property, less accumulated amortization	**$ 122**	$ 231	Current Obligations	**$ 95**	$ 112
			Noncurrent Obligations	**$ 30**	$ 125

The following is an analysis of the leased property under capital leases by major classes:

Classes of Property	Asset balances at December 31,	
	2015	2014
	(Dollars in Thousands)	
Equipment	**$ 530**	$ 530
Less: Accumulated amortization	**(408)**	(299)
Net equipment	**$ 122**	$ 231

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2015.

	(Dollars in Thousands)
Year ending December 31:	
2016	$ 117
2017	48
Later years	
Total minimum lease payments	165
Less: Amount representing estimated executory costs (such as taxes, maintenance, and insurance), including profit thereon, included in total minimum lease payments.	38
Net minimum lease payments	127
Less: Amount representing interest[1]	2
Present value of net minimum lease payments[2]	$ 125

1:

Amount necessary to reduce minimum lease payments to present value calculated at the Company s incremental borrowing rate at the inception of the lease.

2: Reflected in the statements of financial condition as other borrowings.

Table of Contents

5. *Deposits*

Deposits at December 31, 2015 and 2014 were as follows:

	December 31, 2015	December 31, 2014
	(Dollars in Thousands)	
Individuals, partnerships and corporations:		
Demand deposits	**$ 54,044**	$ 54,886
Time and savings deposits	**274,286**	268,449
States and political subdivisions	**20,163**	19,022
Due to banks	**240**	240
Certified and official checks	**1,527**	1,505
TOTAL DEPOSITS	**$ 350,260**	$ 344,102

The scheduled maturities of time deposits at December 31, 2015 were as follows:

	(Dollars in Thousands)
2016	$ 79,930
2017	14,014
2018	14,141
2019	6,921
2020	10,878
Thereafter	50
TOTAL TIME DEPOSITS	$ 125,934

Time deposits include certificates of deposit issued in amounts of $250,000 or more totaling approximately $11,974,000 and $12,585,000 at December 31, 2015 and 2014, respectively. At December 31, 2015, deposits of executive officers, directors and their related interests were $4,826,000.

6. *Postretirement Benefits*

The Corporation has a noncontributory pension plan covering all eligible employees with six months of service who have attained the age of twenty and one-half. Contributions to the plan are based on computations by independent actuarial consultants. The plan s assets include common stock, fixed income securities, short-term investments and cash.

The Corporation sponsors two defined benefit postretirement plans that cover both salaried and nonsalaried employees. One plan provides medical benefits, and the other provides life insurance benefits. The postretirement health care plan is contributory and the life insurance plan is noncontributory. The health plan has an annual limitation (a cap) on the dollar amount of the employer s share of the cost of covered benefits incurred by a plan participant. The retiree is responsible, therefore, for the amount by which the cost of the benefit coverage under the plan incurred during a year exceeds that cap. No health care cost increases have been factored into the health plan s actuarial calculations due to this cap.

Table of Contents

The following table outlines the changes in the Corporation s postretirement benefit plan obligations, assets and funded status for the years ended December 31, 2015 and 2014, and the assumptions and components of net periodic benefit costs for the two years in the period ended December 31, 2015.

	Pension Benefits		Other Postretirement Benefits	
	2015	2014	**2015**	2014
	(Dollars in Thousands)			
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	**$ 10,976**	$ 9,857	**$ 1,241**	$ 1,063
Service cost			**14**	11
Interest cost	**401**	447	**48**	50
Actuarial (gain) loss	**42**	1,050	**(165)**	154
Periodic benefits paid	**(268)**	(258)	**(43)**	(37)
Lump sum benefits paid	**(473)**	(120)		
Effect of settlement	**23**			
Projected benefit obligation at end of year	**10,701**	10,976	**1,095**	1,241
Change in plan asset				
Fair value of plan assets at beginning of year	**10,268**	10,134		
Actual return on plan assets	**(238)**	512		
Employer contribution			**43**	37
Periodic benefits paid	**(268)**	(258)	**(43)**	(37)
Lump sum benefits paid	**(473)**	(120)		
Fair value of plan assets at end of year	**9,289**	10,268		
Funded status	**(1,412)**	(708)	**(1,095)**	(1,241)
Unrecognized net actuarial (gain) loss	**5,796**	5,337	**(324)**	(164)
Unrecognized prior service cost				
Unrecognized transition obligation				
Prepaid (accrued) benefit cost	**$ 4,384**	$ 4,629	**$ (1,419)**	$ (1,405)

The defined benefit pension plan s accumulated benefit obligation was $10,701,000 at December 31, 2015, and $10,976,000 at December 31, 2014.

