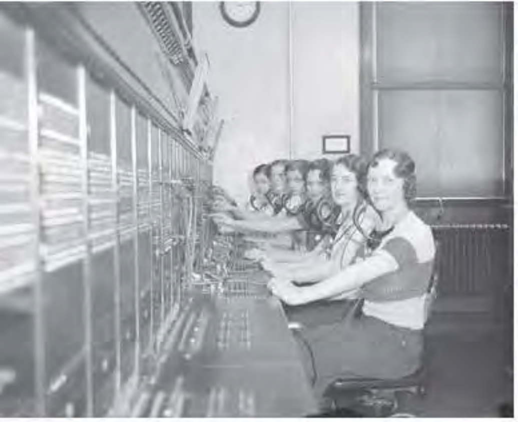




A Proud Past, A Bright Future





The Summit Federal Credit Union

70th

1941-2011

2011 Annual Report

The Summit Federal Credit Union is federally insured by the National Credit Union Administration.


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THE SUMMIT FEDERAL CREDIT UNION

2011 Annual Report

A view of the original Triangle Building circa 1900 at the corner of Main Street and East Avenue. This building housed the Rochester Telephone Federal Credit Union beginning in 1943.

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 "A Proud Past, A Bright Future." We are certainly proud of our past, including our roots as a single sponsor credit union serving the employees of Rochester Telephone Corporation, and our tradition as a member owned credit union. We are proud of all that we have accomplished to get where we are today, and we are looking to the future with great anticipation and excitement as well.

4 Year Strategic Plan

In the summer of 2007, your Board of Directors and Management teamed together to take a long look at the future, and what it would take to not only survive, but thrive, as a credit union. We designed a four year plan that would take us from 2008-2011 and set the tone and foundation for a long and successful future as a not for profit member owned credit union. The result of this collaborative effort and extensive planning was an exciting and challenging strategic approach to the future. It addressed the need to add and upgrade technology, to take great care of our members, and to continue to provide a great work environment. We also expected to continue our financial successes.

In fact, The Summit is now recognized as one of the top independent and thriving credit unions regionally, statewide and nationally. We continue to have many successes, and we have many exciting things to look forward to in 2012 and beyond.

70th Anniversary

As we celebrated our 70th Anniversary in 2011, we did so knowing that we are well positioned for the future with upgraded technology, a wide variety of financial products, top rated service and talented employees. Despite one of the most challenging economies that our nation has seen in some eighty years since the Great Depression, The Summit had great financial successes and weathered the storm, continuing to lend money to members, and controlling loan losses as well. We completed several strategic and mutually beneficial mergers with some great credit unions. Our combined efforts are proving to offer even greater service to their members and a rewarding experience for their employees, who now are part of The Summit.

Year End Results

Despite the difficult employment picture and continued sluggish economy in Upstate New York, the credit union had a very solid financial year posting a strong Net Worth ratio of **9.68%** which is far in excess of the 7% ratio that is considered well capitalized by our governing body the National Credit Union Administration (NCUA). This is welcome news for members and we are very proud of this achievement.

We continued to grow, with total assets of $663,608,952 at year end, up nearly $39 Million from the end of 2010. We were able to manage expenses and increase our member relationships as well. We contributed time, and resources to the communities where our members and employees live and work. The Summit ended the year with 20 branches in Western and Central NY covering the Buffalo, Rochester, Seneca Falls, Syracuse and Cortland markets.

From a branch perspective, we also opened a new location on the campus of SUNY Cortland and a new branch in the city of Rochester. We have recently expanded call center hours as well, and added access to accounts through a mobile phone application. Shared Branching and ATM partnerships continue to offer added convenience to Summit members as well.

A BIG Thank You

As the credit union has gone through a period of rapid growth, our members and employees experienced significant change. We work very hard to keep things consistent for all, but we do thank you for your loyalty and dedication throughout the year.

Thanks also to all the members from Frontier FCU in Buffalo who joined The Summit through a merger in 2011. Your confidence in us is appreciated and we will do our best to serve you at a very high level.

A Great Start In 2012

We have seen great growth in the loan portfolio already in 2012 particularly in the areas of auto loans, mortgages and home equity loans. We hope that this is a sign that our members are more confident about the future, and that the economic downturn is starting to subside.

