2016 Annual Report

Color your Future

Giving you the framework for a brighter tomorrow.

the SUMMIT FEDERAL CREDIT UNION

Table of Contents

Color your Future

Our objective in creating the 2016 annual report is to convey that while financial services is a serious business, The Summit delivers it in a warm, personal way, with relevant products, services and technology that accommodate each member's individual needs and goals. We want to communicate that what we provide is a strong outline for our members to fill in according to their preferences and circumstances.

We structured our annual report as a coloring book that demonstrates the freedom with which our members can fill in the framework we provide. We hope you enjoy coloring these illustrations as much as we enjoyed creating them for you.

A Message
from the CEO & Board Chair

The theme of our 2016 Annual Report, "Color Your Future: giving you the framework for a brighter tomorrow," says it all. The Summit Federal Credit Union is tirelessly focused on giving our membership and the communities that we serve a "brighter tomorrow." We have achieved considerable growth over the years by remaining committed to that goal, providing the best products, services and technology to fulfill our members' needs now and in the future.

We realize that the world is changing at a different pace for each of our members, and that we need to remain relevant to all of you. By continuously improving our service delivery methods, members can easily connect with us through their electronic devices 24/7. Yet, as a "people-friendly" organization, we welcome members to talk to us the old-fashioned way, in person or on the phone, for everything from the simplest transactions or questions to advice regarding major financial decisions, loans and investments. The personal attention, helpful attitude and knowledge of our people differentiate us from other financial institutions, and are an important part of what we offer. We diligently work to ensure that our people have the education and expertise required to do a fantastic job for our members.

Another piece of the structure we provide is our facilities, which we upgrade as needed to best accommodate how our members access financial services. Our newest site in Camillus, for example, combines the latest in-branch technology with the approachable environment of our traditionally-designed branches.

By maintaining this strong framework of technology, products and services, while remaining true to the friendly service and knowledge to which our members are accustomed, we are poised to earn your trust every day, going above and beyond what others would do to ensure each of you a brighter tomorrow, however you envision it.

Michael S. Vadala
President & CEO

Thomas B. Quirk

Thomas Quirk
Chairman of the Board of Directors

Community

The Big Picture

The word "community" is prominent at The Summit. It is a major component of what we believe: that to best serve our members, we need to also serve the communities in which they live and work. In 2016, we put that belief into action every day, investing our time, talent and monetary resources in causes that strengthen the local regions of Buffalo, Cortland, Rochester, Seneca Falls and Syracuse.

In 2016, The Summit supported numerous organizations including:

American Heart Association
Camillus Little League
Canisius College Athletics
Causewave Community Partners
Food Bank of Western New York
Golisano Children's Hospital
Hillside Work-Scholarship Connection
Honor Flight
Ibero American Action League
March of Dimes
National Center for Missing and Exploited Children
Ronald McDonald House
United Way
Villa of Hope
Women's Foundation of Genesee Valley
Writers and Books
Young Entrepreneurs Academy

7,200
Hours our staff spent volunteering

174
Charities and organizations we participated in through volunteer service

STAFF VOLUNTEERING

People are often astonished when they learn how much our employees volunteer. How do we inspire such an elevated level of community service? Is it an extension of The Summit's culture of giving back? Is there something about The Summit that attracts altruistic employees? We think it's a little of both, but regardless of the reason, we are immensely proud of our employees' active involvement.

The Summit demonstrated the mantra of *"locally grown, locally committed"* throughout our communities in 2016. Here are just a few examples from last year:

- Providing monetary support and financial education for Rochester Regional Health's School to Work apprenticeship program, which offers Rochester City School District students immersive exposure to careers in healthcare.
- Driving awareness and support for the Lipson Cancer Institute and The Rochester Regional Breast Center (both at Rochester Regional Health) and Carol M. Baldwin Breast Cancer Research Fund in Syracuse, as the title sponsor of three Wine and Chocolate Festivals.
- Continuing our partnership with the City of Rochester Public Market, presenting the Vendor of The Month award, funding the market trolley, and celebrating our artistic community at Artist Row.
- Supporting Every Minute in School Matters, a successful initiative focused on improving school attendance rates for Rochester Kindergarten through 3rd grade students.
- Collecting funds and volunteering at the Food Bank of WNY to provide 10,272 nutritious meals in our underserved Western New York neighborhoods.