Table of Contents

During 2011 the Corporation amended the defined benefit pension plan to freeze all accruals and to close the plan to new entrants.

	Pension Benefits		Other Postretirement Benefits	
	2015	2014	**2015**	2014
	(Dollars in Thousands)			
Actuarial assumptions				
Discount rate	**4.16%**	3.75%	**4.17%**	3.98%
Expected return on plan assets	**5.50%**	8.00%	**N/A**	N/A
Rate of compensation increase	**N/A**	N/A	**N/A**	N/A
Components of net periodic benefit cost				
Service cost	**$**	$	**$ 14**	$ 11
Interest cost	**401**	447	**48**	50
Expected return on plan assets	**(548)**	(833)		
Amortization of prior service cost				
Amortization of transition obligation				
Recognized net actuarial (gain) loss	**137**	99	**(5)**	(35)
Settlement cost	**256**			
Net periodic benefit cost (income)	**$ 246**	$ (287)	**$ 57**	$ 26

Included in Accumulated Other Comprehensive Loss at December 31, 2015 and 2014 are the following non-cash pretax charges which have not yet been recognized in net periodic benefit cost. Also presented is the estimated portion of each component of Accumulated Other Comprehensive Loss which is expected to be recognized as a component of net periodic benefit cost during the year-ending December 31, 2016.

	Amt. recognized in Acc. Other Comp. Loss at Dec 31, 2015	Amt. recognized in Acc. Other Comp. Loss at Dec 31, 2014	Amount expected to be charged to net periodic cost in 2016
		(Dollars in Thousands)	
Pension Benefits:			
Net actuarial losses	**$ 5,796**	$ 5,337	$ 148
Other Postretirement Benefits:			
Net actuarial gains	**$ (324)**	$ (164)	$ (36)

The expected benefits to be paid under the Corporation s postemployment benefit plans are as follows:

	Pension Benefits	Other Postretirement Benefits
	(Dollars in Thousands)	
2016	$ 1,217	$ 53
2017	$ 595	$ 53
2018	$ 430	$ 53
2019	$ 574	$ 53
2020	$ 564	$ 54
2021-2025	$ 3,037	$ 287

Table of Contents

The asset allocation for the defined benefit pension plan for the years ended December 31, 2015 and 2014, by asset category, is as follows:

ASSET CATEGORY

	Percentage of Plan Assets	
	2015	2014
Equity securities	**63%**	62%
Debt securities	**32**	35
Other	**5**	3
Total	**100%**	100%

The investment objective for the defined benefit pension plan is to maximize total return with tolerance for slightly above average risk. Asset allocation strongly favors equities, with a target allocation of approximately 65% equity securities, 25% fixed income securities, and 10% cash and cash equivalents. Due to volatility in the market, the target allocation is not always desirable and asset allocations will fluctuate between the acceptable ranges. A core equity position of large cap stocks will be maintained. However, more aggressive or volatile sectors will be meaningfully represented in the asset mix in pursuit of higher returns. Higher volatility investment strategies such as real estate mortgages, limited partnerships, and international equities will be appropriate strategies in conjunction with the core position. It is management s intent to give the investment managers flexibility within the overall guidelines with respect to investment decisions and their timing. The defined benefit pension plan holds no investments in the Corporation s common stock.

The following table presents fair value information about the Company s defined benefit pension plan assets by asset category as of December 31, 2015 and 2014.

		Fair Value Measurements at December 31, 2015, Using:		
Description	Fair Value December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)			
Equity securities	$ 4,670	$ 4,670	$	$
Indexed funds	1,961	1,961		
Debt securities	1,282		1,282	
Preferred stocks	780		780	
Other investments, includes cash and cash equivalents	596	596		
Total	$ 9,289	$ 7,227	$ 2,062	$

Table of Contents

Description	Fair Value December 31, 2014	Fair Value Measurements at December 31, 2014, Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)			
Equity securities	$ 5,021	$ 5,021	$	$
Indexed funds	3,308	3,308		
Debt securities	206		206	
Preferred stocks	1,035		1,035	
Other investments, includes cash and cash equivalents	698	698		
Total	$ 10,268	$ 9,027	$ 1,241	$

Equity securities and indexed funds: Valued at the closing prices reported on the active market on which the individual securities are traded.

All other investments: Valued at fair value based on models that consider criteria such as dealer quotes, available trade date, issuer credit worthiness, and bond and swap yield curves.