In Summary

It has been another terrific year at The Summit and this is due in no small part to you. We really appreciate all of our people; our employees, our members, and our volunteers. We will continue to contribute to the communities that we serve. We are pleased to serve the employees of the companies that we are affiliated with. And we will continue to work with other participating credit unions who we partner with on many occasions to add to the overall success of the industry.

We also thank our business partners who provide the services that we use to help deliver an excellent member experience and employee environment, and who help us to attain our strong results.

We are poised to build on our successes, and we have a very bright future ahead.

Michael S. Vadala
President & CEO

Thomas B. Quirk

Thomas Quirk
Chairman of the Board of Directors

2011 Year in Review

Prepared by Bonadio & Co., LLP

Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

April 04, 2012

To the Supervisory Committee and Board of Directors of
The Summit Federal Credit Union:

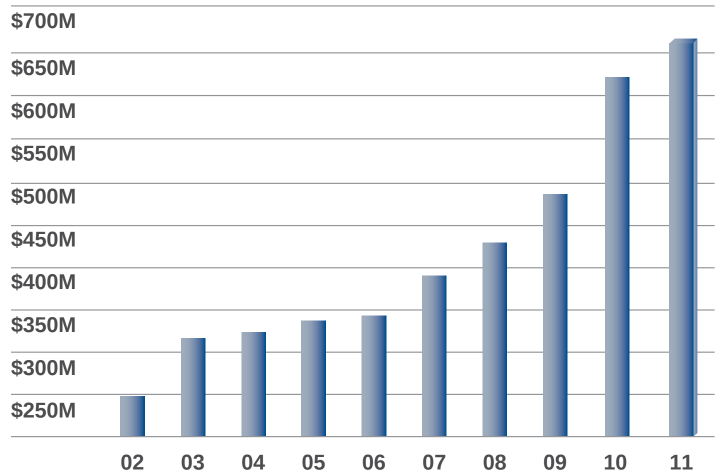
We have audited the accompanying consolidated statements of financial condition of The Summit Federal Credit Union and Subsidiary as of December 31, 2011 and 2010 and the related consolidated statements of income, members' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Credit Union's management. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

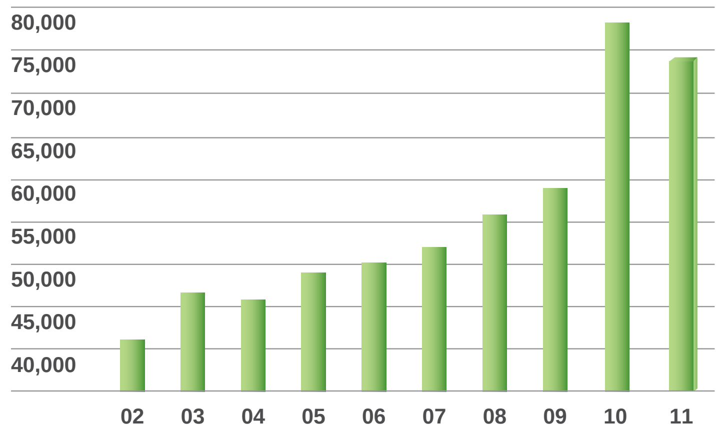
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Summit Federal Credit Union and Subsidiary as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Bonadio & Co. LLP

