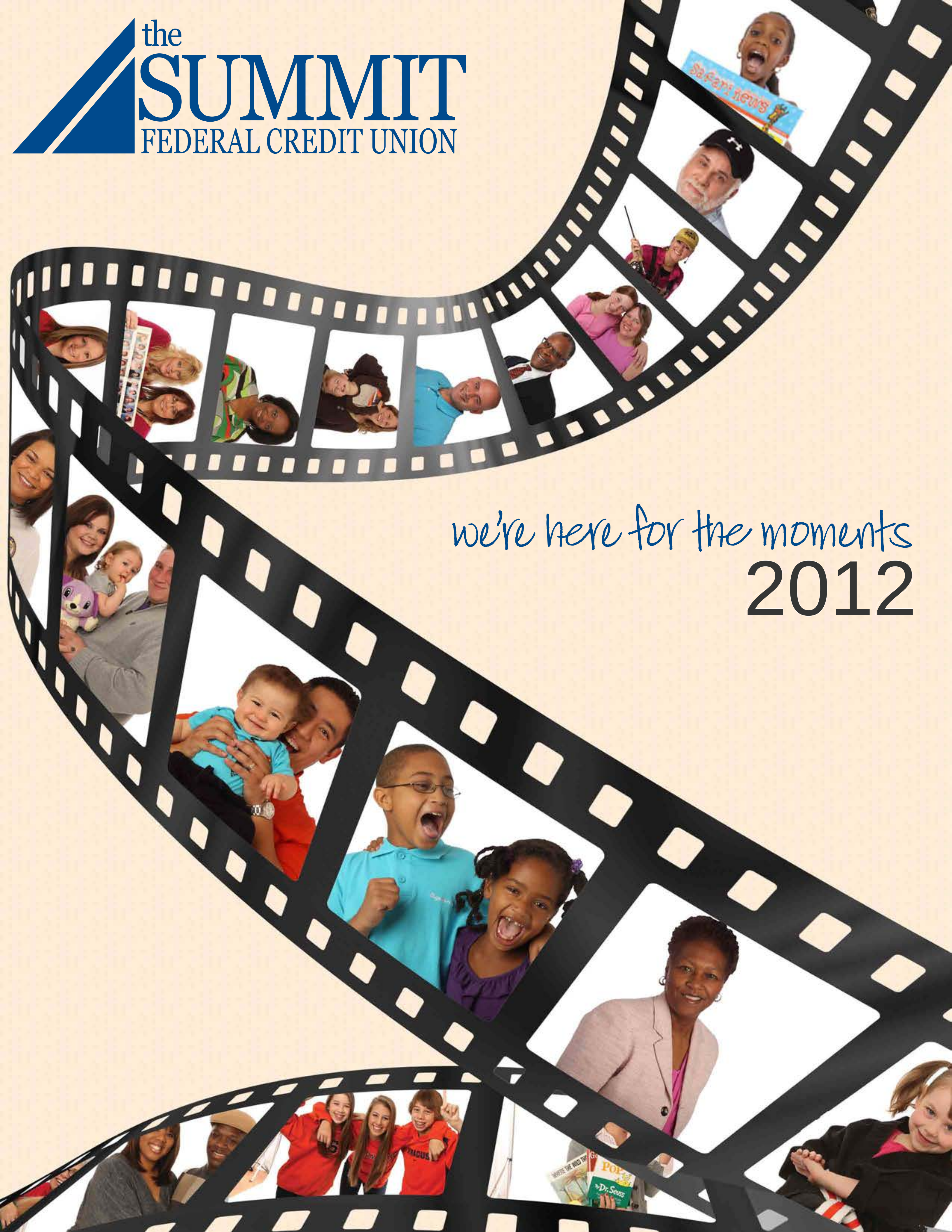
the
SUMMIT
FEDERAL CREDIT UNION



we're here for the moments

2012


the SUMMIT
FEDERAL CREDIT UNION
We're Here For You
Syracuse FCU is now
THE SUMMIT

The Summit

Federal Credit Union 2012 Annual Report

Deborah & Philip
Members since: 1980

Michael Vadala, President & CEO and Thomas Quirk, Chairman of the Board

President and Board Chair Message

The Summit has entitled this year's annual report "We're Here for the Moments," and the title certainly fits the way we view our ability to serve members throughout the different stages of their life cycles. Our phenomenal growth over the years has allowed us to offer products and services that fit the many significant moments that our members experience. We are large enough that we do not need to limit ourselves to serving a small niche. Instead, we have expanded and tailored our service delivery so that whatever financial obstacles our diverse membership may face, we're there to meet the challenge. We offer a wide range of members the products and services that they need to thrive personally and financially.

We also realize that attracting younger members and providing them with the products and services that they'll need throughout their lives is critical to their long range success. We work hard to keep up with the technological advances to better serve the changing needs of our membership. The "old fashioned" principles of respect and considerate treatment of members by our knowledgeable and friendly employees supplement this technology perfectly and this results in the highest levels of member loyalty. With a declining population in the younger age groups within the markets we serve, we understand that being good is simply not enough. We need to be the best to attract younger members and then be great at what we do to capture their loyalty throughout their adult years. Here are some of the ways that we will continue to fill the needs of our members of all ages in the years to come.

Starting Out

We teach our youngest members the principles of savings that can be a baseline of security throughout their lives. We offer low minimum balance Youth Share Certificates and a variety of other share or savings services. Since these members need easy access to their accounts, we supplement our savings vehicles with products like Enhanced Checking with Direct Deposit, Mobile Banking, Online Access and provide a Debit Card program.

Young Adults

When our members near the college age, many realities set in for them and for their families. At that time we meet their needs with scholarship opportunities available through credit union based organizations, Student Loans, E-Statements and more. Plus, we never charge account maintenance fees for members under the age of 23.

Working Years & Beyond

When members enter the workplace their needs continue to evolve, so we offer Summit Express℠ Auto Loans at the Dealer, traditional Auto Loans through the credit union and Auto Insurance. Credit Cards with reasonable limits are also important products we provide. We help those over 23 avoid fees through free and confidential Financial Education & Counseling Services if they need it, and relay crucial information to our members about how to best manage their accounts.

> "Our phenomenal growth over the years has allowed us to offer products and services that fit the many significant moments that our members experience."

As these members get ready to make the leap to homeownership, we have a First Home Club program, Mortgages, Homeowners Insurance, plus home improvement and home equity loans. We offer a full portfolio of VISA Credit Cards, Online Bill Payment (a great time saver) as well as personal loans. We still emphasize savings and offer Share Certificates, Money Market and MoneyMax Accounts. Our MEMBERS Financial Services program offers no-cost, no-obligation consultations with our Investment & Insurance Partners and 401(k) and Retirement Planning.

As the years have passed, the financial services industry has changed dramatically. The Summit has worked diligently to stay one step ahead of the game, always mindful of the ever changing needs of our diverse membership. The Board and Management team have made creating member loyalty the cornerstone of our financial institution. Reaching out to members at every phase of their life cycle has been our mission and we hope that you understand that we're here for you.