During 2015, significant lump-sum distributions from the Corporation s employee pension plan triggered accelerated recognition of previously deferred actuarial losses. The Corporation recognized $256,000 in additional settlement charges for the year ended December 31, 2015. The Corporation made no discretionary contributions to the pension plan in 2015 or in 2014. Management will evaluate making additional discretionary contributions to the pension plan later in 2016.

The Corporation maintains a qualified 401(k) retirement savings plan. All employees age 21 and over are eligible to participate on a voluntary basis. The Corporation adopted a safe-harbor match of 100% up to 6% of compensation for 2015 and 2014. Total amounts charged to operating expense for payments pursuant to this plan were approximately $228,000 in 2015 and $240,000 in 2014.

7. *Income Taxes*

The provision for income taxes consisted of the following:

	Years Ended December 31, **2015**	2014
	(Dollars in Thousands)	
Tax provision attributed to income from operations:		
Current:		
Federal	**$ 964**	$ 621
State	**91**	66

Deferred expense (benefit)	**(15)**	777
PROVISION FOR INCOME TAXES	**$ 1,040**	$ 1,464

Table of Contents

The components of deferred tax assets and liabilities at December 31, 2015 and 2014 were as follows:

	2015	2014
	(Dollars in Thousands)	
Allowance for loan losses	**$ 947**	$ 979
Retirement plans	**935**	728
Unrealized losses on securities available for sale	**94**	134
Other	**192**	220
Gross deferred tax assets	**2,168**	2,061
Depreciation	**(159)**	(132)
Goodwill	**(1,933)**	(1,933)
Other	**(246)**	(252)
Gross deferred tax liabilities	**(2,338)**	(2,317)
NET DEFERRED TAX ASSET (LIABILITY)	**$ (170)**	$ (256)

The principal differences between the effective tax rate and the federal statutory rate were as follows:

	Years Ended December 31,			
	2015		2014	
	(Dollars in Thousands)			
	Amount	**%**	Amount	%
Provision at statutory rate	**$ 1,144**	**34**	$ 1,577	34
Tax-exempt interest income from certain investment securities and loans	**(241)**	**(7)**	(243)	(5)
State income tax expense, net of federal benefit	**55**	**2**	113	3
Other, net	**82**	**2**	17	
PROVISION FOR INCOME TAXES	**$ 1,040**	**31**	$ 1,464	32

8. Commitments and Contingencies

In the normal course of business, the Corporation is involved in various legal suits and proceedings. In the opinion of management, based on the advice of legal counsel, these suits are without substantial merit and should not result in judgments which in the aggregate would have a material adverse effect on the Corporation s financial statements.

9. Financial Instruments, Concentrations of Credit and Fair Values

The subsidiary of the Corporation is party to various financial instruments with off-balance sheet risk arising in the normal course of business to meet the financing needs of its customers. Those financial instruments include commitments to extend credit in the form of unused lines of credit and financial standby letters of credit. These instruments contain various elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition.

Unused lines of credit represent agreements to lend to a customer as long as there is no violation of any condition established in the contract, and generally have fixed expiration dates or other termination clauses and may require payment of a fee. Financial standby letters of credit are conditional commitments issued by the subsidiary to guarantee the financial performance of a customer to a third party. Those guarantees are primarily used to support public and private borrowing arrangements.

The subsidiary s exposure to credit loss, in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit, is the contractual amount of those instruments. The subsidiary uses the same credit policies in making commitments and conditional obligations that it does for on-balance sheet instruments.

Table of Contents

The components of the Corporation s off-balance sheet financial commitments at December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
	(Dollars in Thousands)	
Unused lines of credit		
Home equity lines	**$ 4,816**	$ 4,911
Commercial real estate, construction and land development secured by real estate	**14,507**	19,711
Other unused commitments	**25,820**	23,993
Total unused lines of credit	**$ 45,143**	$ 48,615
Financial standby letters of credit	**$ 1,381**	$ 1,317

The carrying amount and fair value of financial standby letters of credit was $9,000 and $7,000 at December 31, 2015 and 2014, respectively. Also, at December 31, 2015 and 2014, the Corporation had residential mortgage loan commitments outstanding of $678,000 and $178,000, respectively. Derivative financial instruments related to these commitments were $2,000 at December 31, 2015 and $1,000 at December 31, 2014, respectively.

The Corporation s subsidiary grants various types of credit including, but not limited to, agriculture, commercial, consumer, and residential loans to customers primarily located throughout southern West Virginia and southwestern Virginia. Each customer s creditworthiness is examined on a case by case basis. The amount of collateral obtained, if any, is determined by management s credit evaluation of the customer. Collateral held varies, but may include property, accounts receivable, inventory, plant and equipment, securities, or other income producing property. The loan portfolio is generally well diversified and geographically dispersed within the region. Within each specific industry, borrowers are well diversified as to specialty, service, or other unique features of the overall industry.