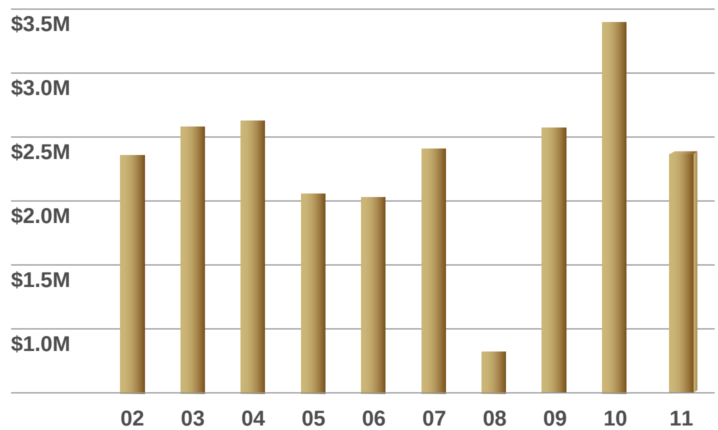
Total Assets in Millions



Total Members



Net Income in Millions



The Summit Federal Credit Union and Subsidiary

Consolidated Statements of Financial Condition

As of December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and equivalents	$6,591,084	$6,821,603
Overnight deposits at financial institutions	43,730,305	29,630,433
Investment in certificates of deposit	27,616,685	30,556,968
Investment securities available for sale	43,833,645	42,597,345
Investment securities held to maturity	73,288,302	52,309,821
Loans to members, less allowance for loan losses of $1,652,482 and $1,581,130, respectively	432,184,714	425,650,704
Premises and equipment, net	18,492,518	18,000,271
NCUSIF deposit	5,589,178	5,427,415
Intangible assets	3,877,704	4,790,833
Other assets	8,179,156	8,643,002
Total assets	$663,383,291	$624,428,395
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accrued expenses and other liabilities	$12,883,481	$10,587,398
Accrued pension expense	4,235,259	1,595,010
Total liabilities excluding members' accounts	17,118,740	12,182,408
MEMBERS' AND NON-MEMBERS' ACCOUNTS:		
Members' shares and savings accounts	386,998,723	366,192,241
Members' share certificates	177,107,847	175,838,176
Non-members' shares and certificates	20,577,767	9,203,723
Total members' and non-members' accounts	584,684,337	551,234,140
Total liabilities	601,803,077	563,416,548
MEMBERS' EQUITY:		
Regular reserve	8,750,360	8,750,360
Undivided earnings	44,625,377	42,156,101
Equity acquired in merger	10,977,543	10,750,000
Accumulated other comprehensive loss	(2,773,066)	(644,614)
Total members' equity	61,580,214	61,011,847
Total liabilities and members' equity	$663,383,291	$624,428,395

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, 2011 and 2010

	2011	2010
INTEREST INCOME:		
Loans to members	$22,489,705	$24,822,057
Investments	2,078,210	2,012,393
	24,567,915	26,835,450
DIVIDENDS ON MEMBERS' AND NON-MEMBERS' SHARES	4,075,8834	5,419,374
Net interest income before provision for loan losses	20,492,032	21,416,076
PROVISION FOR LOAN LOSSES	938,706	1,423,119
Net interest income after provision for loan losses	19,553,326	19,992,957
NON-INTEREST INCOME:		
Fees and other	7,003,557	6,854,575
Interchange	3,170,638	2,893,245
Total non-interest income	10,174,195	9,747,820
NON-INTEREST EXPENSE:		
Compensation and benefits	13,646,260	13,077,437
Operations	5,771,698	5,532,073
Professional and outside services	2,340,974	2,288,434
Occupancy	1,425,652	1,309,143
Marketing	1,016,795	900,559
NCUA charges	1,397,294	1,400,646
Amortization of intangible assets	913,129	912,766
Other	746,443	916,039
Total non-interest expense	27,258,245	26,337,097
NET INCOME	$2,469,276	$3,403,680

The accompanying notes are an integral part of these statements.

Consolidated Statements of Members' Equity

For the Years Ended December 31, 2011 and 2010

	Regular Reserve	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income (Loss)
BALANCE, JANUARY 1, 2010	$8,750,360	$38,752,421	$1,250,000	$(1,685,112)	$47,067,669	
Comprehensive income -						
Net income	-	3,403,680	-	-	3,403,680	$3,403,680
Equity acquired in merger	-	-	9,500,000	-	9,500,000	-
Change in unrealized gain (loss) on deferred compensation plan investments	-	-	-	5,339	5,339	5,339
Change in unrealized gain (loss) on investment securities available for sale	-	-	-	315,058	315,058	315,058
Change in accrued pension	-	-	-	720,101	720,101	720,101
Comprehensive income - 2010						$4,444,178
BALANCE, DECEMBER 31, 2010	8,750,360	42,156,101	10,750,000	(644,614)	61,011,847	
Comprehensive income -						
Net income	-	2,469,276	-	-	2,469,276	$2,469,276
Equity acquired in merger	-	-	227,543	-	227,543	-
Change in unrealized gain (loss) on deferred compensation plan investments	-	-	-	(2,886)	(2,886)	(2,886)
Change in unrealized gain (loss) on investment securities available for sale	-	-	-	102,605	102,605	102,605
Change in accrued pension	-	-	-	(2,228,171)	(2,228,171)	(2,228,171)
Comprehensive income - 2011						$340,824
BALANCE, DECEMBER 31, 2011	$8,750,360	$44,625,377	$10,977,543	$(2,773,066)	$61,580,214	

The accompanying notes are an integral part of these statements.