Thomas B. Quirk

Michael S. Vadala
President & CEO

Thomas Quirk
Chairman of the Board of Directors

Prepared by Bonadio & Co., LLP

Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

March 27, 2013

We have audited the accompanying consolidated financial statements of The Summit Federal Credit Union and Subsidiary (the Credit Union) which comprise the consolidated statements of financial condition as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the Unites States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

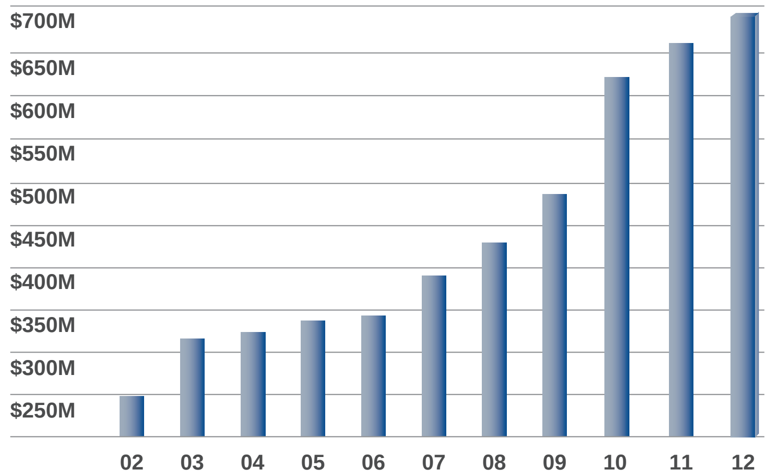
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Summit Federal Credit Union and Subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

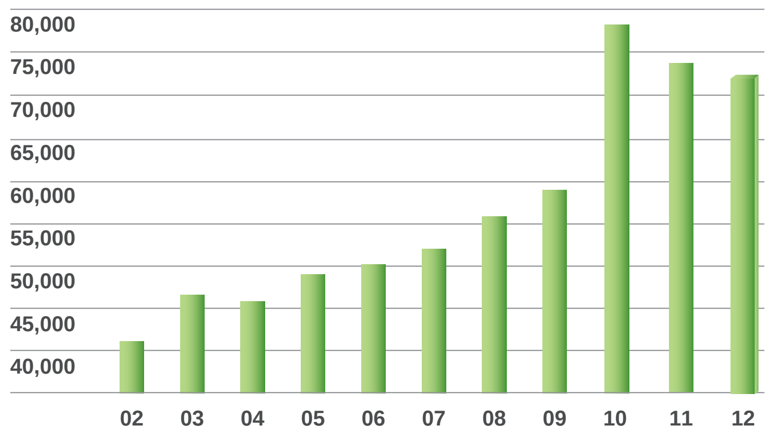
Bonadio + Co. LLP

Pittsford, New York

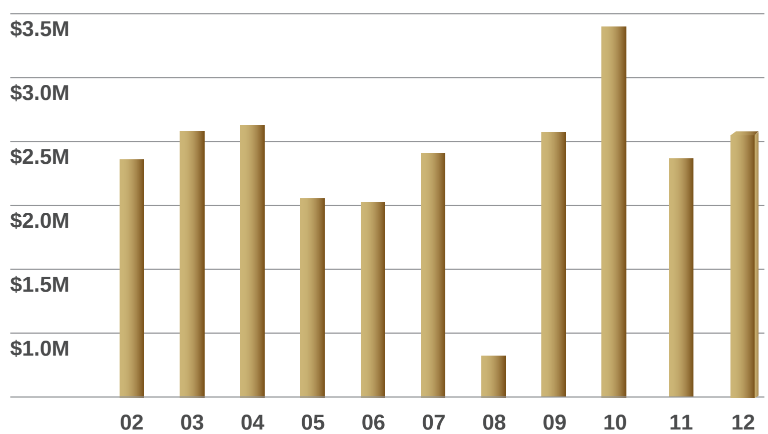
Total Assets in Millions



Total Members



Net Income in Millions



Consolidated Statements of Financial Condition

As of December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and equivalents	$6,758,313	$6,591,084
Overnight deposits at financial institutions	59,386,798	43,730,305
Investment in certificates of deposit	35,093,685	27,616,685
Investment securities available for sale	32,376,343	43,833,645
Investment securities held to maturity	58,039,081	73,288,302
Loans to members, less allowance for loan losses of $1,683,677 and $1,652,482, respectively	466,264,928	432,184,714
Premises and equipment, net	18,044,502	18,492,518
NCUSIF deposit	6,007,163	5,589,178
Intangible assets	2,964,577	3,877,704
Other assets	8,274,309	8,179,156
Total assets	$693,209,699	$663,383,291
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accrued expenses and other liabilities	$11,578,478	$12,883,481
Accrued pension expense	4,198,607	4,235,259
Total liabilities excluding members' accounts	15,777,085	17,118,740
MEMBERS' AND NON-MEMBERS' ACCOUNTS:		
Members' shares and savings accounts	424,915,191	386,998,723
Members' share certificates	163,625,557	177,107,847
Non-members' shares and certificates	25,729,325	20,577,767
Total members' and non-members' accounts	614,270,073	584,684,337
Total liabilities	630,047,158	601,803,077
MEMBERS' EQUITY:		
Regular reserve	8,750,360	8,750,360
Undivided earnings	47,216,746	44,625,377
Equity acquired in merger	10,977,543	10,977,543
Accumulated other comprehensive loss	(3,782,108)	(2,773,066)
Total members' equity	63,162,541	61,580,214
Total liabilities and members' equity	$ 693,209,699	$ 663,383,291

The accompanying notes are an integral part of these statements.

The Summit Federal Credit Union and Subsidiary

Consolidated Statements of Income

For the Years Ended December 31, 2012 and 2011

	2012	2011
INTEREST INCOME:		
Loans to members	$21,926,682	$22,489,705
Investments	1,945,240	2,078,210
	23,871,922	24,567,915
DIVIDENDS ON MEMBERS' AND NON-MEMBERS' SHARES	3,551,985	4,075,883
Net interest income before provision for loan losses	20,319,937	20,492,032
PROVISION FOR LOAN LOSSES	980,970	938,706
Net interest income after provision for loan losses	19,338,967	19,553,326
NON-INTEREST INCOME:		
Fees and other	8,236,583	7,003,557
Interchange	3,391,957	3,170,638
Total non-interest income	11,628,540	10,174,195
NON-INTEREST EXPENSE:		
Compensation and benefits	14,856,293	13,646,260
Operations	6,054,281	5,771,698
Professional and outside services	2,770,622	2,333,064
Occupancy	1,424,927	1,425,652
Marketing	992,292	1,024,705
Amortization of intangible assets	913,127	913,129
NCUA charges	570,680	1,397,294
Other	793,916	746,443
Total non-interest expense	28,376,138	27,258,245
NET INCOME	$2,591,369	$2,469,276

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

As of December 31, 2012 and 2011

	2012	2011
NET INCOME	$ 2,591,369	$ 2,469,276
OTHER COMPREHENSIVE LOSS:		
Change in unrealized gain (loss) on investment securities available for sale	(287,919)	102,605
Change in unrealized gain (loss) on deferred compensation plan investments	15,733	(2,886)
Change in accrued pension	(736,856)	(2,228,171)
Total other comprehensive loss	(1,009,042)	(2,128,452)
Total comprehensive income	$ 1,582,327	$ 340,824

The accompanying notes are an integral part of these statements.

The Summit Federal Credit Union and Subsidiary

Consolidated Statements of Members' Equity

As of December 31, 2012 and 2011

	Regular Reserve	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, JANUARY 1, 2011	$8,750,360	$42,156,101	$10,750,000	$(644,614)	$61,011,847
Comprehensive income -					
Net income	-	2,469,276	-	-	2,469,276
Equity acquired in merger	-	-	227,543	-	227,543
Change in unrealized loss on deferred compensation plan investments	-	-	-	(2,886)	(2,886)
Change in unrealized gain on investment securities available for sale	-	-	-	102,605	102,605
Change in accrued pension	-	-	-	(2,228,171)	(2,228,171)
BALANCE, DECEMBER 31, 2011	8,750,360	44,625,377	10,977,543	(2,773,066)	61,580,214
Comprehensive income -					
Net income	-	2,591,369	-	-	2,591,369
Change in unrealized gain on deferred compensation plan investments	-	-	-	15,733	15,733
Change in unrealized loss on investment securities available for sale	-	-	-	(287,919)	(287,919)
Change in accrued pension	-	-	-	(736,856)	(736,856)
BALANCE, DECEMBER 31, 2012	$ 8,750,360	$ 47,216,746	$ 10,977,543	$ (3,782,108)	$ 63,162,541

