

SUMMIT FINANCIAL GROUP INC

Form S-4/A

October 12, 2016

Table of Contents

As filed with the Securities and Exchange Commission on October 12, 2016.

Registration No. 333-213526

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

Amendment No. 1  
to  
FORM S-4  
REGISTRATION STATEMENT  
*UNDER*  
*THE SECURITIES ACT OF 1933*

SUMMIT FINANCIAL GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

<b>West Virginia</b> <b>(State or Other Jurisdiction of</b>	<b>6711</b> <b>(Primary Standard Industrial</b>	<b>55-0672148</b> <b>(I. R. S. Employer</b>
<b>Incorporation or Organization)</b>	<b>Classification Code Number)</b> <b>300 North Main Street</b>	<b>Identification Number)</b>

**Moorefield, West Virginia 26836**

**(304) 530-1000**

**(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

**H. Charles Maddy, III**

**Summit Financial Group, Inc.**

**300 North Main Street**

**Moorefield, West Virginia 26836**

**(304) 530-1000**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)**

*with copies to:*

**Peter G. Weinstock, Esq.**

**Hunton & Williams LLP**

**1445 Ross Avenue, Suite 3700**

**Dallas, Texas 75202**

**(214) 468-3395**

**Sandra M. Murphy, Esq.**

**Bowles Rice LLP**

**600 Quarrier Street**

**P.O. Box 1386**

**Charleston, West Virginia 25325**

**(304) 347-1131**

Approximate date of commencement of proposed sale to the public: as soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Large accelerated filer "  Accelerated filer  x

Non-accelerated filer " (Do not check if a smaller reporting company.)  Smaller reporting company "

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) "

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) "

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered <sup>(1)</sup>	Proposed	Proposed	Amount of Registration Fee
		Maximum Offering Price Per Unit	Maximum Offering Price <sup>(2)</sup>	
Common Stock, par value \$2.50 per share	1,537,997	Not applicable	\$27,833,130	\$2,802.80

(1) The maximum number of shares of Summit Financial Group, Inc., or Summit, common stock estimated to be issuable upon the completion of the merger between Summit Financial Group, Inc., or Summit, and First Century

Bankshares, Inc., or First Century, in accordance with the Agreement and Plan of Merger, dated June 1, 2016, by and between Summit and First Century attached to this prospectus and proxy statement as Appendix A. The number is based on the estimated maximum number of shares of First Century common stock that may be exchanged for stock consideration and the exchange of such shares of First Century common stock for 1.2433 shares of Summit common stock. In the event the number of shares of Summit's common stock required to be issued to consummate the proposed merger of First Century into Summit is increased after the date this registration statement is declared effective, Summit will register such additional shares in accordance with Rule 413 under the Securities Act of 1933, as amended (the Securities Act), by filing a registration statement pursuant to Rule 462(b) or Rule 429 under the Securities Act, as applicable, with respect to such additional shares.

- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rule 457(c) and Rule 457(f) of the Securities Act, based on a rate of \$100.70 per \$1,000,000 of the proposed maximum aggregate offering price. The proposed maximum aggregate offering price of the registrant's common stock was calculated based upon the market value of shares of First Century common stock in accordance with Rules 457(c) and 457(f) under the Securities Act as follows: the product of (A) \$22.50, the average of the high and low prices per share of First Century common stock as reported on the OTC Pink Open Market (OTCPink) on September 1, 2016 and (B) 1,237,028, the estimated maximum number of shares of First Century common stock that may be exchanged for the stock consideration.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus and proxy statement shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED OCTOBER 12, 2016**

**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 \$1.95 billion in assets and operate 27 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, November 29, 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 65, 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 78.

**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 [ ], 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 [ ], 2016	\$ [ ]	\$ [ ]	\$ 22.50

**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 November 29, 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 15 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 [ ], 2016 and it is first being mailed or otherwise delivered to First Century shareholders on or about [ ], 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.

300 North Main Street

Moorefield, West Virginia  
26836

Attention: Robert S. Tissue

Telephone: (304) 530-1000

First Century Bankshares, Inc.

500 Federal Street

Bluefield, West Virginia

Attention: J. Ronald Hypes

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 15, 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 [ ], 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 112.