The Summit Federal Credit Union and Subsidiary

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$2,469,276	$3,403,680
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization of premises and equipment	1,522,917	1,379,643
Amortization of mortgage servicing rights	324,416	213,891
Capitalization of mortgage servicing rights	(381,079)	(663,166)
Amortization of intangible assets	913,129	912,766
Provision for loan losses	938,706	1,423,119
Net accretion of discounts and amortization of premiums in investment securities	1,190,365	219,159
Loss on disposition of premises and equipment	782	7,354
Changes in:		
Other assets	618,845	(3,259,014)
Accrued expenses and other liabilities	2,296,083	212,958
Accrued pension expense	412,078	134,134
Net cash flow from operating activities	10,305,518	3,984,524
CASH FLOW FROM INVESTING ACTIVITIES:		
Net increase in investment securities available for sale, excluding non-cash merger activity	(1,729,477)	(30,984,039)
Net increase in investments held to maturity, excluding non-cash merger activity	(21,575,950)	(43,723,598)
Net decrease in investments in certificates of deposit, excluding non-cash merger activity	3,540,283	19,419,685
Cash and equivalents received as part of mergers (Note 3)	691,664	39,015,625
Net decrease (increase) in loans to members, excluding non-cash merger activity	(6,597,444)	31,116,774
Purchases of premises and equipment	(2,015,946)	(1,599,042)
Increase in NCUSIF deposit, excluding non-cash merger activity	(161,763)	(51,767)
Net increase in capital balance at FHLB	(79,300)	(7,400)
Net cash flow from investing activities	(27,927,933)	13,186,238
CASH FLOW FROM FINANCING ACTIVITIES:		
Net increase in members' shares and savings accounts	18,848,053	22,137,457
Net increase (decrease) in members' share certificates	1,269,671	(27,528,630)
Net increase (decrease) in non-members' shares and certificates	11,374,044	(6,342,118)
Net cash flow from financing activities	31,491,768	(11,733,291)
NET CHANGE IN CASH AND EQUIVALENTS	13,869,353	5,437,471
CASH AND EQUIVALENTS - beginning of year	36,452,036	31,014,565
CASH AND EQUIVALENTS - end of year	$50,321,389	$36,452,036

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

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. Effective January 1, 2010, The Summit merged with Syracuse Federal Credit Union (Syracuse FCU) under the terms of a merger agreement. These mergers were accounted for under the "acquisition" method of accounting as required under generally accepted accounting principles. On the respective merger dates, the assets, liabilities, equity, and member relationships of Frontier FCU and Syracuse FCU transferred to The Summit, and Frontier FCU and Syracuse 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 accounting principles of The Summit conform to accounting principles generally accepted in the United States 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 inter-company 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. These instruments include cash and equivalents varying in duration from overnight to three months held at Alloya Corporate Federal Credit Union (Alloya). The NCUA currently insures all deposits at Alloya, except capital share accounts, with no maximum insurance limit. This unlimited insurance will expire on December 31, 2012, unless extended by the NCUA. Overnight deposits at the Federal Reserve Bank of New York and FHLB 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 the Federal Reserve Bank of New York and FHLB.

- **Investments in Certificates of Deposit**
  Investments in certificates of deposit are recorded at cost and have maturities of up to four 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**
  Generally accepted accounting principles establish 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 or more 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 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, 2011 and 2010, 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 insures 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 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 the Syracuse merger in 2010 and other 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 deposits 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, 2011 and 2010.

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, 2011 and 2010, 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 fair value 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, 2011 and 2010 was 7.0 percent. As of December 31, 2011 and 2010, The Summit maintained a net worth ratio of 9.68 percent and 9.87 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, 2011 and 2010, 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.