A substantial portion of the customers ability to honor their contractual commitment is largely dependent upon the economic conditions of the respective industry and overall economic conditions of the region. At December 31, 2015, the Corporation had concentrations of $27,592,000, or 60.9% of stockholders equity in loans to lessors of residential real property, and $21,889,000, or 48.3% of stockholders equity in loans to lessors of nonresidential real property. These concentrations are diversified by geography throughout the Mid-Atlantic region.

Accounting standards require the disclosure of the estimated fair value of on and off-balance sheet financial instruments. For the Corporation, as for most financial institutions, most of its assets and liabilities are considered financial instruments. Most of the Corporation s financial instruments, however, lack an available trading market characterized by a willing buyer and a willing seller engaging in an exchange transaction. It is also the Corporation s general practice and intent to hold its financial instruments to maturity and not to engage in trading or sales activities. Therefore, significant estimations and present value calculations were used by the Corporation for the purposes of this disclosure.

Fair values are based on quoted market prices for similar instruments or estimated using discounted cash flow analysis. The discount rates used are estimated using comparable market rates for similar types of instruments adjusted to be commensurate with the credit risk, overhead costs, and optionality of such instruments.

Table of Contents

The estimated fair value and the recorded book balances at December 31, 2015 and 2014 were as follows:

	2015		2014	
	Estimated Fair Value	**Carrying Amount**	Estimated Fair Value	Carrying Amount
	(Dollars in Thousands)			
Assets:				
Cash and cash equivalents	**$ 38,660**	**$ 38,660**	$ 21,020	$ 21,020
Securities available for sale	**77,535**	**77,535**	82,432	82,432
Securities held to maturity	**35,256**	**34,632**	32,606	32,027
Federal Home Loan Bank and Federal Reserve Bank stock	**593**	**593**	583	583
Net loans	**236,263**	**230,682**	243,998	236,346
Accrued interest receivable	**1,178**	**1,178**	1,168	1,168
Liabilities:				
Noninterest-bearing deposits	**$ 58,825**	**$ 58,825**	$ 57,053	$ 57,053
Deposits with no stated maturities	**165,501**	**165,501**	157,804	157,804
Deposits with stated maturities	**124,692**	**125,934**	128,851	129,245
Short-term borrowings	**7,424**	**7,424**	9,795	9,795
Accrued interest payable	**35**	**35**	34	34

The estimation methodologies used to determine fair value are as follows: For those loans and deposits with floating interest rates it was presumed that the estimated fair value generally approximated the recorded book balances. Securities actively traded in a secondary market have been valued using quoted available market prices. Deposits with stated maturities have been valued using a present value discounted cash flow with a discount rate approximating current market rates for similar assets and liabilities. Deposits with no stated maturities have an estimated fair value equal to the amount payable on demand which is the recorded book balance. The net loan portfolio has been valued using a present value discounted cash flow. The discount rate used in these calculations is the federal funds sold rate adjusted for noninterest operating costs, credit losses, and assumed prepayment risk. Fair values for nonperforming loans are estimated using discounted cash flow analysis, or underlying collateral values, where applicable. Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values.

The Corporation utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Corporation may be required to record at fair value other assets on a nonrecurring basis. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

The Corporation groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Table of Contents

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

Investment Securities Available-for-Sale:

Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security s credit rating, prepayment assumptions and other factors such as credit loss assumptions.

Loans:

The Corporation does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. The fair value of impaired loans is estimated using one of several methods, including collateral value, recent appraisal value and/or tax assessed value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2015, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy.

When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation records the impaired loan as nonrecurring Level 3.

Foreclosed Assets / Repossessions:

Foreclosed assets and repossessions are adjusted to fair value upon transfer of the loans to foreclosed assets and repossessions. Subsequently, foreclosed assets and repossessions are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the asset or management s estimation of the value of the asset. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation records the foreclosed asset as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the asset is further impaired below the appraised value and there is no observable market price, the Corporation records the foreclosed asset or repossession as nonrecurring Level 3.