FINANCIAL EDUCATION

334 adults and **160** students to whom we provided financial education

311 People we assisted with individual financial counseling

COMMUNITY SUPPORT

154 Community and charitable organizations we supported

140 Community and charitable events we sponsored

The Summit also proudly supports our member companies' philanthropic causes, including:

Cortland Medical Center
CWA Local 1170
Heritage Christian Services
Highland Hospital of Rochester
LeMoyne College
Onondaga County
Rochester Community Robotics
Rochester Regional Health Foundation
St. Ann's Foundation
Syracuse University
YMCA of Greater Rochester
Young Women's College Prep

Products and Services

The Cornerstones of a Strong Framework

Vincent Van Gogh is credited with saying, "I dream my painting and I paint my dream." At The Summit, we offer a wide range of products and services to help each member define those dreams, and give them the tools to attain them.

We recognize that individual lives require individual financial solutions. The Summit's highly-trained personnel are here to help determine which combination of products provides the strongest framework for each member's unique needs. We all share the same goal at The Summit: superior service to our members. The products and services we offered in 2016 made sure we could achieve that goal.

Debit with Checking

The Summit continued to offer its popular suite of checking account options, including Visa® debit cards with cash back, convenient access to accounts and the added security of EMV chip technology. Mobile banking, online account access and 24-hour ATMs continued to keep pace with the way members use financial services today.

Mortgage and Home Equity

The Summit's experts guided members through the process of securing a mortgage, home equity loan or line of credit, with competitive rates and no surprises or hidden costs.

Credit Cards

In 2016, at our members' request, The Summit launched a new premier credit card with enhanced rewards. The Summit's Visa Signature Card lets members earn points that can be redeemed for travel, cash, gift cards or merchandise. The card, which appeals to a broad range of members, also offers cash back, identity theft protection and other perks.

Investments

A strong financial plan can help alleviate uncertainty about the future. The Summit's Retirement & Investment Services team is able to offer a range of investment options and retirement solutions to help members chart their financial paths.

Savings

The Summit's core products of Savings, Money Market accounts and Share Certificates, offered members competitive rates and convenient account access.

Affordable Loans

Our Summit Express Auto Loans were available at over 200 dealerships in Western and Central New York. The Summit also offered members personal, home improvement, recreational vehicle, consolidation and college loans, with competitive rates and affordable monthly payments.

Youth Accounts

Our youngest members took advantage of The Summit's youth products, including Start Smart, Safari Club and Forward Bound youth accounts.

Convenience and Accessibility

Remaining current means knowing and anticipating how members access financial services. More and more of these transactions are performed electronically, particularly on mobile devices. Our members can conveniently and readily access their financial services in person at one of our branches, through The Summit's free Online Bill Payment, E-Statements, E-Newsletters and Online Loan Applications, as well as Quik Tran Teller-by-Phone. Members can also use Free Mobile Banking with Mobile Check Deposit, Apple Pay and Popmoney. And nationally, members' transactions can be conducted through over 5,000 CO-OP Shared Branches.

Additional Member Benefits

The Summit continued to offer auto and homeowners insurance through the TruStage program. Additionally, we offered the BALANCE Financial Fitness program, which provides free and confidential financial education and counseling.

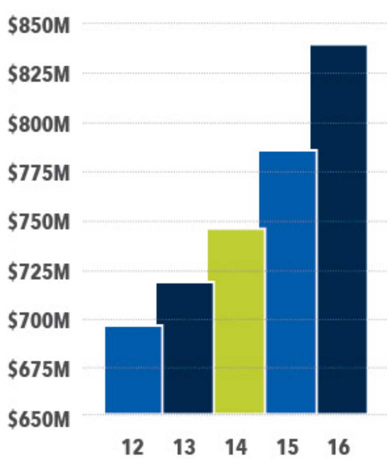
Outlining the Future

At The Summit, we are dedicated to the financial well-being of our members. That immutable mission drives us to ensure that we always have the strongest, most relevant framework of products, services and technology to satisfy our members' current and future needs. With the dexterity and vision that our ever-changing industry requires, The Summit will continue to maintain that solid, trusted outline for members to fill in with the colors and textures they most desire, for every phase of their lives.