Income Taxes

The Summit is exempt, by statute, from federal and state income taxes as a 501(c)(1) organization. As of December 31, 2011 and 2010, the Summit does not have a liability for unrecognized tax benefits.

Comprehensive Income

Accounting principles generally accepted in the United States require 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 income (loss) section of the statements of members’ equity.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the 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.

Syracuse Federal Credit Union

Effective January 1, 2010, The Summit assumed the assets, liabilities, and operations of Syracuse FCU under the terms of a merger agreement. This merger agreement was approved by the affirmative vote of Syracuse FCU's members and written communication from the NCUA. On December 31, 2009, Syracuse FCU operated seven branch locations in Syracuse, Cortland, Liverpool, and Cicero, New York, maintained numerous ATM locations around central New York State, and had approximately 21,000 members. The Summit entered into this merger agreement for the primary purposes of expanding the financial services available to Syracuse FCU's members and expanding The Summit's market presence in the greater Syracuse, New York area.

Assets, Liabilities, and Equity Acquired

The Summit recognized the following assets, liabilities, and equity, at fair value, in its financial statements on January 1, 2010 related to the Syracuse FCU merger (000):

ASSETS:		
Cash	$	3,740
Overnight deposits at financial institutions		35,275
Investments		14,746
Loans to members		78,015
NCUSIF deposit		1,209
Premises and equipment		2,998
Goodwill		1,958
Core deposit intangible		3,540
Other assets		1,108
Total assets	$	142,589
LIABILITIES:		
Accrued expenses	$	5,987
Members' shares and savings accounts		87,069
Members' share certificates		40,033
Total liabilities		133,089
MEMBERS' EQUITY		9,500
Total liabilities and equity	$	142,589

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For the Years Ended December 31, 2011 and 2010

Consideration
There was no consideration provided by The Summit related to these transactions, other than the assumption of the acquired credit unions' liabilities.

Goodwill
The goodwill of $1,958,000, arising from the Syracuse FCU acquisition consisted largely of the synergies and economies of scale expected from combining the operations of The Summit and Syracuse FCU.

Fair Value Considerations
The fair value of Syracuse FCU was estimated by applying the comparable transactions approach and a discounted cash flows method. This fair value measurement is based on significant inputs that are not observable in the active market and thus represents a Level 3 measurement as described in Note 2. Key assumptions include a discount rate of 15%, a terminal value based on terminal earnings before depreciation and amortization, and financial multiples of entities deemed to be similar to acquired credit unions. Information on comparable transactions was derived from publicly available information on transactions involving other types of financial institutions since insufficient information was available for comparable credit union acquisitions. Management believes that this information was appropriate for use in its evaluation of the Syracuse FCU acquisition.

4. INVESTMENT SECURITIES

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

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 42,581,886	$ 648,249	$ -	$ 43,230,135
Residential mortgage- backed securities	591,544	11,966	-	603,510
	$ 43,173,430	$ 660,215	$ -	$ 43,833,645

	2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 41,333,491	$ 545,424	$ -	$ 41,878,915
Residential mortgage- backed securities	706,242	13,527	(1,339)	718,430
	$ 42,039,733	$ 558,951	$ (1,339)	$ 42,597,345

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

	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

	2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 52,309,821	$ 665,058	$ -	$ 52,974,879

The scheduled maturities of held to maturity and available for sale securities were as follows at December 31, 2011:

	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 9,578,664	$ 9,642,940	$ 12,123,737	$ 12,213,970
Due from one to five years	63,709,638	64,738,576	30,475,502	31,035,086
Due from five to ten years	-	-	76,313	81,937
Due after ten years	-	-	497,878	502,652
	$ 73,288,302	$ 74,381,516	$ 43,173,430	$ 43,833,645

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, 2011 and 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	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

	2010			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Federal Home Loan Bank securities	$ -	$ 22,502,375	$ -	$ 22,502,375
Federal Home Loan Mortgage Corp. securities	-	19,376,540	-	19,376,540
Residential mortgage- backed securities	-	718,430	-	718,430
	$ -	$ 42,597,345	$ -	$ 42,597,345

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 2011 or 2010.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