**Table of Contents**

	<b>Page</b>
<u>QUESTIONS AND ANSWERS</u>	1
<u>SUMMARY</u>	7
<u>RISK FACTORS</u>	15
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF FIRST CENTURY</u>	21
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF SUMMIT</u>	22
<u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u>	23
<u>NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u>	27
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	33
<u>PRICE RANGE OF COMMON STOCK AND DIVIDENDS</u>	30
<u>UNAUDITED PRO FORMA PER SHARE DATA</u>	31
<u>THE FIRST CENTURY SPECIAL MEETING</u>	35
<u>Matters to be Considered</u>	35
<u>Other Business</u>	35
<u>Proxies</u>	35
<u>Solicitation of Proxies</u>	36
<u>Record Date</u>	36
<u>Quorum and Voting Rights</u>	36
<u>Voting Agreement Executed by Directors of First Century and First Century Bank and an Officer of First Century Bank</u>	36
<u>Attending the Special Meeting</u>	36
<u>PROPOSALS TO BE CONSIDERED AT THE FIRST CENTURY SPECIAL MEETING</u>	37
<u>PROPOSAL NO. 1 APPROVAL OF THE MERGER AGREEMENT</u>	37
<u>Required Vote</u>	37
<u>Recommendation of the First Century Board of Directors</u>	37
<u>PROPOSAL NO. 2 APPROVAL OF GRANTING THE BOARD OF DIRECTORS AUTHORITY TO ADJOURN THE FIRST CENTURY SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO PERMIT FURTHER SOLICITATION OF PROXIES</u>	38
<u>Required Vote</u>	38
<u>Recommendation of the First Century Board of Directors</u>	38
<u>THE MERGER</u>	39
<u>Background and Negotiations of the Merger</u>	39
<u>First Century's Reasons for the Merger; Recommendation of the First Century Board of Directors</u>	42
<u>Summit's Reasons for the Merger</u>	45
<u>Opinion of First Century's Financial Advisor</u>	46
<u>Certain First Century Unaudited Prospective Financial Information</u>	56
<u>Certain Summit Unaudited Prospective Financial Information</u>	58
<u>Summit Board of Directors Following Completion of the Merger</u>	59
<u>Public Trading Markets</u>	59
<u>Dissenters' or Appraisal Rights</u>	59
<u>Interests of Certain First Century Directors and Executive Officers in the Merger</u>	61
<u>Accounting Treatment of the Merger</u>	63
<u>THE MERGER AGREEMENT</u>	64
<u>Terms of the Merger</u>	64
<u>Merger Consideration</u>	64
<u>Shareholders' Equity</u>	65
<u>Election Procedures; Surrender of First Century Stock Certificates</u>	65
<u>Conditions to Completion of the Merger</u>	67

<u>Representations and Warranties</u>	69
<u>Waiver and Amendment</u>	70
<u>Indemnification; Directors and Officers Insurance</u>	71
<u>Acquisition Proposals</u>	71
<u>Closing Date; Effective Time</u>	72

**Table of Contents**

<u>Regulatory Approvals</u>	73
<u>Conduct of Business Pending the Merger</u>	73
<u>Regulatory Matters</u>	77
<u>NASDAQ Listing</u>	77
<u>Employee Matters</u>	78
<u>Expenses</u>	78
<u>Termination of the Merger Agreement</u>	78
<u>Termination Fee</u>	79
<u>Effect of Termination</u>	80
<u>Surrender of Stock Certificates</u>	80
<u>No Fractional Shares</u>	80
<u>Accounting Treatment</u>	81
<u>Management and Operations after the Merger</u>	81
<u>Resales of Summit Common Stock</u>	81
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER</u>	81
<u>Tax Consequences of the Merger Generally</u>	82
<u>Cash Instead of Fractional Shares</u>	83
<u>Net Investment Income Tax</u>	84
<u>Possible Treatment of Merger as a Taxable Transaction</u>	84
<u>Tax Treatment of Special Distribution</u>	84
<u>Information Reporting and Backup Withholding</u>	84
<u>Certain Reporting Requirements</u>	85
<u>INFORMATION ABOUT SUMMIT</u>	85
<u>INFORMATION ABOUT FIRST CENTURY</u>	86
<u>General</u>	86
<u>Properties</u>	86
<u>Description of First Century Capital Stock</u>	86
<u>First Century Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	88
<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	102
<u>DESCRIPTION OF SUMMIT CAPITAL STOCK</u>	103
<u>General</u>	103
<u>Common Stock</u>	103
<u>Certain Provisions of the Bylaws</u>	105
<u>Shares Eligible for Future Sale</u>	105
<u>COMPARATIVE RIGHTS OF SHAREHOLDERS</u>	106
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF FIRST CENTURY</u>	111
<u>LEGAL MATTERS</u>	112
<u>EXPERTS</u>	112
<u>FIRST CENTURY ANNUAL MEETING</u>	112
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	112
<u>INDEX TO FINANCIAL STATEMENTS OF FIRST CENTURY</u>	F-1