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flow

As of December 31, 2012 and 2011

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$2,591,369	$2,469,276
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization of premises and equipment	1,583,726	1,522,917
Amortization of mortgage servicing rights	391,054	324,416
Capitalization of mortgage servicing rights	(470,579)	(381,079)
Amortization of intangible assets	913,127	913,129
Provision for loan losses	980,970	938,706
Net accretion of discounts and amortization of premiums in investment securities	1,876,884	1,190,365
Loss on disposition of premises and equipment	4,169	782
Changes in:		
Other assets	240,265	618,845
Accrued expenses and other liabilities	(1,305,003)	2,296,083
Accrued pension expense	773,508)	412,078
Net cash flow from operating activities	6,032,474	10,305,518
CASH FLOW FROM INVESTING ACTIVITIES:		
Net decrease (increase) in investment securities available for sale, excluding non-cash merger activity	10,357,453	(1,729,477)
Net decrease (increase) in investments held to maturity, excluding non-cash merger activity	14,200,000	(21,575,950)
Net decrease (increase) in investments in certificates of deposit, excluding non-cash merger activity	(7,477,000)	3,540,283
Cash and equivalents received as part of mergers (Note 3)	-	691,664
Net increase in loans to members, excluding non-cash merger activity	(35,061,184)	(6,597,444)
Purchases of premises and equipment	(1,359,872)	(2,015,946)
Increase in NCUSIF deposit, excluding non-cash merger activity	(417,985)	(161,763)
Net increase in capital balance at FHLB	(35,900)	(79,300)
Net cash flow from investing activities	(19,794,488)	(27,927,933)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net increase in members' shares and savings accounts excluding non-cash merger activity	37,916,468	18,848,053
Net increase (decrease) in members' share certificates	(13,482,290)	1,269,671
Net increase in non-members' shares and certificates	5,151,558	11,374,044
Net cash flow from financing activities	29,585,736	31,491,768
NET CHANGE IN CASH AND EQUIVALENTS	15,823,722	13,869,353
CASH AND EQUIVALENTS - beginning of year	50,321,389	36,452,036
CASH AND EQUIVALENTS - end of year	$ 66,145,111	$ 50,321,389

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. THE ORGANIZATION

The Summit Federal Credit Union (The Summit) was established to offer affordable, high quality financial products and services to its members. The Summit is headquartered in Rochester, New York and has branch locations in and around the Greater Rochester, Buffalo and Syracuse, New York areas.

Effective July 1, 2011, The Summit merged with Frontier Federal Credit Union (Frontier FCU) under the terms of a merger agreement. This merger was accounted for under the "acquisition" method of accounting as required under generally accepted accounting principles. On the respective merger date, the assets, liabilities, equity, and member relationships of Frontier FCU transferred to The Summit, and Frontier FCU ceased to exist.

The Summit's wholly-owned subsidiary, Credit Union Auto Finance (CUAF), is a credit union service organization that provides services related to the origination of indirect auto loans to credit unions in Western New York State.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) and National Credit Union Administration (NCUA) regulations.

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of The Summit and CUAF. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Equivalents
Cash and equivalents include all highly liquid investments with an original maturity of three months or less, including overnight deposits at financial institutions which, at times, may exceed federally insured limits. The Summit has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and equivalents.

Investments
The Summit's significant accounting policies related to investments are as follows:

- **Overnight Deposits at Financial Institutions**
  Overnight deposits are held at the Federal Reserve Bank of New York, corporate credit unions, and The Federal Home Loan Bank (FHLB) and are recorded at cost which approximates fair value. Overnight deposits at these institutions consist of cash and cash equivalents varying in duration from overnight to three months which, at times, may exceed federally insured limits. The Summit has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to its overnight deposits at financial institutions.

- **Investments in Certificates of Deposit**
  Investments in certificates of deposit are recorded at cost and have remaining maturities of up to three years. The Summit's policy is to purchase certificates that are within the insured limits ($250,000) of either the NCUA or Federal Deposit Insurance Corporation.

- **Investments in Debt Securities**
  Investments in debt securities which are classified as held to maturity are stated at amortized cost when management has the positive intent and ability to hold such securities to maturity. Investments in debt securities which are classified as available for sale and have readily determinable fair values are stated at estimated fair value. Unrealized gains or losses related to investment securities available for sale are excluded from income and included as a change in other comprehensive income.

  Interest income includes interest earned on investment securities and the respective amortization of premium or accretion of discount. Amortization or accretion for held to maturity and available for sale investments is computed using the effective interest rate method. Gains and losses from sales of securities are determined using the specific identification method.

- **Investment Risk**
  The Summit invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could affect the amounts reported in the accompanying financial statements.

- **Fair Value Measurements**
  GAAP establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, as follows:

  1. Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
  2. Level 2 Inputs - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
  3. Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Loans to Members and Allowance for Loan Losses
Loans originated by The Summit are stated at the amount of unpaid principal, reduced by an allowance for loan losses. For substantially all loans, interest is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The allowance for loan losses is increased through a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). Loans are charged against the allowance when management believes collection is doubtful. Management's periodic evaluation of the adequacy of the allowance is based on The Summit's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' abilities to repay, estimated value of any underlying collateral, and current economic conditions.

Loans acquired through merger are initially recorded at estimated fair value. The difference between the fair value and the unpaid principal amount is adjusted through either interest income or the provision for loan losses based on The Summit's experience with each loan. Loans acquired though merger are evaluated in terms of the adequacy of the allowance in a similar manner to loans originated by The Summit. To the extent that management believes credit losses may be incurred beyond the remaining fair value adjustment for a particular loan,additional charges against the allowance are recorded.

The accrual of interest is discontinued on a loan when the loan becomes 90 days past due and management believes, based on collection efforts, that the borrower's financial condition is such that the collection of interest is doubtful. Uncollectible interest previously accrued is charged off or an allowance is established by means of a charge to interest income. Income is subsequently recognized only to the extent cash payments are received until the loan is no longer 90 days or more past due, at which time the loan is returned to accrual status.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual term of the loan.

The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The allowance for credit losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Because all identified losses are immediately charged off, no portion of the allowance for loan losses is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all loan losses.

The Summit considers three segments of its loan portfolio in its allowance determination: residential mortgages, other consumer loans and consumer credit cards.

The allowance consists of specific and general components. Specific allowances are established for impaired loans. A loan is considered impaired when current information and events indicate that, in management's judgment, it is probable that The Summit will be unable to collect scheduled payments required under the terms of the loan contract. Factors considered in determining impairment include payment delinquency status, communication with the borrower, the reasons for the delay in payment, the borrower's past performance, the existence of a guarantor and the likelihood of the guarantor satisfying the obligation, and other factors specific to each loan.

The residential mortgage, other consumer (including automobile and home equity), and consumer credit card loan segments consist of large groups of homogeneous loans that are evaluated for impairment collectively.

General allowances are established by applying an estimated loss percentage to loans that are not considered impaired. Loss percentages are established based on historical loss experience on each class of loan, and may be adjusted for qualitative factors, such as changes in loan underwriting policy, the introduction of new loan products, changes in economic conditions, and other factors.

Management evaluates currently available information to establish the allowance; however, actual future loss experience may differ from that allowed for if conditions differ from those assumptions used by the Credit Union in establishing the allowance.

The Summit's policies dictate guidelines for determining when a loan is to be charged off. All charge-offs are approved by The Summit's senior management and the Board of Directors. Real estate secured loans are generally charged-off when a determination is made that the borrower will be unable to pay and any collateral will not be adequate to repay the loan when liquidated. Consumer loans, whether collateralized or not, are generally charged off when the loan becomes 180 days delinquent or when The Summit believes the loans to be a total loss.

There were no changes to The Summit's policy or methodology utilized to establish the allowance for loan loss in 2012 or 2011.

Premises and Equipment
Buildings, office equipment and leasehold improvements are recorded at cost, for purchased items, and at fair value at the date of acquisition for items acquired as part of a merger, less accumulated depreciation and amortization. Buildings and office equipment are depreciated over useful lives ranging from three to forty years using the straight-line method. Leasehold improvements are amortized using the straight-line method over the period of the lease or the estimated life of the property, whichever is shorter.