Table of Contents

The following table presents information about the Company s assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2015 and 2014, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

Description	Fair Value December 31, 2015	Fair Value Measurements at December 31, 2015, Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)			
Assets and liabilities measured on a recurring basis:				
Available-for-sale securities	**$ 77,535**	**$**	**$ 77,535**	**$**
Total	**$ 77,535**	**$**	**$ 77,535**	**$**
Assets and liabilities measured on a nonrecurring basis:				
Impaired loans, net	**$ 7,065**	**$**	**$ 7,065**	**$**
Foreclosures and repossessions	**4,905**		**2,779**	**2,126**
Total	**$ 11,970**	**$**	**$ 9,844**	**$ 2,126**

Description	Fair Value December 31, 2014	Fair Value Measurements at December 31, 2014, Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Dollars in Thousands)			
Assets and liabilities measured on a recurring basis:				
Available-for-sale securities	$ 82,432	$	$ 82,432	$
Total	$ 82,432	$	$ 82,432	$
Assets and liabilities measured on a nonrecurring basis:				
Impaired loans, net	$ 6,148	$	$ 6,148	$
Foreclosures and repossessions	9,178		6,187	2,991
Total	$ 15,326	$	$ 12,335	$ 2,991

10. Regulatory Matters

The Corporation s principal source of funds for dividend payment and debt service is dividends received from the subsidiary bank.

Under applicable federal and state laws, the payment of dividends by FCB to the Corporation is restricted in any calendar year to the net profits of that year, as defined, combined with the retained net profits of the two preceding years. At December 31, 2015, FCB had retained net profits for the years 2015 and 2014, of approximately $2,256,000.

The Corporation and its subsidiary are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct and material effect on the Corporation s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and its subsidiary must meet specific capital guidelines that involve quantitative measures of the Corporation s assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Corporation s capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Effective January 1, 2015 (with some changes transitioned into full effectiveness over two to four years), the Bank became subject to new capital requirements with the implementation of BASEL III. These new requirements create a new required ratio for common equity Tier 1 (CETI) capital, increase the leverage and Tier 1 capital ratios, change the risk weight of certain assets for purposes of the risk-based capital ratios, create an additional capital conservation buffer over the required capital ratios and change what qualifies as capital for purposes of meeting these various capital requirements. Beginning in 2016, failure to maintain the required capital conservation buffer will limit the ability of the Bank to pay dividends, repurchase shares or pay discretionary bonuses. The Company is exempt from consolidated capital requirements as those requirements do not apply to certain small savings and loan holding companies with assets under $1 billion.

Under the new capital regulations, the minimum capital ratios are: (1) CETI capital ratio of 4.5% of risk-weighted assets (new); (2) a Tier 1 ratio of 6.0% of risk-weighted assets (increased from 4.0%): (3) a total capital ratio of 8.0% of risk-weighted assets (unchanged); and (4) a leverage ratio of 4.0% (unchanged). CETI generally consists of common stock and retained earnings, subject to applicable regulatory adjustments and deductions.

There are a number of changes in what constitutes regulatory capital, some of which are subject to transition periods. These changes include the phasing-out of certain instruments as qualifying capital. The Bank does not use any of these instruments. Under the new requirements for total capital, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of CETI will be deducted from capital. The Bank has elected to permanently opt-out of the inclusion of accumulated other comprehensive income in our capital calculations, as permitted by the regulations. This opt-out will reduce the impact of market volatility on our regulatory capital levels.

The new requirements also include changes in the risk-weights of assets to better reflect credit risk and other risk exposures. These include a 150% risk weight (increased from 100%) for certain high volatility commercial real estate acquisition, development and construction loans and for non-residential mortgage loans that are 90 days past due or otherwise in non-accrual status; a 20% (increased from 0%) credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable; a 250% risk weight (increased from 100%) for mortgage servicing and deferred tax assets that are not deducted from capital; and increased risk weights (0% to 600%) for equity exposures.

In addition to the minimum CETI, Tier 1 and total capital ratios, the Bank will have to maintain a capital conservation buffer consisting of additional CETI capital greater than 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement will be phased in beginning in January 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented in January 2019.

The prompt corrective action standards also changed effective January 1, 2015. Under the new standards, in order to be considered well-capitalized, the Bank must have a CETI ratio of 6.5% (new), a Tier 1 ratio of 8.0% (increased from 6.0%), a total risk-based capital ratio of 10.0% (unchanged) and a leverage ratio of 5.0% (unchanged). The Bank meets all these new requirements, including the full capital conservation buffer.

Table of Contents

At its most recent regulatory examination FCB received notification from its primary regulator that it was well capitalized under the regulatory framework for prompt corrective action. To be adequately capitalized, minimum total risk based, Tier I risk based, and Tier I leverage ratios as set forth in the following table must be maintained. There are no conditions or events since the recent notification that management believes have changed the institution s category.