**APPENDICES**

APPENDIX A	<u>Agreement and Plan of Merger, dated as of June 1, 2016, by and between Summit Financial Group, Inc. and First Century Bankshares, Inc.</u>
------------	---

APPENDIX B  
APPENDIX C

Opinion of Sandler O'Neill & Partners, L.P.  
Sections 31D-13-1301 through 31D-13-1331 of the West Virginia Business Corporation Act

**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 15. 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, November 29, 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 36.

**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 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.

## Table of Contents

### **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 36.

### **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.

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

**Table of Contents**

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 59, 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.**

**Table of Contents**

**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 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.

**Table of Contents**

**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 65 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 67 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 64.

**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 65. 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.

**Table of Contents**

**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 67.

**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* *Effect of Termination; Termination Fee* beginning on page 80 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 36 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 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 81.

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.

**Table of Contents**

**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 112 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 85)**

*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 39)**

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 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.

## **Table of Contents**

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 64)**

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 SMME ).**

### **Cash and Stock Elections (page 65)**

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.

## Table of Contents

### **First Century's Reasons for the Merger (page 42)**

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 37)**

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 46 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 59)**

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 59, 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 63)**

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



**Table of Contents**

**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 81)**

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 81.

**The First Century Special Meeting (page 35)**

The First Century special meeting will be held on Tuesday, November 29, 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 37)**

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 [ ] 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.

**Table of Contents**

As of the record date, First Century directors and executive officers, and their affiliates, held approximately [ ]% 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 67)**

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;

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 73)**

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.

## **Table of Contents**

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, we have not received any indication that the United States Department of Justice will challenge the merger. However, there can be no assurance that the United States Department of Justice will not challenge the merger during the waiting period set aside for such challenges. See *The Merger Agreement – Regulatory Approvals* on page 73 for further explanation.

### **Termination of the Merger Agreement (page 78)**

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;

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

## **Table of Contents**

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 79)**

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.

### **Waiver and Amendment (page 70)**

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 61)**

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 61.

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

**Table of Contents**

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 106)**

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 15)**

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 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 112.

**Market Prices of Securities (page 30)**

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 [ ], 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:	Implied Value of One Share of First	Value of the Cash Consideration for One Share of
------------------------------------	---	--



	SMMF)	Century Common Stock	First Century Common Stock
At June 1, 2016	\$ 17.30	\$ 21.51	\$ 22.50
At [ ], 2016	\$ [ ]	\$ [ ]	\$ 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 33 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 67 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 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

## **Table of Contents**

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 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;

**Table of Contents**

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 cost 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 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

## **Table of Contents**

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 61.

**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

**Table of Contents**

description of the opinion, please refer to *The Merger Opinion of First Century's Financial Advisor* on page 46. 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 42.

**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 71. 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 79.

**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;

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.

**Table of Contents**

**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.

**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 106 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 73.

**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**

**As of and for the Six  
Months Ended  
June 30,  
(unaudited)**

**As of/For the Year Ended December 31,**

*Dollars in thousands, except*

<i>per share amounts</i>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Summary of Operations</b>							
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
<b>Per Common Share:</b>							
<b>Earnings per share</b>							
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
<b>Period-End Balances:</b>							
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

Edgar Filing: SUMMIT FINANCIAL GROUP INC - Form S-4/A

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 112 of this prospectus and proxy statement.

**Summit - Historical Financial Information**

**As of and for the Six  
Months Ended June 30,  
(unaudited)**

**As of/For the Year Ended December 31,**

*Dollars in thousands, except*

<i>per share amounts</i>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Summary of Operations</b>							
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 112, and "Selected Historical Financial Data of First Century" on page 21.