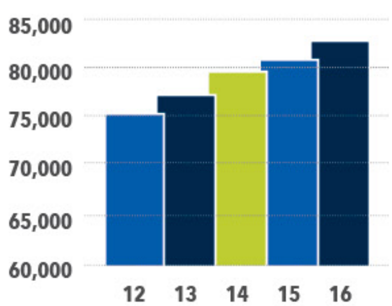
Financials

SUMMIT STATS AT A GLANCE

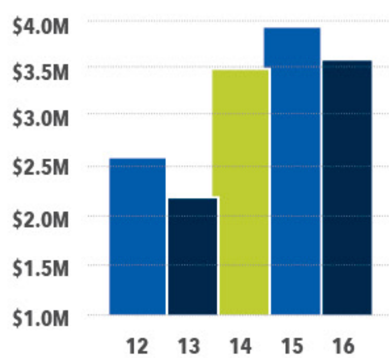
Total Assets in Millions



Total Members



Net Income in Millions



Prepared by
Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT March 27, 2017

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

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, 2016 and 2015, 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 United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2016 and 2015, 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

171 Sully's Trail, Suite 201
Pittsford, New York 14534
p (585) 381-1000 | f (585) 381-3131
www.bonadio.com

The Summit Federal Credit Union and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31, 2016 and 2015

ASSETS	2016	2015
Cash and equivalents	$ 4,602,938	$ 5,873,678
Overnight deposits at financial institutions	18,684,096	2,739,813
Investment in certificates of deposit	9,494,000	17,992,000
Investment securities available for sale	243,806	5,856,738
Investment securities held to maturity	8,121,965	24,053,211
Loans to members, net	761,796,537	689,040,810
Premises and equipment, net	18,861,697	19,198,399
NCUSIF deposit	7,017,078	6,452,147
Goodwill	1,566,335	1,762,127
Other assets	7,665,227	7,598,813
TOTAL ASSETS	**$ 838,053,679**	**$ 780,567,736**
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accrued expenses and other liabilities	$ 13,343,269	$ 12,991,464
Accrued pension	3,458,316	4,748,441
Borrowings	-	4,300,000
Total liabilities excluding members' and non-members' accounts	**16,801,585**	**22,039,905**
MEMBERS' AND NON-MEMBERS' ACCOUNTS		
Members' shares and savings accounts	511,922,518	477,883,667
Members' share certificates	201,416,085	175,550,642
Non-members' shares and certificates	32,233,091	32,171,980
Total members' and non-members' accounts	**745,571,694**	**685,606,289**
Total liabilities	**762,373,279**	**707,646,194**
MEMBERS' EQUITY		
Regular reserve	8,750,360	8,750,360
Undivided earnings	60,271,518	56,684,641
Equity acquired in merger	10,977,543	10,977,543
Accumulated other comprehensive loss	(4,319,021)	(3,491,002)
Total members' equity	**75,680,400**	**72,921,542**
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 838,053,679**	**$ 780,567,736**

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, 2016 and 2015

INTEREST INCOME	2016	2015
Loans to members	$ 25,271,860	$ 24,262,299
Investments	478,580	581,800
	25,750,440	24,844,099
INTEREST EXPENSE		
Dividends on members' and non-members' shares	3,322,358	2,634,393
Interest on borrowings	14,323	99,855
	3,336,681	2,734,248
Net interest income before provision for loan losses	22,413,759	22,109,851
PROVISION FOR LOAN LOSSES	2,017,015	1,525,170
Net interest income after provision for loan losses	20,396,744	20,584,681
NON-INTEREST INCOME		
Fees and other	6,445,136	6,724,370
Interchange	4,072,534	3,851,185
Total non-interest income	10,517,670	10,575,555
NON-INTEREST EXPENSE		
Compensation and benefits	14,657,012	14,915,615
Operations	6,518,622	5,893,911
Professional and outside services	2,800,029	2,999,130
Occupancy	1,327,171	1,524,810
Marketing	1,119,203	1,049,362
Amortization of goodwill	195,792	195,792
Other	709,708	713,350
Total non-interest expense	27,327,537	27,291,970
NET INCOME	$ 3,586,877	$ 3,868,266

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2016 and 2015

	2016	2015
NET INCOME	$ 3,586,877	$ 3,868,266
OTHER COMPREHENSIVE INCOME (LOSS):		
Change in unrealized gain on investment securities available for sale	(635)	74,024
Change in unrealized gain on deferred compensation plan investments	28,313	(22,858)
Change in accrued net pension costs, gains and losses	(855,697)	(901,949)
Total other comprehensive loss	**(828,019)**	**(850,783)**
TOTAL COMPREHENSIVE INCOME	**$ 2,758,858**	**$ 3,017,483**

The accompanying notes are an integral part of these statements.