			For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
As of December 31, 2015						
Total Capital (to Risk Weighted Assets):						
Consolidated	$ 48,706	19.83%	³ $19,646	³8.00%		
First Century Bank	$ 47,415	19.31%	³ $19,644	³8.00%	³ $24,555	³ 10.00%
Tier I Capital (to Risk Weighted Assets):						
Consolidated	$ 45,630	18.58%	³ $14,734	³6.00%		
First Century Bank	$ 44,340	18.06%	³ $14,733	³6.00%	³ $19,644	³ 8.00%
Tier I Capital (to Average Assets):						
Consolidated	$ 45,630	11.26%	³ $16,212	³4.00%		
First Century Bank	$ 44,340	10.94%	³ $16,212	³4.00%	³ $20,265	³ 5.00%
Common Equity Tier I Capital (to Risk Weighted Assets):						
Consolidated	$ 45,630	18.58%	³ $11,051	³4.50%		
First Century Bank	$ 44,340	18.06%	³ $11,050	³4.50%	³ $15,961	³ 6.50%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
As of December 31, 2014:						
Total Capital (to Risk Weighted Assets):						
Consolidated	**$ 47,976**	**19.42%**	**³ $19,760**	**³8.00%**		
First Century Bank	**$ 46,834**	**18.97%**	**³ $19,749**	**>8.00%**	**³ $24,686**	**³ 10.00%**
Tier I Capital (to Risk Weighted Assets):						

Consolidated	**$ 44,884**	**18.17%**	**≥ $9,880**	**≥4.00%**		
First Century Bank	**$ 43,744**	**17.72%**	**≥ $9,874**	**≥4.00%**	**≥ $14,812**	**≥ 6.00%**
Tier I Capital (to Average Assets):						
Consolidated	**$ 44,884**	**11.14%**	**≥ $16,118**	**≥4.00%**		
First Century Bank	**$ 43,744**	**10.86%**	**≥ $16,118**	**≥4.00%**	**≥ $20,148**	**≥ 5.00%**

F-36

Table of Contents

Condensed financial information of First Century Bankshares, Inc. (parent company only) is presented below:

STATEMENTS OF FINANCIAL CONDITION

	December 31, 2015	December 31, 2014
	(Dollars in Thousands)	
Assets:		
Cash	**$ 614**	$ 487
Investment in subsidiary at equity	**44,001**	43,526
Other assets	**802**	736
TOTAL ASSETS	**$ 45,417**	$ 44,749
Liabilities:		
Other liabilities	**$ 126**	$ 83
TOTAL LIABILITIES	**126**	83
Stockholders Equity:		
Common stock $1.25 par value; 10,000,000 shares authorized and 2,000,000 shares issued at December 31, 2015 and 2014; and 1,903,120 shares outstanding at December 31, 2015, and 2014	**2,500**	2,500
Paid-in capital	**757**	757
Retained earnings	**44,314**	43,689
Treasury stock, at cost; 96,880 shares at December 31, 2015 and 2014	**(2,280)**	(2,280)
TOTAL STOCKHOLDERS EQUITY	**45,291**	44,666
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**$ 45,417**	$ 44,749

STATEMENTS OF INCOME

	Years Ended December 31, 2015	Years Ended December 31, 2014
	(Dollars in Thousands)	
Income:		
Dividends from subsidiary bank	**$ 1,850**	$ 1,575
TOTAL INCOME	**1,850**	1,575
Expenses:		
Other	**186**	93

TOTAL EXPENSES	**186**	93
Applicable income tax benefits	**(66)**	(33)
Income before equity in undistributed net income of subsidiaries	**1,730**	1,515
Equity in undistributed net income of subsidiary	**596**	1,660
NET INCOME	**$ 2,326**	$ 3,175

Table of Contents

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2015	2014
	(Dollars in Thousands)	
Cash flows from operating activities		
Net income	**$ 2,326**	$ 3,175
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed net income of subsidiary	**(596)**	(1,660)
Other adjustments, net	**(23)**	(2)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**1,707**	1,513
Cash flows from financing activities		
Cash dividends paid	**(1,580)**	(1,503)
NET CASH USED BY FINANCING ACTIVITIES	**(1,580)**	(1,503)
Net increase in cash	**127**	10
Cash at January 1,	**487**	477
Cash at December 31,	**$ 614**	$ 487

F-38

Table of Contents

INDEPENDENT AUDITOR S REPORT

To the Board of Directors and Stockholders

First Century Bankshares, Inc. and Subsidiary

Bluefield, West Virginia

We have audited the accompanying consolidated financial statements of First Century Bankshares, Inc. and Subsidiary (the Company), which comprise the consolidated statements of financial condition as of December 31, 2015 and 2014 and the related consolidated statements of income, comprehensive income, changes in stockholders equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Century Bankshares, Inc. and Subsidiary as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