**Table of Contents****SUMMIT AND FIRST CENTURY****Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet****June 30, 2016***(dollars in thousands)*

	<b>Actual</b>		<b>Pro Forma</b>	
	<b>Summit Financial Group, Inc.</b>	<b>First Century Bankshares, Inc.</b>	<b>Adjustments</b>	<b>Combined</b>
<b>ASSETS</b>				
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) 3,552(E)	1,402,527
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) (5,183)(G)	6,455
Other assets	53,709	1,364	2,599(I) (947)(E)	56,725
<b>Total assets</b>	<b>\$ 1,565,181</b>	<b>\$ 409,917</b>	<b>\$ (22,533)</b>	<b>\$ 1,952,565</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>1,414,512</b>	<b>363,805</b>	<b>(1,933)</b>	<b>1,776,384</b>
<b>Shareholders Equity</b>				
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)
<b>Total shareholders equity</b>	150,669	46,112	(20,600)	176,181
<b>Total liabilities and shareholders equity</b>	\$ 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
<b>Net interest income</b>	23,513	6,139	775	30,427
Provision for loan losses	500	102		602
<b>Net interest income after provision for loan losses</b>	23,013	6,037	775	29,825
<b>Noninterest income</b>				
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
<b>Total noninterest income</b>	5,852	2,603		8,455
<b>Noninterest expense</b>				
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
<b>Total noninterest expense</b>	16,991	6,857	125	23,973
<b>Income before income taxes</b>	11,874	1,783	650	14,307
Income tax expense	3,569	603	240(O)	4,412
<b>Net income</b>	\$ 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	First	Pro Forma	
	Summit	Century	Adjustments	Combined
	Financial	Bankshares,		
	Group, Inc.	Inc.		
Interest income	\$ 58,883	\$ 13,924	\$ 1,550(M)	\$ 74,357
Interest expense	12,867	1,123		13,990
<b>Net interest income</b>	46,016	12,801	1,550	60,367
Provision for loan losses	1,250	283		1,533
<b>Net interest income after provision for loan losses</b>	44,766	12,518	1,550	58,834
<b>Noninterest income</b>				
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
<b>Total noninterest income</b>	11,861	5,276		17,137
<b>Noninterest expense</b>				
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
<b>Total noninterest expense</b>	33,632	14,428	250	48,310
<b>Income before income taxes</b>	22,995	3,366	1,300	27,661
Income tax expense	6,893	1,040	480(O)	8,413
<b>Net income</b>	\$ 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.

*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.

**Table of Contents**

- (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.

(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.

**Table of Contents****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
--	-----

<b>Goodwill</b>	<b>\$ 457</b>
-----------------	---------------

**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 [ ], 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 \$[ ] and the closing price reported for First Century on such date was \$[ ]

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.

Time Period	Dividends	Summit Sales Price		Dividend	First Century Sales Price	
		High	Low		High	Low
<b>2016</b>						
Fourth Quarter (through October 10, 2016)	\$	\$ 19.70	\$ 18.05	\$	\$ 23.25	\$ 23.00
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
<b>2015</b>						
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
<b>2014</b>						
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 [ ], 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 [ ] registered holders of Summit common stock and approximately [ ] 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 [ ], 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 [ ]. Accordingly, the pro forma market value (i) on June 1, 2016 is determined by multiplying \$17.30 by the exchange ratio and (ii) on [ ] is determined by multiplying \$[ ] 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
[ ]	\$ [ ]	\$ [ ]

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.

**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.





**Table of Contents****For the Six Months Ended June 30, 2016**

	<b>Summit Historical</b>	<b>First Century Historical</b>	<b>Summit Pro Forma Combined</b>	<b>First Century Pro Forma Equivalent (1)</b>
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**

	<b>Summit Historical</b>	<b>First Century Historical</b>	<b>Summit Pro Forma Combined</b>	<b>First Century Pro Forma Equivalent (1)</b>
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 15 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;

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;

**Table of Contents**

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, November 29, 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.

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.

## **Table of Contents**

### **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, [ ] shares of First Century common stock were outstanding and entitled to vote at the special meeting, held by approximately [ ] 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 [ ] shares of First Century common stock, or approximately [ ]% 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.

### **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.

Table of Contents

**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 64. 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 42, 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 42 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 [ ], 2016. 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. Sander 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.

Sander 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.