5. LOANS TO MEMBERS

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

	2011	2010
Residential mortgage	$ 92,675,862	$ 78,749,215
Home equity	99,857,094	95,917,409
Consumer automobile	181,649,122	198,439,362
Consumer credit card	28,180,261	27,867,514
Other consumer	31,846,857	26,936,966
Gross loans outstanding	434,209,196	427,910,466
Add: Net deferred loan origination costs	4,412,615	4,459,232
Less: Fair market value adjustment for merged loans	(4,784,615)	(5,137,864)
Less: Allowance for loan losses	(1,652,482)	(1,581,130)
	$ 432,184,714	$ 425,650,704

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, 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 all delinquent loans and loans which have been previously modified as impaired. The following table presents information on the Credit Union's impaired loans, by loan portfolio class, as of December 31, 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	926,985	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 non-accrual 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, 2011:

Residential mortgage	$ 465,074
Home equity	358,424
Consumer automobile	320,979
Consumer credit card	227,465
Other consumer	159,188
Total	$ 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, 2011, The Summit had 85 loans classified as troubled debt restructurings with a total outstanding balance of approximately $658,000. Of these, 3 contracts are 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, 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, 2011:

	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in Allowance for loan loss:					
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, 2011 and 2010, are loans of $2,176,173 and $3,079,645, 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:

	2011	2010
Land	$ 5,018,138	$ 4,943,169
Buildings and improvements	14,912,229	13,913,819
Furniture, fixtures and equipment	8,105,819	7,434,959
Leasehold improvements	457,980	456,013
	28,494,166	26,747,960
Less: Accumulated depreciation and amortization	(10,001,648)	(8,747,689)
	$ 18,492,518	$ 18,000,271

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 2011 and 2010, net gains resulting from the sale of originated mortgages were $306,367 and $564,230, 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 $156,788,158 and $138,122,158 at December 31, 2011 and 2010, respectively.

For 2011 and 2010, the fair value of the mortgage servicing rights (MSR) was $1,229,641 and $1,150,109, respectively, which exceeded recorded amounts. The fair value was determined by calculating the net present value of the estimated income stream associated with the MSR over the term of the loan. The estimated net income stream is discounted using a 7.84 percent rate of return and a prepayment speed based upon the consensus from the dealer survey conducted by the Bond Market Association.

For 2011 and 2010, The Summit capitalized $381,079 and $663,166 of MSR, respectively. Amortization of MSR was $324,416 and $213,891 for 2011 and 2010, 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:

	2011	2010
Goodwill	$ 2,131,473	$ 2,131,473
Core deposit intangible	1,746,231	2,659,360
	$ 3,877,704	$ 4,790,833

The gross carrying amount of The Summit's core deposit intangible was $3,574,484 and accumulated amortization related to these assets was $1,828,253 and $915,124 at December 31, 2011 and 2010, respectively. Amortization expense related to these assets was $913,129 and $912,766 at December 31, 2011 and 2010, respectively.

Amortization expense on The Summit's core deposit intangible is expected to be recorded in future years as follows:

2012	$ 903,696
2013	842,535
	$ 1,746,231

9. OTHER ASSETS

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

	2011	2010
Accrued interest receivable	$ 2,411,101	$ 2,381,433
Mortgage servicing rights	1,030,676	974,014
Alloya Corporate Credit Union capital account	921,637	-
Receivable related to settlement of mortgage sales	829,835	1,598,425
Prepaid operating expenses	743,974	717,993
Deferred compensation annuity	670,284	694,709
Capital balance at Federal Home Loan Bank	346,100	266,800
Prepaid bond insurance	226,653	228,521
Advances for VISA clearing	193,800	209,000
Deposit on fixed assets	184,957	575,911
Other real estate owned	133,075	645,841
Investment in PSCU	103,748	120,472
Miscellaneous	383,316	229,883
	$ 8,179,156	$ 8,643,002

10. SHARE ACCOUNTS AND CERTIFICATES

At December 31, 2011, scheduled maturities of share and IRA certificates are as follows:

2012	$ 122,056,416
2013	34,311,021
2014	24,470,103
2015	10,902,725
2016	1,584,008
Thereafter	769,754
	$ 194,094,027

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

	2011	2010
Regular shares	$108,715	$191,771
Share drafts	23,998	20,176
Money market shares	996,148	1,295,822
Share certificates	2,249,821	2,885,947
IRA shares	58,140	80,559
IRA share certificates	639,061	945,099
	$ 4,075,883	$ 5,419,374

The aggregate amount of share certificate account balances in excess of $100,000 was $53,822,920 and $36,882,059 at December 31, 2011 and 2010, respectively.