National Credit Union Share Insurance Fund ("NCUSIF") Deposit
NCUA regulations require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to The Summit if its insurance coverage was terminated, it converted to insurance coverage from another source, or the operations of the fund were transferred from the NCUA Board. Premiums are assessed annually by the NCUSIF to the extent that The Summit's total insured deposits increase, or at the discretion of NCUSIF management. The NCUSIF deposit is required to be reviewed for impairment, including consideration of the refundability of the deposit. At December 31, 2012 and 2011, management did not consider any impairment adjustment necessary.

In addition to the amount held on deposit with the NCUSIF, The Summit is required to pay an annual insurance premium based on its total insured members' shares, unless the payment is waived or reduced by the NCUA Board. These premiums provide insurance on members' deposit accounts up to $250,000 per member. In addition, the NCUSIF insured non-interest bearing transaction accounts in full thorough December 31, 2012.

Temporary Corporate Credit Union Stabilization Fund
The NCUA established the Temporary Corporate Credit Union Stabilization Fund (the Stabilization Fund) in 2009. See Note 18 for discussion of the Stabilization Fund. The NCUA has informed insured credit unions that assessments will be made annually through 2021 to fund the payments required on the Stabilization Fund's obligations. The timing and amount of the assessments are determined at the discretion of the NCUA. The Summit's policy is to record these assessments to expense annually as notification of payment requirements is received.

Intangible Assets
In connection with mergers in prior years, The Summit recognized certain core deposit intangible assets related to customer relationships. These assets are being amortized over a weighted-average useful life of 47 months. The core deposit intangible is evaluated each reporting period in order to determine whether events and circumstances warrant a revision to the remaining amortization period. If it is determined that a revision is warranted, the remaining carrying amount is amortized prospectively over the revised remaining useful life. The Summit has evaluated its intangible assets and determined that no revisions are necessary.

Goodwill represents the residual value of the merged entity at the date of merger in excess of the fair value of the identifiable assets less liabilities. Goodwill is tested annually for impairment. The Summit determined that there was no impairment loss required to be recognized as of December 31, 2012 and 2011.

Mortgage Servicing Rights

Mortgage servicing rights assets, included with other assets, are established each time The Summit undertakes an obligation to service mortgage loans for the Federal National Mortgage Association (FNMA). For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on relative fair value. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, ancillary income, prepayment speeds and default rates and losses. Servicing assets are amortized in proportion to, and over the period of, estimated net servicing revenues. For purposes of measuring impairment, the assets are stratified based on the original term and interest rate of the underlying loans. The amount of impairment recognized is the amount by which the capitalized mortgage servicing assets for a stratum exceed their fair value. As of December 31, 2012 and 2011, no such impairment was recorded.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as non-interest income when earned.

Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at estimated liquidation value, including consideration of estimated costs to sell, at the date of foreclosure and are included within other assets.

Costs relating to development and improvement of property are capitalized, whereas costs relating to holding property are charged to expense. Valuations are periodically performed by management and an allowance for losses is established by means of a charge to operations if the carrying value of the property exceeds fair value less estimated costs to sell.

Members' and Non-Members' Share Accounts and Certificates

Members' and non-members' shares are subordinated to all other liabilities of The Summit upon liquidation. Dividends on share accounts are based on available earnings at the end of a dividend period and are not guaranteed by The Summit. Dividend rates on share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions. Dividend rates on members' and non-members' share certificates, money market and checking accounts are set by management based on current market conditions. Dividends on members' and non-members' share accounts and share certificates are charged as an expense.

Pension Plan

The Summit has a non-contributory defined benefit pension plan covering substantially all of its employees. The Summit's policy is to fund at least the minimum amount required under the Employee Retirement Income Security Act of 1974 (ERISA).

Members' Equity

The Summit is required by NCUA regulations to maintain a net worth ratio based on the risk deemed inherent in its statement of financial condition. Credit unions which do not meet the risk based net worth requirements will be subject to prompt corrective supervisory action by the NCUA. The NCUA's net worth requirements to be considered adequately capitalized at December 31, 2012 and 2011 was 7.0 percent. As of December 31, 2012 and 2011, The Summit maintained a net worth ratio of 9.63 percent and 9.68 percent, respectively, and was considered well capitalized. The Summit is also subject to a Risk Based Net Worth Requirement (RBNWR), which determines whether The Summit will be considered “complex” under the NCUA’s regulatory framework. The Summit’s RBNWR ratio was below 6 percent for the years ended December 31, 2012 and 2011, respectively. Based on this, The Summit is not considered “complex” under the NCUA’s regulatory framework.

The Summit is required by regulation to maintain a reserve. This regular reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of dividends.

Advertising Costs
Advertising costs are expensed as incurred.

Income Taxes
The Summit is exempt, by statute, from federal and state income taxes as a 501(c)(1) organization. As of December 31, 2012 and 2011, the Summit does not have a liability for unrecognized tax benefits.

Comprehensive Income
GAAP requires that recognized income, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and deferred compensation plan investments, as well as changes in accrued pension, are reported as a change in the accumulated other comprehensive loss section of the statements of members’ equity.

Estimates
The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

3. MERGERS

Frontier Federal Credit Union
Effective July 1, 2011, The Summit assumed the assets, liabilities, and operations of Frontier FCU under the terms of a merger agreement. This merger agreement was approved by the affirmative vote of Frontier FCU's members and written communication from the NCUA. At the date of the merger, Frontier FCU operated one branch and had total assets of approximately $2,186,000. The Summit entered into this merger agreement for the primary purposes of expanding the financial services available to Frontier FCU's members and expanding The Summit's market presence in the greater Buffalo, New York area.

Consideration
There was no consideration provided by The Summit related to this transaction, other than the assumption of the acquired credit union's liabilities.

4. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities available for sale are as follows at December 31:

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 31,506,396	$ 360,853	$ -	$ 31,867,249
Residential mortgage-backed securities	497,650	11,444	-	509,094
	$ 32,004,046	$ 372,297	$ -	$ 32,376,343

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 42,581,885	$ 648,250	$ -	$ 43,230,135
Residential mortgage-backed securities	591,544	11,966	-	603,510
	$ 43,173,429	$ 660,216	$ -	$ 43,833,645

The amortized cost and estimated fair value of investment securities held to maturity are as follows at December 31:

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$58,039,081	$ 736,918	$ -	$ 58,775,999

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 73,288,302	$ 1,129,728	$ (36,514)	$ 74,381,516

The scheduled maturities of held to maturity and available for sale securities were as follows at December 31, 2012:

	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 21,154,908	$21,290,222	$18,219,153	$ 18,338,601
Due from one to five years	36,884,173	37,485,777	13,326,177	13,569,858
Due from five to ten years	-	-	153,893	157,351
Due after ten years	-	-	304,823	310,533
	$ 58,039,081	$58,775,999	$32,004,046	$ 32,376,343

The Summit has no material investments that have been in a loss position for more than twelve months.

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of The Summit to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Management does not believe that a write-down is required in connection with the investment securities noted above.

Financial assets and financial liabilities measured at fair value on a recurring basis include the following:

Securities Available for Sale

Residential mortgage backed securities and U.S. government and agency securities are reported at fair value utilizing Level 2 inputs. For these securities, The Summit obtains fair value measurements from an independent pricing service. Based on information received from the pricing service, inputs used by the pricing service include, in order of priority, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. The appraisals that result from these inputs do not necessarily reflect net results obtainable in the event of actual liquidation.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of December 31, 2012 and 2011, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2012			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Federal Home Loan Bank securities	$ -	10,861,803	$ -	$ 10,861,803
Federal Home Loan Mortgage Corp. securities	-	21,005,446	-	21,005,446
Residential mortgage- backed securities	-	509,094	-	509,094
	$ -	$ 32,376,343	$ -	$ 32,376,343

	2011			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Federal Home Loan Bank securities	$ -	$ 21,421,504	$ -	$ 21,421,504
Federal Home Loan Mortgage Corp. securities	-	21,808,631	-	21,808,631
Residential mortgage- backed securities	-	603,510	-	603,510
	$ -	$ 43,833,645	$ -	$ 43,833,645

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. Financial assets and liabilities subject to fair value adjustments on a non-recurring basis include other real estate owned, mortgage servicing rights, intangible assets, loans to members and assets and liabilities acquired through merger. No material adjustments to fair value have been made to these instruments after initial recognition in 2012 or 2011.