## **Table of Contents**

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.

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.

## **Table of Contents**

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 46, 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 42 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.

## Table of Contents

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;

**Table of Contents**

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;

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 61; 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 71 for more information.

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.

## Table of Contents

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 61.**

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 33.

### **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 \$1.95 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;

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;

**Table of Contents**

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 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**

**Table of Contents**

**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.

---

**Table of Contents**

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.

**Table of Contents**

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 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 <sup>(1)</sup>	13.6x
Tangible Book Premium / Core Deposits <sup>(2)</sup>	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, 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 50 and 51) as well as certain stock indices.

**Table of Contents****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, 2013	Ending Index Value May 26, 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  
Boyle Bancorp, Inc.

Potomac Bancshares, Inc.  
First WV Bancorp, Inc.

Citizens First Corporation  
Highlands Bankshares, Inc.  
Pinnacle Bankshares Corporation

HFB Financial Corporation  
Bank of Botetourt  
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.

	<b>Comparable Group Analysis</b>				
	<b>First Century</b>	<b>FCBS Peer Group</b>			
	<b>Bankshares, In</b>	<b>High Result</b>	<b>Low Result</b>	<b>Mean Result</b>	<b>Median Result</b>
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 <sup>(1)</sup>	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.

	<b>Comparable Group Analysis</b>				
	<b>Summit Financial Group, Inc.</b>	<b>High Result</b>	<b>Low Result</b>	<b>Mean Result</b>	<b>SMMF Peer Group Median Result</b>
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 <sup>(1)</sup>	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.

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.

**Table of Contents**

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.

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**

	<b>Summit Financial Group, Inc. / First Century Bankshares, Inc.</b>		<b>Nationwide Transaction Group</b>		
	<b>High Result</b>	<b>Low Result</b>	<b>Mean Result</b>	<b>Median Result</b>	
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 <sup>(1)</sup>	1.1%	9.5%	(2.2)%	3.8%	4.6%

**Comparable Regional Transaction Multiples**



	<b>Summit Financial Group, Inc. / First Century Bankshares, Inc.</b>	<b>Regional Transaction Group</b>			
		<b>High Result</b>	<b>Low Result</b>	<b>Mean Result</b>	<b>Median Result</b>
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 <sup>(1)</sup>	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

**Table of Contents**

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.

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

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

<b>Earnings Projection Change from Base Case</b>						
<b>(Value shown is a per share valuation)</b>						
<b>Earnings Multiples</b>	10.0x	11.0x	12.0x	13.0x	14.0x	15.0x
<b>(25.0)%</b>	\$ 11.83	\$ 12.70	\$ 13.57	\$ 14.43	\$ 15.30	\$ 16.17
<b>(20.0)%</b>	\$ 12.41	\$ 13.34	\$ 14.26	\$ 15.19	\$ 16.11	\$ 17.04
<b>(15.0)%</b>	\$ 12.99	\$ 13.97	\$ 14.95	\$ 15.94	\$ 16.92	\$ 17.91

Edgar Filing: SUMMIT FINANCIAL GROUP INC - Form S-4/A

<b>(10.0)%</b>	\$ 13.57	\$ 14.61	\$ 15.65	\$ 16.69	\$ 17.73	\$ 18.77
<b>(5.0)%</b>	\$ 14.14	\$ 15.24	\$ 16.34	\$ 17.44	\$ 18.54	\$ 19.64
<b>0.0%</b>	\$ 14.72	\$ 15.88	\$ 17.04	\$ 18.19	\$ 19.35	\$ 20.51
<b>5.0%</b>	\$ 15.30	\$ 16.52	\$ 17.73	\$ 18.95	\$ 20.16	\$ 21.38
<b>10.0%</b>	\$ 15.88	\$ 17.15	\$ 18.43	\$ 19.70	\$ 20.97	\$ 22.24
<b>15.0%</b>	\$ 16.46	\$ 17.79	\$ 19.12	\$ 20.45	\$ 21.78	\$ 23.11
<b>20.0%</b>	\$ 17.04	\$ 18.43	\$ 19.81	\$ 21.20	\$ 22.59	\$ 23.98
<b>25.0%</b>	\$ 17.62	\$ 19.06	\$ 20.51	\$ 21.96	\$ 23.40	\$ 24.85

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.

**Table of Contents**

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

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

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

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.