The Summit Federal Credit Union and Subsidiary

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

For the Years Ended December 31, 2016 and 2015

	Regular Reserve	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, JANUARY 1, 2015	**$ 8,750,360**	**$ 52,816,375**	**$ 10,977,543**	**$ (2,640,219)**	**$ 69,904,059**
Net income	-	3,868,266	-	-	3,868,266
Change in unrealized gain on deferred compensation plan investments	-	-	-	(22,858)	(22,858)
Change in unrealized loss on investment securities available for sale	-	-	-	74,024	74,024
Change in accrued net pension costs, gains and losses	-	-	-	(901,949)	(901,949)
BALANCE, DECEMBER 31, 2015	**8,750,360**	**56,684,641**	**10,977,543**	**(3,491,002)**	**72,921,542**
Net income	-	3,586,877	-	-	3,586,877
Change in unrealized gain on deferred compensation plan investments	-	-	-	28,313	28,313
Change in unrealized gain on investment securities available for sale	-	-	-	(635)	(635)
Change in accrued net pension costs, gains and losses	-	-	-	(855,697)	(855,697)
BALANCE, DECEMBER 31, 2016	**$ 8,750,360**	**$ 60,271,518**	**$ 10,977,543**	**$ (4,319,021)**	**$ 75,680,400**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

CASH FLOW FROM OPERATING ACTIVITIES	**2015**	**2016**
Net Income	$ 3,586,877	$ 3,868,266
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization of premises and equipment	1,308,329	1,254,528
Amortization of mortgage servicing rights	308,803	328,403
Capitalization of mortgage servicing rights	(118,015)	(291,033)
Amortization of goodwill	195,792	195,792
Provision for loan losses	2,017,015	1,525,170
Net accretion of discounts and amortization of premiums on investment securities	475,120	969,872
Loss on disposition of premises and equipment	4,562	2,626
Changes in:		
Other assets	(248,102)	(300,926)
Accrued expenses and other liabilities	351,805	588,622
Accrued pension	(2,145,822)	632,934
Net cash flow from operating activities	**5,736,364**	**8,774,254**

CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment securities available for sale	5,596,736	8,031,101
Proceeds from maturities of investment securities held to maturity	15,500,000	14,500,000
Net decrease in investments in certificates of deposit	8,498,000	13,337,000
Net increase in loans to members	(74,772,742)	(76,591,029)
Purchases of premises and equipment	(976,189)	(1,871,473)
Increase in NCUSIF deposit	(564,931)	(246,124)
Net increase in capital balance at FHLB	(9,100)	(10,100)
Net cash flow from investing activities	**(46,728,226)**	**(42,850,625)**

CASH FLOW FROM FINANCING ACTIVITIES		
Net decrease in borrowings	(4,300,000)	(18,575,000)
Net increase in members' shares and savings accounts	34,038,851	21,372,587
Net increase in members' share certificates	25,865,443	29,288,638
Net increase (decrease) in non-members' shares and certificates	61,111	(325,347)
Net cash flow from financing activities	**55,665,405**	**31,760,878**
NET CHANGE IN CASH AND EQUIVALENTS	**14,673,543**	**(2,315,493)**
CASH AND EQUIVALENTS - beginning of year	**8,613,491**	**10,928,984**
CASH AND EQUIVALENTS - end of year	**$ 23,287,034**	**$ 8,613,491**

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.

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.

OVERNIGHT DEPOSITS AT FINANCIAL INSTITUTIONS

Overnight deposits are held at the Federal Reserve Bank of New York, Alloya Corporate Credit Union, 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

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

- **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 practice 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 (loss).

  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 recorded on the trade date and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- 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.
- 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' ability 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 through 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. To the extent that management believes the remaining fair value adjustment exceeds expected credit losses, the remaining fair value adjustment is reduced as an increase in interest income.

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 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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES (Continued)

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, the value of any collateral pledged on the loan, 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.

In 2016, The Summit's allowance for loan loss calculation methodology was modified to encompass the remaining loans acquired as part of The Summit's merger with Syracuse Federal Credit Union in 2010. These loans had been recorded at fair value at the time of acquisition. As of December 31, 2016, the balance of these acquired loans had reduced to the point where the difference between fair value and amortized cost was immaterial. Therefore, the remaining balance of these loans was incorporated into The Summit's traditional loan balances and allowance for loan loss calculation. This change had an immaterial impact on reported net loans to members.

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, 2016 and 2015, 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.