CERTIFIED PUBLIC ACCOUNTANTS

Bluefield, West Virginia

March 11, 2016

Table of Contents

FIRST CENTURY QUARTERLY UNAUDITED FINANCIAL STATEMENTS

AS OF JUNE 30, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except share and per share data)

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Cash and due from banks	$ 12,599	$ 9,533
Interest-bearing balances with banks	29,131	29,127
Securities available for sale	69,285	77,535
Securities held to maturity: (estimated fair value of $36,421 at June 30, 2016 and $35,256 at December 31, 2015)	35,195	34,632
Federal Home Loan Bank and Federal Reserve Bank Stock	582	593
Loans	243,554	234,234
Less allowance for loan losses	3,552	3,552
Net loans	240,002	230,682
Premises and equipment	10,937	11,201
Real estate owned other than bank premises	4,471	4,899
Other assets	2,532	2,754
Goodwill	5,183	5,183
TOTAL ASSETS	$ 409,917	$ 406,139
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Noninterest-bearing	$ 60,234	$ 58,825
Interest-bearing	291,321	291,435
Total deposits	351,555	350,260
Short-term borrowings	8,973	7,424
Other liabilities	3,277	3,164
TOTAL LIABILITIES	363,805	360,848
STOCKHOLDERS EQUITY		
Common stock - par value per share $1.25		
Shares authorized: 10,000,000		
Shares issued: 2,000,000		
Shares outstanding: 1,903,120 at June 30, 2016, and at December 31, 2015	2,500	2,500
Paid-in capital	757	757

Retained earnings		48,227		47,903
Treasury stock, at cost; 96,880 shares at June 30, 2016, and at December 31, 2015		(2,280)		(2,280)
Accumulated other comprehensive loss, net of tax		(3,092)		(3,589)
TOTAL STOCKHOLDERS EQUITY		46,112		45,291
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	409,917	$	406,139

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands, except share and per share data)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
INTEREST INCOME				
Interest and fees on loans	$ 2,807	$ 2,796	$ 5,528	$ 5,630
Interest on balances with banks	37	25	78	43
Interest and dividends from securities available for sale:				
Taxable	288	296	589	606
Interest and dividends from securities held to maturity:				
Taxable	67	64	130	128
Tax-exempt	180	172	359	343
TOTAL INTEREST INCOME	3,379	3,353	6,684	6,750
INTEREST EXPENSE				
Interest on time certificates of $100,000 or more	96	100	195	197
Interest on other deposits	172	175	344	351
Interest on short term borrowings	2	5	6	11
TOTAL INTEREST EXPENSE	270	280	545	559
Net interest income	3,109	3,073	6,139	6,191
Provision for loan losses	102	24	102	(302)
Interest income after provision for loan losses	3,007	3,049	6,037	6,493
NONINTEREST INCOME				
Income from fiduciary activities	464	471	921	935
Other operating income	860	778	1,636	1,507
Securities gains			46	40
TOTAL NONINTEREST INCOME	1,324	1,249	2,603	2,482
NONINTEREST EXPENSE				
Salaries, wages, and other employee benefits	1,492	1,566	3,035	3,144
Premises and equipment expense	634	707	1,300	1,396
Merger related expenses	179		214	
Other noninterest expense	1,212	1,193	2,308	2,962

TOTAL NONINTEREST EXPENSE	3,517	3,466	6,857	7,502
Income before income taxes	814	832	1,783	1,473
Income taxes	311	254	603	454
NET INCOME	$ 503	$ 578	$ 1,180	$ 1,019
NET INCOME PER COMMON SHARE:				
Basic and diluted	$ 0.26	$ 0.30	$ 0.62	$ 0.54
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic and diluted	1,903,120	1,903,120	1,903,120	1,903,120

The accompanying notes are an integral part of the unaudited consolidated financial statements.