Cash paid for dividends on members' and non-members' shares and certificates totaled approximately $4,076,000 and $5,420,000 for the years ended December 31, 2011 and 2010, 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:

	2011	2010
Projected Benefit Obligation		
Balance, beginning of year	$ 7,264,334	$ 6,974,383
Service cost	378,761	337,071
Interest cost	434,690	417,773
Actuarial (gain) loss	1,841,676	(342,085)
Benefits paid to participants	(28,876)	(122,808)
Balance, end of year	$ 9,890,585	$ 7,264,334

Defined Benefit Pension Plan

Plan Assets	2011	2010
Fair value, beginning of year	$ 5,669,324	$ 4,788,067
Actual investment return	(13,477)	635,645
Employer contributions	28,355	368,420
Benefits paid	(28,876)	(122,808)
Fair value, end of year	$ 5,655,326	$ 5,669,324
Funded status	$ (4,235,259)	$ (1,595,010)

Funded Status

Accrued pension liability of $4,235,259 and $1,595,010 was recognized in the statement of financial condition as a liability at December 31, 2011 and 2010, 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:

	2011	2010
Total net loss	$ (3,138,906)	$ (872,142)
Prior service cost	(291,906)	(330,499)
	$ (3,430,812)	$ (1,202,641)

Weighted average assumptions used to determine benefit obligations included a discount rate of 5.25% and 6% for 2011 and 2010, respectively, and a rate of compensation increase of 5% for both 2011 and 2010.

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

	2011	2010
Discount rate	6.00%	6.00%
Expected long-term rate of investment return	8.00%	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:

	2011	2010
Net Periodic Benefit Cost:		
Service cost	$ 378,761	$ 337,071
Interest cost	434,690	417,773
Expected return on plan assets	(421,612)	(353,000)
Amortization of net (gain)/loss	10,001	56,778
Amortization of prior service cost	38,593	38,593
	440,433	497,215
Amounts Recognized in Other Comprehensive Income:		
Net (gain) loss	$ 2,276,765	$ (624,730)
Amortization of net loss	(10,001)	(56,778)
Amortization of prior service cost	(38,593)	(38,593)
	2,228,171	(720,101)
Total recognized in net periodic benefit cost and other comprehensive income	$ 2,668,604	$ (222,886)

The accumulated benefit obligation of the Plan was $6,051,534 and $4,489,819 at December 31, 2011 and 2010, 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 is as follows:

	2011	2010
Equity securities	60%	60%
Debt securities	35%	35%
Real estate	5%	5%
	100%	100%

The asset allocations for the Plan as of December 31, 2011 were 56% equity securities, 38% debt securities, and 6% 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, 2011:

Asset Category	Significant Other Observable Inputs (Level 2)	Total
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 $455,000.

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

2012	$ 43,000
2013	$ 56,000
2014	$ 56,000
2015	$ 85,000
2016	$ 95,000
Thereafter	$1,140,000

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 $181,890 and $161,499 for the years ended December 31, 2011 and 2010, respectively.

Deferred Compensation Agreements

In 2010, The Summit 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, 2011 and 2010, approximately $539,000 and $230,000, 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 Syracuse merger, 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 $3,790,000 and $4,000,000 at December 31, 2011 and 2010, 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 $670,284.

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 $271,683 and $232,842 for 2011 and 2010, respectively. Future minimum lease payments under the terms of these operating leases are as follows:

2012	$	256,755
2013		251,938
2014		241,120
2015		239,782
2016		217,143
Thereafter		1,912,286
	$	3,119,024

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, 2011). Amounts borrowed are collateralized by certain assets of The Summit. As of December 31, 2011 and 2010, 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, 2011 and 2010, 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, 2011 is as follows:

Members' unused credit card lines	$	64,311,663
Members' unused lines of credit, excluding credit card lines	$	59,737,589
Members' loans approved, not yet disbursed	$	20,099,371

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.