---

**Table of Contents**

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 15 and page 33, respectively, of this prospectus and proxy statement.

**Table of Contents**

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 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:**

	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>	<b>12/31/2019</b>	<b>12/31/2020</b>
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

**Table of Contents**

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:

	<b>Projections for Years Ending:</b>				
	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>	<b>12/31/2019</b>	<b>12/31/2020</b>
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 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 15 and page 33, 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

**Table of Contents**

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 112 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:

	<b>Projections for Years Ending:</b>				
	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>	<b>12/31/2019</b>	<b>12/31/2020</b>
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 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.

**Table of Contents**

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 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

## **Table of Contents**

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 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).

## Table of Contents

### *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, 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

**Table of Contents**

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 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 (\$) <sup>(1)</sup>	Equity (\$)	Tax Reimbursements (\$)	Total (\$)
Frank W. Wilkinson	\$ 548,250			\$ 548,250
J. Ronald Hypes	\$ 420,270			\$ 420,270

- <sup>(1)</sup> 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 be 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 \$[ ] on [ ], 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 \$[ ] 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.

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.

## **Table of Contents**

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 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.

## Table of Contents

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 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

## **Table of Contents**

(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;

**Table of Contents**

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 that are made as of the date of the merger agreement and as of the closing date of the merger. The representations and warranties of each of Summit and First Century have been made solely for the benefit of the other party, and these representations and warranties should not be relied on by any other person. 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. 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. In addition, these representations and warranties:

have been qualified by information set forth in confidential disclosure schedules in connection with signing the merger agreement and the information contained in these schedules modifies, qualifies and creates exceptions to the representations and warranties in 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. 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;

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.

**Table of Contents**

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.

## **Table of Contents**

### **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 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

## **Table of Contents**

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 79.

## **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.

## **Table of Contents**

### **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. There can be no assurance that the United States Department of Justice will not challenge the merger during the waiting period set aside for such challenges.

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;

**Table of Contents**

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;

**Table of Contents**

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;

**Table of Contents**

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;

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;

## **Table of Contents**

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.

---

**Table of Contents****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 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;

**Table of Contents**

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;

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 Proposal (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;

## Table of Contents

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.

## **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 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.

## **Table of Contents**

### **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 61.

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 112.

### **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.

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

The following is a general discussion of anticipated 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).

## **Table of Contents**

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.**

### **Tax Consequences of the Merger Generally**

The parties intend for the merger and the bank merger to be treated as a single integrated transaction qualifying 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 above 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.

Provided the merger qualifies as a "reorganization" within the meaning of Section 368(a) of the Code,

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.

---

**Table of Contents**

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 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.

### **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

## **Table of Contents**

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.

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.

---

## Table of Contents

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 proxy statement.**

## **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 15 full service offices - 9 located throughout West Virginia and 6 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 date of this prospectus and proxy statement, there were [ ] shares of First Century s common stock outstanding, held by approximately [ ] 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.

*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.

**Table of Contents**

*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		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS:</b>									
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		
<b>TOTAL ASSETS</b>	<b>\$ 411,684</b>			<b>\$ 408,415</b>			<b>\$ 417,622</b>		

**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%
<b>Total interest-bearing deposits</b>	<b>291,554</b>	<b>1,106</b>	<b>0.38%</b>	<b>289,459</b>	<b>1,074</b>	<b>0.37%</b>	<b>292,121</b>	<b>1,111</b>	<b>0.38%</b>
Short-term debt	10,575	17	0.16%	12,063	22	0.18%	14,988	28	0.19%
<b>Total interest-bearing liabilities</b>	<b>\$ 302,129</b>	<b>\$ 1,123</b>	<b>0.37%</b>	<b>\$ 301,522</b>	<b>\$ 1,096</b>	<b>0.36%</b>	<b>\$ 307,109</b>	<b>\$ 1,139</b>	<b>0.37%</b>
Demand deposits	61,516			61,182			65,209		
Other liabilities	3,754			2,478			4,411		
<b>TOTAL LIABILITIES</b>	<b>367,399</b>			<b>365,183</b>			<b>376,729</b>		
Stockholders equity	44,285			43,232			40,893		
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 411,684</b>			<b>\$ 408,415</b>			<b>\$ 417,622</b>		
Average rate paid to fund earning assets			<b>0.30%</b>						