F-41

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Dollars in thousands)

	Three Months Ended June 30,	
	2016	2015
NET INCOME	$ 503	$ 578
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) from available-for-sale securities, net of income tax effect of ($53) for 2016 and $117 for 2015	88	(197)
Other comprehensive income (loss)	88	(197)
COMPREHENSIVE INCOME	$ 591	$ 381

	Six Months Ended June 30,	
	2016	2015
NET INCOME	$ 1,180	$ 1,019
Other comprehensive income (loss), net of tax:		
Unrealized gains from available-for-sale securities, net of income tax effect of ($312) for 2016 and ($120) for 2015	526	200
Reclassification adjustment to transfer net securities gains recognized in net income, net of income tax effect of $17 for 2016 and $15 for 2015	(29)	(25)
Other comprehensive income	497	175
COMPREHENSIVE INCOME	$ 1,677	$ 1,194

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (Unaudited)

(Dollars in thousands, except share and per share data)

	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Treasury Stock	Total
Balance at December 31, 2014	$ 2,500	$ 757	$ 47,157	$ (3,468)	$ (2,280)	$ 44,666
Net income			1,019			1,019
Other comprehensive income (loss)				175		175
Cash dividends paid - $0.43 per share			(819)			(819)
Balance at June 30, 2015	$ 2,500	$ 757	$ 47,357	$ (3,293)	$ (2,280)	$ 45,041
Balance at December 31, 2015	$ 2,500	$ 757	$ 47,903	$ (3,589)	$ (2,280)	$ 45,291
Net income			1,180			1,180
Other comprehensive income (loss)				497		497
Cash dividends paid - $0.45 per share			(856)			(856)
Balance at June 30, 2016	$ 2,500	$ 757	$ 48,227	$ (3,092)	$ (2,280)	$ 46,112

The accompanying notes are an integral part of the unaudited consolidated financial statements.

F-43

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars in thousands)

	Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,180	$ 1,019
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	102	(302)
Depreciation and amortization	413	425
Securities gains	(46)	(40)
Deferred income tax benefit	(58)	(95)
Impairment write-downs on other real estate owned		700
Loss on disposal of other real estate owned	69	61
Amortization (accretion) of securities premiums (discounts), net	192	159
Decrease in interest receivable and other assets	244	263
Decrease in interest payable and other liabilities	(124)	(129)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,972	2,061
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities held to maturity	(1,499)	(3,452)
Purchases of securities available for sale	(16,678)	(9,216)
Proceeds from maturities and calls of securities held to maturity	825	865
Proceeds from maturities and calls of securities available for sale	23,416	14,901
Redemptions (Purchases) of Federal Home Loan Bank stock	11	(10)
Proceeds from sales of securities available for sale	2,269	4,967
Net decrease (increase) in loans	(9,553)	3,504
Proceeds from disposal of other real estate owned	468	467
Acquisition of fixed assets	(149)	(125)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(890)	11,901
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand and savings deposits	7,034	9,076
Net decrease in time deposits	(5,739)	(1,692)
Net increase (decrease) in short-term borrowings	1,549	(2,652)
Cash dividends paid	(856)	(819)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,988	3,913
Net increase in cash and cash equivalents	3,070	17,875
Cash and cash equivalents at beginning of period	38,660	21,020
Cash and cash equivalents at end of period	$ 41,730	$ 38,895

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 535	$ 543
Income taxes	590	340
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Transfers of loans to other real estate owned	131	266

The accompanying notes are an integral part of the unaudited consolidated financial statements.

F-44

Table of Contents

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Rule S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Significant intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results are for the three and six-month periods ended June 30, 2016, and are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. For further information, refer to the financial statements and footnotes thereto to the Company s Annual Report for the year ended December 31, 2015.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 PENDING MERGER

On June 1, 2016, the Company announced the signing of a definitive merger agreement with Summit Financial Group, Inc. (Summit) with Summit acquiring all of the outstanding shares of common stock of the Company in exchange for cash in the amount of $22.50 per share or 1.2433 shares of Summit common stock. Consideration, in the form of cash or Summit common stock or a combination, to result in approximately 35% cash and 65% stock consideration in the aggregate, is to be adjusted as of the effective time of the merger in the event adjusted shareholders equity deviates materially from the targeted shareholders equity mutually determined by the parties. Subject to regulatory approvals and satisfaction of customary closing conditions, the transaction is expected to close in the first quarter of 2017. Following the consummation of the merger, the Company s wholly-owned subsidiary, First Century Bank, Inc. will be consolidated with Summit s bank subsidiary, Summit Community Bank, Inc.

NOTE 3 INVESTMENT SECURITIES

Securities available for sale are summarized as follows:

	June 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
U.S. Government agency obligations	$ 51,019	$ 248	$ 4	$ 51,263
U.S. Government agency mortgage-backed securities	17,726	296		18,022

TOTAL SECURITIES AVAILABLE FOR SALE	$ 68,745	$ 544	$ 4	$ 69,285

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
U.S. Government agency obligations	$ 65,272	$ 46	$ 344	$ 64,974
U.S. Government agency mortgage-backed securities	12,515			