Notes to Consolidated Financial Statements

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

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and equivalents	$ 6,591	$ 6,591	$ 6,822	$ 6,822
Overnight deposits at financial institutions	$ 43,730	$ 43,730	$ 29,630	$ 29,630
Investment in certificates of deposit	$ 27,617	$ 27,798	$ 30,557	$ 30,851
Investment in securities available for sale	$ 43,834	$ 43,834	$ 42,597	$ 42,597
Investment in securities held to maturity	$ 73,288	$ 74,382	$ 52,310	$ 52,975
Loans to members	$ 432,185	$ 444,239	$ 425,651	$ 429,269
Members' shares and savings accounts	$ 386,999	$ 387,218	$ 366,192	$ 366,630
Members' share certificates	$ 177,108	$ 178,896	$ 175,838	$ 177,350
Nonmembers' shares and certificates	$ 20,578	$ 20,767	$ 9,204	$ 9,269

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss was comprised of the following at December 31:

	2011	2010
Unrealized gain (loss) on deferred compensation plan investments	$ (2,470)	$ 416
Unrealized gain (loss) on investment securities available for sale	660,216	557,611
Change in accrued pension	(3,430,812)	(1,202,641)
	$ (2,773,066)	$ (644,614)

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

At December 31, 2011 and 2010, 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, broadly referred to as the "Corporate Stabilization Plan" (the Plan) included providing a temporary guarantee on all shares at corporate credit unions, a premium assessment on natural person federal credit unions by the NCUSIF, and other actions.

The NCUA also established the Corporate Credit Union Stabilization Fund (the Stabilization Fund), which was capitalized by a loan from the U.S. Treasury. This loan was initially to be repaid over seven years through

2016. In 2010, the terms of this loan were extended to 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 future assessments to which The Summit will be subject is unknown at this time.

Assessments
The Credit Union paid total assessments of $1,397,294 in 2011, all of which were related to the Stabilization Fund. The Credit Union paid total assessments of $1,400,646 in 2010, which was comprised of $726,561 related to the Fund and $674,085 assessed by the NCUSIF.

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, 2011 and 2010, substantially all of The Summit's loan portfolio is based in the State of New York.

20. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 04, 2012, which is the date the financial statements were available to be issued.

The Summit Federal Credit Union

Products, Services and Member Benefits

Friendly, Personal, Attentive 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

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

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

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

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

Mobile Banking — It's finances at your fingertips

The Summit Federal Credit Union is federally insured by the National Credit Union Administration.

The Summit Federal Credit Union Board of Directors and President/CEO

Respect for the Past, Vision for the Future

(Back row from left) Jeffrey W. Peters, Director Emeritus; Kofi Appiah Okyere, Treasurer; Augustin Melendez, Vice Chair; Gerald K. Gebauer; Edward A. Szpila; 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; Sarah Sorensen, Vice Chair; Charles J. Faggiano; Not pictured: Richard W. Murphy

Committees

Executive
Thomas Quirk
Augustin Melendez
Sarah Sorensen
Kofi Appiah Okyere
William Reifsteck

Nominating
Jim Beauchamp
Mary Carroll
John Striebich
Randy Saltzman

Investment
Richard Murphy
Thomas Quirk
Dave Edmunds
Karen Lamy
Leanne McGuinness

Pension
Joseph Thyroff
Jeffrey Peters
Michael Vadala

Supervisory
Chris Modesti
Bill Schafer
Sandra Mayfield
Daryl Wolf
John Maggio

Policy
Sarah Sorensen
Joseph Thyroff
Karen Lamy

Board Governance
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Thomas Quirk
Elizabeth Dudman
Jerry Gebauer
Laurie Baker
Michael Vadala

Membership
Charles Faggiano
Barb Rothfuss

History
William Reifsteck
Charles Faggiano
Phil Travis
Richard Murphy
Michael Vadala
Randy Saltzman
Laurie Baker

THE SUMMIT FEDERAL CREDIT UNION

Branch Locations

BUFFALO

5641 Transit Rd.
Clarence

642 Sheridan Dr.
Tonawanda

Delaware Commons Plaza
2290 Delaware Ave.
North Buffalo

CORTLAND

143 Main St.
Cortland

SUNY Cortland
Neubig Hall
Cortland

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CU SERVICE CENTERS.

www.cuservicecenters.com

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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.
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