5. LOANS TO MEMBERS

The composition of loans to members is as follows at December 31:

	2012	2011
Residential mortgage	$ 107,006,376	$ 92,675,862
Home equity	106,769,263	99,857,094
Consumer automobile	189,316,975	181,649,122
Consumer credit card	28,400,928	28,180,261
Other consumer	35,445,606	31,846,857
Gross loans outstanding	466,939,148	434,209,196
Add: Net deferred loan origination costs	5,431,682	4,412,615
Less: Fair market value adjustment for merged loans	(4,422,225)	(4,784,615)
Less: Allowance for loan losses	(1,683,677)	(1,652,482)
	$ 466,264,928	$ 432,184,714

Credit Risk Profile
The Credit Union evaluates carried loans utilizing a credit risk profile that incorporates a number of elements of the borrower's performance, including information on each loan's status as current or delinquent. The Credit Union considers all loans for which payments are past due by 15 days or more to be delinquent. The following table presents the Credit Union's loan portfolio by class and credit risk profile as defined by the Credit Union's risk rating system as of December 31, 2012:

	Current	Delinquent	Total
Residential mortgage	$ 105,762,969	$ 1,243,407	$ 107,006,376
Home equity	105,720,624	1,048,639	106,769,263
Consumer automobile	186,223,699	3,093,276	189,316,975
Consumer credit card	27,577,632	823,296	28,400,928
Other consumer	35,859,107	586,499	35,445,606
Gross loans outstanding	$ 460,144,031	$ 6,795,117	$ 466,939,148

The following table presents the Credit Union's loan portfolio by class and credit risk profile as defined by the Credit Union's risk rating system as of December 31, 2011:

	Current	Delinquent	Total
Residential mortgage	$ 91,511,463	$ 1,164,399	$ 92,675,862
Home equity	98,673,849	1,183,245	99,857,094
Consumer automobile	178,726,444	2,922,678	181,649,122
Consumer credit card	27,463,068	717,193	28,180,261
Other consumer	31,255,767	591,090	31,846,857
Gross loans outstanding	$ 427,630,591	$ 6,578,605	$ 434,209,196

Impaired Loans
The Summit classifies as impaired all loans which been previously modified, bankrupt loans, loans outstanding for one to five months with an outstanding principal balances of at least $25,000 and loans outstanding for more than six months.

The following tables present information on the Credit Union's impaired loans, by loan portfolio class, as of December 31, 2012 and 2011:

	2012	
	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 1,560,336	$ 15,000
Home equity	1,210,914	71,938
Consumer automobile	8,320,017	407,072
Consumer credit card	104,137	54,047
Other consumer	762,918	103,520
Total	$ 11,958,322	$ 651,577

	2011	
	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 1,622,015	$ 39,319
Home equity	1,544,275	110,791
Consumer automobile	7,564,929	309,820
Consumer credit card	222,561	160,736
Other consumer	222,561	64,663
Total	$ 11,880,765	$ 685,329

The Credit Union's practice is to record at least a small specific allowance on all impaired loans, and, therefore, there are no impaired loans without an allowance recorded. The average recorded investment in impaired loans approximates the year-end balance above. Interest income is recognized on impaired loans if collection is considered likely and the loan is less than 90 days delinquent.

Loans in Non-Accrual Status

The Credit Union discontinues the accrual of interest on loans when loans are delinquent by 90 days or more and management believes, based on collection efforts, that the borrower's financial condition is such that the collection of interest is doubtful. Loans remain in nonaccrual status until the member makes payments sufficient to reduce their delinquent status to less than 90 days. The following table presents loan balances in non-accrual status by loan class as of December 31:

	2012	2011
Residential mortgage	$ 185,790	$ 465,074
Home equity	333,368	358,424
Consumer automobile	356,729	320,979
Consumer credit card	171,168	227,465
Other consumer	99,567	159,188
Total	$ 1,146,622	$ 1,531,130

Payments received on loans in non-accrual status are applied to interest, fees, and then loan principal until such time as the loan is made current.

Loan Modifications and Troubled Debt Restructurings

The Summit's practice is to restructure or modify loans only in cases where such changes create a more-likely-than-not possibility of ultimate collection. At December 31, 2012, The Summit had 90 loans classified as troubled debt restructurings with a total outstanding balance of approximately $653,000. Of these, 3 contracts are for residential mortgages with an aggregate outstanding balance of approximately $127,000. At December 31, 2011, The Summit had 85 loans classified as troubled debt restructurings with a total outstanding balance of approximately $658,000. Of these, 3 contracts were for residential mortgages with an aggregate outstanding balance of approximately $178,000. The Summit does not consider the effect of troubled debt restructurings to be significant to the financial statements on an overall basis.

Aging of Past-Due Loans to Members

An important element of The Summit's evaluation of the loan portfolio's performance and credit quality is the age of loans to members as measured by the length of time that a required payment is past-due. The Summit initiates communication with the borrower when a payment is past-due by as little as 15 days.

The following table presents the past-due status of each class of loan, summarized by the length of time that loans are past-due, as of December 31, 2012:

	Length of Time Past-Due							
	15-27 Days Past Due	28-56 Days Past Due	57-88 Days Past Due	89-179 Days Past Due	Greater than 179 Days Past Due	Total Delinquent	Current	Total Loans to Members
Residential mortgage	$ -	$ 863,786	$ 193,831	$ 97,957	$ 87,833	$ 1,243,407	$ 105,762,969	$ 107,006,376
Home equity	353,796	313,606	47,869	171,397	161,971	1,048,639	105,720,624	106,769,263
Consumer automobile	1,646,233	740,480	349,834	242,481	114,248	3,093,276	186,223,699	189,316,975
Consumer credit card	-	515,486	136,642	144,401	26,767	823,296	27,577,632	28,400,928
Other consumer	297,710	137,427	51,795	82,153	17,414	586,499	34,859,107	35,445,606
	$ 2,297,739	$ 2,570,785	$ 779,971	$ 738,389	$ 408,233	$ 6,795,117	$460,144,031	$466,939,148

The following table presents the past-due status of each class of loan, summarized by the length of time that loans are past-due, as of December 31, 2011:

	Length of Time Past-Due							
	15-27 Days Past Due	28-56 Days Past Due	57-88 Days Past Due	89-179 Days Past Due	Greater than 179 Days Past Due	Total Delinquent	Current	Total Loans to Members
Residential mortgage	$ -	$ 634,567	$ 64,758	$ 219,651	$ 245,423	$ 1,164,399	$ 91,511,463	$ 92,675,862
Home equity	201,162	623,659	-	150,799	207,625	1,183,245	98,673,849	99,857,094
Consumer automobile	1,617,967	850,991	132,741	206,432	114,547	2,922,678	178,726,444	181,649,122
Consumer credit card	-	356,094	133,634	173,665	53,800	717,193	27,463,068	28,180,261
Other consumer	257,699	141,347	32,856	135,257	23,931	591,090	31,255,767	31,846,857
	$ 2,076,828	$ 2,606,658	$ 363,989	$ 885,804	$ 645,326	$ 6,578,605	$427,630,591	$434,209,196

Allowance for Loan Loss and Recorded Investment in Loans to Members

Activity in the allowance for loan loss, by portfolio segment, was as follows for the year ended December 31, 2012:

	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in Allowance for loan loss:					
Beginning balance	$ 53,549	$ 471,645	$ 927,288	$ 200,000	$ 1,652,482
Charge-offs	(131,838)	(493,082)	(824,373)	-	(1,449,293)
Recoveries	24,489	143,386	331,643	-	499,518
Provision	95,804	405,146	505,020	(25,000)	980,970
Ending balance	$ 42,004	$ 527,095	$ 939,578	$ 175,000	$ 1,683,677
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ -	$ 16,119	$ 411,025	$ -	$ 427,144
Related to loans collectively evaluated for impairment	27,004	499,814	357,048	-	883,866
Related to environmental factors and other considerations	-	-	-	175,000	175,000
Related to troubled debt restructurings	15,000	11,162	94,049	-	120,211
Related to loan modifications	-	-	77,456	-	77,456
Ending balance	$ 42,004	$ 527,095	$ 939,578	$ 175,000	$ 1,683,677
Loans Receivable:					
December 31, 2011 balance individually evaluated for impairment	$ 1,560,336	$ 77,371	$ 2,548,233	$ -	$ 4,185,940
December 31, 2011 balance collectively evaluated for impairment	105,446,040	28,323,557	328,983,611	-	462,753,208
Ending balance	$ 107,006,376	$ 28,400,928	$ 331,531,844	$ -	$ 466,939,148

Activity in the allowance for loan loss, by portfolio segment, was as follows for the year ended December 31, 2011:

Changes in Allowance for loan loss:	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Beginning balance	$ 26,609	$ 434,564	$ 919,957	$ 200,000	$ 1,581,130
Charge-offs	(25,383)	(435,226)	(852,799)	-	(1,313,408)
Recoveries	-	105,571	340,483	-	446,054
Provision	52,323	366,736	519,647	-	938,706
Ending balance	$ 53,549	$ 471,645	$ 927,288	$ 200,000	$ 1,652,482
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ 24,319	$ 33,329	$ 422,855	$ -	$ 480,503
Related to loans collectively evaluated for impairment	14,230	422,860	350,131	-	787,221
Related to environmental factors and other considerations	-	-	-	200,000	200,000
Related to troubled debt restructurings	15,000	15,456	80,568	-	111,024
Related to loan modifications	-	-	73,734	-	73,734
Ending balance	$ 53,549	$ 471,645	$ 927,288	$ 200,000	$ 1,652,482
Loans Receivable:					
December 31, 2011 balance individually evaluated for impairment	$ 930,813	$ 37,705	$ 2,288,958	$ -	$ 3,257,476
December 31, 2011 balance collectively evaluated for impairment	91,745,049	28,142,556	311,064,115	-	430,951,720
Ending balance	$ 92,675,862	$ 28,180,261	$ 313,353,073	$ -	$ 434,209,196

Included in loans to members at December 31, 2012 and 2011, are loans of $2,098,571 and $2,176,173, respectively, to directors and officers of The Summit.

6. PREMISES AND EQUIPMENT

Premises and equipment, net of accumulated depreciation and amortization, consisted of the following at December 31:

	2012	2011
Land	$ 6,035,031	$ 5,018,138
Buildings and improvements	14,718,644	14,912,229
Furniture, fixtures and equipment	8,211,742	8,105,819
Leasehold improvements	463,530	457,980
	29,428,947	28,494,166
Less: Accumulated depreciation and amortization	(11,384,445)	(10,001,648)
	$ 18,044,502	$ 18,492,518

7. MORTGAGE SERVICING RIGHTS

In order to ensure the availability of a broad range of mortgage products for its members at the lowest possible cost, The Summit periodically sells originated mortgages, primarily to the Federal National Mortgage Association (FNMA), while retaining the rights to service these mortgages for its members. During 2012 and 2011, net gains resulting from the sale of originated mortgages were $1,329,291 and $306,367, respectively. Mortgage loans serviced for the FNMA are not included in the accompanying statement of financial condition. The unpaid principal balance of these loans was $182,951,647 and $156,788,158 at December 31, 2012 and 2011, respectively.

For 2012 and 2011, the estimated fair value of mortgage servicing rights (MSR) exceeded recorded amounts. The fair value was determined by calculating the net present value of the estimated income stream associated with MSR over the term of the loan. The estimated net income stream is discounted using a 6.75 percent rate of return and a prepayment speed based upon the consensus from the dealer survey conducted by the Bond Market Association.

For 2012 and 2011, The Summit capitalized $470,579 and $381,079 of MSR, respectively. Amortization of MSR was $391,054 and $324,416 for 2012 and 2011, respectively. The Summit amortizes MSR based upon the payments received for the serviced loans, adjusted for prepayments and charge-offs.

8. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	2012	2011
Goodwill	$ 2,131,473	$ 2,131,473
Core deposit intangible	833,104	1,746,231
	$ 2,964,577	$ 3,877,704

The gross carrying amount of The Summit's core deposit intangible was $3,574,484 and accumulated amortization related to these assets was $2,741,380 and $1,828,253 at December 31, 2012 and 2011, respectively. Amortization expense related to these assets was $913,127 and $913,129 at December 31, 2012 and 2011, respectively.

The Summit is expected to record $833,104 of amortization expense on its core deposit intangible in 2013.

9. OTHER ASSETS

The components of other assets were as follows at December 31:

	2012	2011
Accrued interest receivable	$ 2,267,898	$ 2,411,101
Mortgage servicing rights, net	1,110,201	1,030,676
Alloya Corporate Credit Union capital account	921,637	921,637
Receivable related to settlement of mortgage sales	859,464	829,835
Prepaid operating expenses	738,575	743,974
Deferred compensation annuity	644,748	670,284
Capital balance at Federal Home Loan Bank	382,000	346,100
Prepaid bond insurance	224,050	226,653
Assets held for sale	219,993	-
Advances for VISA clearing	205,900	193,800
Deposit on fixed assets	187,942	184,957
Other real estate owned	102,400	133,075
Investment in PSCU	89,932	103,748
Miscellaneous	319,569	383,316
	$ 8,274,309	$ 8,179,156

10. SHARE ACCOUNTS AND CERTIFICATES

At December 31, 2012, scheduled maturities of share and IRA certificates are as follows:

2013	$ 108,910,516
2014	46,260,950
2015	20,341,239
2016	8,500,456
2017	652,298
Thereafter	1,018,429
	$ 185,683,888

Dividend expense on members' and non-members' accounts is summarized as follows at December 31:

	2012	2011
Regular shares	$118,884	$108,715
Share drafts	20,213	23,998
Money market shares	809,301	996,148
Share certificates	2,046,347	2,249,821
IRA shares	54,404	58,140
IRA share certificates	502,836	639,061
	$ 3,551,985	$ 4,075,883

The aggregate amount of share certificate account balances in excess of $100,000 was $61,424,582 and $53,822,920 at December 31, 2012 and 2011, respectively.

Cash paid for dividends on members' and non-members' shares and certificates totaled approximately $3,552,000 and $4,076,000 for the years ended December 31, 2012 and 2011, respectively.

11. POST-RETIREMENT BENEFIT PLANS

Defined Benefit Pension Plan
The Summit has a non-contributory defined benefit pension plan (the Plan) covering substantially all employees.

The following sets forth information regarding the Plan at the valuation date of December 31:

	2012	2011
Projected Benefit Obligation		
Balance, beginning of year	$ 9,890,585	$ 7,264,334
Service cost	575,194	378,761
Interest cost	518,127	434,690
Actuarial (gain) loss	1,247,478	1,841,676
Benefits paid to participants	(41,556)	(28,876)
Balance, end of year	$ 12,189,828	$ 9,890,585

Defined Benefit Pension Plan

Plan Assets	2012	2011
Fair value, beginning of year	$ 5,655,326	$ 5,669,324
Actual investment return	733,268	(13,477)
Employer contributions	1,644,183	28,355
Benefits paid	(41,556)	(28,876)
Fair value, end of year	$ 7,991,221	$ 5,655,326
Funded status	$ (4,198,607)	$ (4,235,259)

Funded Status

Accrued pension liability of $4,198,607 and $4,235,259 was recognized in the statement of financial condition as a liability at December 31, 2012 and 2011, respectively.

Amounts recognized in the statements of members' equity as components of accumulated other comprehensive income are as follows for the year ended December 31:

	2012	2011
Total net loss	$ (3,914,355)	$ (3,138,906)
Prior service cost	(253,313)	(291,906)
	$ (4,167,668)	$ (3,430,812)

Weighted average assumptions used to determine benefit obligations included a discount rate of 4.75% and 5.25% for 2012 and 2011, respectively, and a rate of compensation increase of 5% for both 2012 and 2011.

Weighted average assumptions used to determine net periodic benefit cost are as follows as of December 31:

	2012	2011
Discount rate	5.25%	6.00%
Expected long-term rate of investment return	7.50%	8.00%
Rate of compensation increase	5.00%	5.00%

The expected long-term rate of investment return assumption was developed by analyzing historical returns of multiple asset classes to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on the overall rates and the target asset allocation of the Plan.

Defined Benefit Pension Plan (Continued)

Components of net periodic benefit cost and other amounts recognized in other comprehensive income are as follows:

	2012	2011
Net Periodic Benefit Cost:		
Service cost	$ 575,194	$ 378,761
Interest cost	518,127	434,690
Expected return on plan assets	(410,120)	(421,612)
Amortization of net (gain)/loss	148,881	10,001
Amortization of prior service cost	38,593	38,593
	870,675	440,433
Amounts Recognized in Other Comprehensive Income:		
Net (gain) loss	$ 924,330	$ 2,276,765
Amortization of net loss	(148,881)	(10,001)
Amortization of prior service cost	(38,593)	(38,593)
	736,856	2,228,171
Total recognized in net periodic benefit cost and other comprehensive income	$ 1,607,531	$ 2,668,604

The accumulated benefit obligation of the Plan was $7,642,793 and $6,051,534 at December 31, 2012 and 2011, respectively.

Plan assets consist of insurance company separate accounts. The Plan's investment target allocation calls for a weighted-average asset allocation for the Plan by asset category as follows:

	2012	2011
Equity securities	50%	50%
Debt securities	40%	40%
Real estate	10%	10%
	100%	100%

The asset allocations for the Plan as of December 31, 2012 were 57% equity securities, 38% debt securities, and 5% real estate.

The investment strategy of the Plan is to build an efficient, well-diversified portfolio based on a long-term, strategic outlook of the investment markets. The investment markets outlook utilizes both historical based and forward-looking return forecasts to establish future return expectations for various asset classes. These return expectations are used to develop a core asset allocation based on the specific needs of the Plan. The core asset allocation utilizes multiple investment managers in order to maximize the Plan's return while minimizing risk. The Company's pension plan assets are held in pooled separate accounts and the fair value, by asset category, are as follows at December 31:

Asset Category	Significant Other Observable Inputs (Level 2)	Total
	2012	
Pooled separate accounts	$7,991,221	$ 7,991,221
	2011	
Pooled separate accounts	$5,655,326	$ 5,655,326

The Plan's pooled separate accounts are valued utilizing level 2 inputs that consist primarily of information on the underlying assets held in the pooled separate accounts provided by the Plan's third-party investment manager. The actuarially determined minimum contribution to the Plan for 2012 is approximately $116,000.

Pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2013	$ 87,000
2014	$ 86,000
2015	$ 120,000
2016	$ 130,000
2017	$ 130,000
2018 through 2022	$1,430,000

Defined Contribution Plan
In addition, The Summit sponsors a defined contribution plan that covers substantially all employees who meet certain age and service requirements. The Summit matches 50 percent of participant contributions up to four percent of a participant's base compensation. The Summit's matching contributions, which are invested in participant-directed accounts, were $179,422 and $181,890 for the years ended December 31, 2012 and 2011, respectively.

Deferred Compensation Agreements
The Summit has established deferred compensation agreements with certain employees. Under the terms of these agreements, specified amounts will be paid to those employees in the future if they remain employed at The Summit through specific dates. These amounts are forfeited if employment terminates under certain circumstances prior to the date specified in each employee's agreement. The total amount that could be paid in the future if all employees maintain employment for the duration of the agreements is approximately $3,100,000. The Summit has accrued for this potential liability ratably over the terms of the agreements. As of December 31, 2012 and 2011, approximately $848,000 and $539,000, respectively, was included in accrued expenses and other liabilities in the accompanying consolidated statement of financial condition related to these agreements.

Deferred Compensation Arrangements Assumed in Merger
As part of the 2010 merger with Syracuse Federal Credit Union (Syracuse), The Summit assumed several deferred compensation arrangements with former Syracuse employees. These individuals were never Summit employees, but were employed by Syracuse before the merger date. The Summit's liability under the terms of these arrangements totaled approximately $3,580,000 and $3,790,000 at December 31, 2012 and 2011, respectively, and is included in accrued expenses and other liabilities in the accompanying consolidated statements of financial condition. The liability will be paid out to those former Syracuse employees through 2029. A portion of this liability is funded by an annuity. The annuity asset is recorded as part of other assets in the amount of $644,748.

12. COMMITMENTS

Leases
The Summit leases office space for branch locations under various long-term lease agreements. These agreements have terms which include escalating rents and renewal options. Rental expense included in operating expense was $280,876 and $271,683 for 2012 and 2011, respectively. Future minimum lease payments under the terms of these operating leases are as follows:

2013	$ 331,582
2014	300,372
2015	284,812
2016	245,517
2017	217,143
Thereafter	1,695,142
	$ 3,074,568

13. LINE-OF-CREDIT

The Summit has a $27,650,000 secured line-of-credit agreement with Alloya bearing a variable interest rate (3.75% at December 31, 2012). Amounts borrowed are collateralized by certain assets of The Summit. As of December 31, 2012 and 2011, there was no balance outstanding under the terms of this agreement.

The Summit is a member of the Federal Home Loan Bank of New York (FHLB), which was formed to assist member financial institutions in meeting liquidity needs for mortgage lending purposes. Membership is obtained through investment in shares of FHLB stock as determined by a statutory formula. As of December 31, 2012 and 2011, the Credit Union had not borrowed from the FHLB.

14. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

To meet the financing needs of its members, The Summit offers lines-of-credit and credit cards. The unused amounts on these lines of credit and credit cards, along with approved but undisbursed loans, subject The Summit to varying degrees of credit and interest rate risk in excess of that recognized on the balance sheet. Credit risk is the possibility that The Summit may incur losses because the borrower fails to perform according to the terms of the credit agreement. Interest rate risk is the possibility that The Summit may incur losses due to changes in interest rates that may result in a decrease in the market value of a financial instrument.

The Summit's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual or notional amount of the commitments. The Summit uses the same credit policies in making commitments as it does for on-balance sheet instruments.

A summary of the contract or notional amounts of The Summit's commitments at December 31, 2012 is as follows:

Members' unused credit card lines	$	60,246,400
Members' unused lines of credit, excluding credit card lines	$	67,384,637
Members' loans approved, not yet disbursed	$	9,478,065

Commitments to extend loans and unused member lines of credit are agreements to lend to members providing there are no violations of any conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Summit evaluates each member's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by The Summit, upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held, if any, varies but typically includes residential homes and automobiles.

Credit card commitments are unsecured agreements to extend credit. Such commitments are reviewed periodically, at which time commitments may be maintained or canceled depending on management's evaluation of the member's credit worthiness and other considerations. Since many commitments are never drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements.

15. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Cash Equivalents
For those short-term instruments, the carrying amount represents an estimate of fair value.

Loans to Members
The fair value of loans to members is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Share Accounts and Certificates
The fair value of member and non-member share accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates is estimated by discounting the future cash flows using the rates currently offered for certificates of similar remaining maturities.

The estimated fair values of The Summit's financial instruments are as follows at December 31 (stated in 000's):

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and equivalents	$ 6,758	$ 6,758	$ 6,591	$ 6,591
Overnight deposits at financial institutions	$ 59,387	$ 59,387	$ 43,730	$ 43,730
Investment in certificates of deposit	$ 35,094	$ 35,199	$ 27,617	$ 27,798
Investment in securities available for sale	$ 32,376	$ 32,376	$ 43,834	$ 43,834
Investment in securities held to maturity	$ 58,039	$ 58,776	$ 73,288	$ 74,382
Loans to members	$ 466,265	$ 476,788	$ 432,185	$ 444,239
Members' shares and savings accounts	$ 424,915	$ 425,118	$ 386,999	$ 387,218
Members' share certificates	$ 163,626	$ 164,988	$ 177,108	$ 178,896
Nonmembers' shares and certificates	$ 25,729	$ 25,912	$ 20,578	$ 20,767

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

The balance and changes in the components of accumulated other comprehensive loss were as follows:

	Unrealized Gain (Loss) on Available-For-Sale Securities Unrealized Gain(Loss)on Available-For-Sale Securities	Unrealized Gain (loss) on Deferred Compensation Plan Investments	Defined Benefit Plan	Accumulated Other Comprehensive Income (loss)
Balance, January 1, 2011	$ 557,611	$ 416	$ (1,201,641)	$ (644,614)
Other comprehensive income (loss)	102,605	(2,886)	(2,228,171)	(2,128,452)
Balance, December 31, 2011	660,216	(2,470)	$ (3,430,812)	$ (2,773,066)
Other comprehensive income (loss)	(287,919)	15,733	(736,856)	(1,009,042)
Balance, December 31, 2012	$ 372,297	$ 13,263	$ (4,167,668)	$ (3,782,108)

17. EQUITY INTEREST IN VISA, U.S.A, INC.

At December 31, 2012 and 2011, The Summit holds 18,253 shares of VISA Class B Common Stock. The Summit is restricted from selling these shares until certain VISA legal matters are resolved. The Summit is not a party to these legal matters. Upon resolution of these legal matters, The Summit's shares will be convertible to marketable Class A common shares. The Summit has valued these shares at zero, which is equal to the cost basis of their equity interest in VISA. The Summit cannot predict when the restrictions on these shares will be released or what the value of these shares might be at that time.

18. NCUA CHARGES

In 2009, the Board of the NCUA approved a series of actions designed to support and improve the liquidity of the corporate credit union system. These actions included the establishment of the Corporate Credit Union Stabilization Fund (the Stabilization Fund), which was capitalized by a loan from the U.S. Treasury. The terms of this loan establish a repayment period through June 2021. Cash requirements for these loan payments will be satisfied, at least in part, through annual assessments to natural person credit unions, including The Summit. The timing and amount of the assessments to which The Summit will be subject in the future is unknown at this time.

NCUSIF
The Credit Union is subject to additional assessments related to the NCUSIF. These assessments are determined on an annual basis at the discretion of the NCUA.

Assessments
The Credit Union paid total assessments of $570,680 and $1,397,294 in 2012 and 2011, respectively, all of which were related to the Stabilization Fund.

19. SIGNIFICANT CREDIT RISK CONCENTRATIONS

The Summit has identified certain credit risk concentrations in relation to its financial instruments. A credit risk concentration is defined as a significant credit exposure to an individual or a group engaged in similar activities or affected similarly by economic conditions.

At December 31, 2012 and 2011, substantially all of The Summit's loan portfolio involves borrowers and, where applicable, collateral, in the State of New York.

20. SUBSEQUENT EVENTS

Subsequent to year-end, The Summit signed a contract for the construction of a branch in Perinton, New York for an amount not to exceed $1,600,000. Subsequent events have been evaluated through March 27, 2013, which is the date the financial statements were available to be issued.

Products, Services and Member Benefits

Friendly, Personal, Attentive, knowledgeable Member Service

Checking plus Direct Deposit of your Payroll Checks

Competitive Rates on Savings, Money Market Accounts, and Share Certificates

Great Rates on Mortgages, Home Equity Loans/Lines of Credit, Personal Loans and more

VISA® Credit Cards: Platinum with Rewards, Contactless Platinum with Rewards, Gold, and Classic

Full Line of Investment Options including Retirement Planning, IRAs and Insurance through our MEMBERS Financial Services Division

FREE Online Bill Payment, E-Statements, E-Newsletters, and Online Loan Applications plus Quik Tran Teller-by-Phone

Mobile Banking — It's finances at your fingertips

Summit Express℠ Auto Loans at nearly 200 dealers in Western and Central NY

VISA® Gift Cards, American Express Travelers Cheques and Gift Cheques, Certified Checks, Money Orders, Group Accident Insurance and Notary Public Services

Foreign Currency Exchange for members who travel abroad

BALANCE Financial Fitness Program – A FREE and confidential financial education and counseling service

FREE Online Financial Education Seminars on a range of topics

Start Smart - A customized package for teens and twenty-somethings to get them on the road to financial independence

Scholarship Programs for college-bound high school seniors

Enter contests, watch videos and stay up to date on The Summit's Facebook page

The Summit Federal Credit Union

We're Here For The Moments

(Back row from left) Jeffrey W. Peters, Director Emeritus; Kofi Appiah Okyere, Treasurer; Augustin Melendez, Vice Chair; Gerald K. Gebauer; Edward A. Szpila, Director Emeritus; William A. Reifsteck, Secretary; Michael S. Vadala, President and CEO; Chip Turner; Joseph E. Thyroff (Front row from left) Thomas B. Quirk, Chairman; Elizabeth A. Dudman; Evangeline Petrarca, Director Emeritus; Sarah Sorensen, Vice Chair; Charles J. Faggiano; Not pictured: Richard W. Murphy

Committees

Executive
Tom Quirk
Augie Melendez
Sarah Sorensen
Kofi Appiah Okyere
Bill Reifsteck
Mike Vadala*

Nominating
John Striebich
Mary Carroll
Dave Semrau
Mike Vadala*

Investment
Richard Murphy
Tom Quirk
Dave Edmunds
Karen Lamy
Leanne McGuinness*

Pension
Jeff Peters
Joe Thyroff
Mike Vadala
Leanne McGuinness
Laurie Baker
Karen Lamy
Laurie Wiest*

Supervisory
Chris Modesti
Bill Schafer
Sandra Mayfield
Daryl Wolf
Leanne McGuinness
Karen Lamy
Pat Fahrer*

Policy
Sarah Sorensen
Joe Thyroff
Karen Lamy*

Board Governance
Bill Reifsteck
Tom Quirk
Betty Dudman
Jerry Gebauer
Mike Vadala
Laurie Baker*

Membership
Charles Faggiano
Barb Rothfuss*

History
Bill Reifsteck
Charles Faggiano
Phil Travis
Richard Murphy
Mike Vadala
Laurie Baker*

*** Staff liaison**

The Summit Federal Credit Union

Branch Locations

Buffalo

5641 Transit Rd.
Clarence

Delaware Commons Plaza
2290 Delaware Ave.
North Buffalo

Cortland

143 Main St.
Cortland

SUNY Cortland
Neubig Hall
Cortland

Nationwide CU Service Center Shared Branches

www.cuservicecenters.com

CU SERVICE CENTERS

Rochester

2315 East Main St.
Rochester

Excellus Blue Cross/Blue Shield
165 Court St.
Rochester

1660 Monroe Ave.
Brighton

Canal Ponds Business Park
100 Marina Dr.
Greece

Southtown Plaza
3333 West Henrietta Rd.
Henrietta

41 Hovey Square
Hilton

2121 Hudson Ave.
Irondequoit

2146 Penfield Rd.
Penfield

Seneca Falls

123 Fall St.
Seneca Falls

Syracuse

6091 Route 31
Cicero

Civic Center
(lower lobby)
421 Montgomery St.
Syracuse

1400 Erie Blvd. E.
Syracuse

728 East Genesee St.
Syracuse

4336 Wetzel Rd.
Liverpool

Surcharge-Free ATM Networks

Allpoint Network®
CO-OP Network®
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