GOODWILL
Goodwill represents the excess of the acquisition price over fair value of net assets acquired through mergers. During 2015, The Summit adopted FASB Accounting Standards Update (ASU) No. 2014-02, Intangibles – Goodwill and Other (Topic 350). In connection therewith, The Summit elected to amortize goodwill on a straight-line basis over ten years and test goodwill for impairment only upon the occurrence of a triggering event. When events or circumstances indicate that goodwill may be impaired, goodwill is tested for impairment at the reporting unit level. Impairment, if any, will be recognized for the difference between the fair value of the unit and its carrying amount and will be limited to the carrying amount of goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 and 2015, 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.

MEMBERS' AND NON-MEMBERS' SHARES 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 requirement to be considered adequately capitalized at December 31, 2016 and 2015 was 7.0 percent. As of December 31, 2016 and 2015, The Summit maintained a net worth ratio of 9.52 percent and 9.77 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, 2016 and 2015, 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 charged to expense as incurred.

INCOME TAXES

The Summit is exempt, by statute, from federal and state income taxes as an Internal Revenue Code 501(c)(1) organization. As of December 31, 2016 and 2015, The Summit does not have a liability for unrecognized tax benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 income (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.

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.

CHANGE IN ACCOUNTING PRINCIPLE

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10 Recognition and Measurement of Financial Assets and Financial Liabilities). This ASU eliminates the requirement for non-public entities to provide fair value disclosure for financial instruments that are measured and carried at cost or amortized cost on the statement of financial position. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, with early adoption of the fair value disclosure provisions permitted. The Summit has elected to adopt these provisions of this ASU for the fiscal year ended December 31, 2016. The early adoption of this ASU had no effect on reported financial position or operating results; only footnote disclosures were affected.

3. INVESTMENT SECURITIES

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

2016

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Residential mortgage-backed securities	$ 243,301	$ 2,399	$ (1,894)	$ 243,806

2015

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 5,552,420	$ 575	$ (2,839)	$ 5,550,156
Residential mortgage-backed securities	303,178	3,760	(356)	306,582
	$ 5,855,598	$ 4,335	$ (3,195)	$ 5,856,738

3. INVESTMENT SECURITIES (Continued)

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

2016

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	**$ 8,121,965**	**$ 38,148**	**$ (777)**	**$ 8,159,336**

2015

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	**$ 24,053,211**	**$ 31,662**	**$ (47,983)**	**$ 24,036,890**

The scheduled maturities of held to maturity and available for sale securities were as follows at December 31, 2016:

	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 3,039,564	$ 3,038,787	$ 1,423	$ 1,415
Due from one to five years	5,082,401	5,120,549	3,010	3,363
Due from five to ten years	-	-	103,607	101,721
Due after ten years	-	-	135,261	137,307
	$ 8,121,965	**$ 8,159,336**	**$ 243,301**	**$ 243,806**

Substantially all of the gross unrealized losses on The Summit's available-for-sale and held-to-maturity investments shown above are for securities that have been in an unrealized 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.

3. INVESTMENT SECURITIES (Continued)

The following table summarizes financial assets measured at fair value on a recurring basis as of December 31, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2016			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Residential mortgage-backed securities	$ -	$ 243,806	$ -	$ 243,806

	2015			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Federal Home Loan Bank securities	$ -	$ 3,049,581	$ -	$ 3,049,581
Federal Home Loan Mortgage Corp. securities	-	2,500,575	-	2,500,575
Residential mortgage-backed securities	-	306,582	-	306,582
	$ -	$ 5,856,738	$ -	$ 5,856,738

Certain financial assets and financial liabilities are measured at fair value on a non-recurring 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 securities held to maturity, real estate owned, mortgage servicing rights, intangible assets, loans to members and assets and liabilities acquired through merger.

4. LOANS TO MEMBERS

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

	2016	2015
Residential mortgage	$ 135,548,581	$ 115,356,580
Home equity	130,310,727	130,027,348
Consumer automobile	409,851,571	359,389,230
Consumer credit card	29,763,126	29,309,815
Other consumer	42,148,805	43,548,197
Gross loans outstanding	**747,622,810**	**677,631,170**
Add: Net deferred loan origination costs	16,640,102	13,661,955
Less: Fair market value adjustment for merged loans	-	(449,720)
Less: Allowance for loan losses	(2,466,375)	(1,802,595)
	$ 761,796,537	**$ 689,040,810**

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:

2016

	Current	Delinquent	Total
Residential mortgage	$ 133,415,322	$ 2,133,259	$ 135,548,581
Home equity	128,560,097	1,750,630	130,310,727
Consumer automobile	398,797,891	11,053,680	409,851,571
Consumer credit card	29,347,204	415,922	29,763,126
Other consumer	41,254,678	894,127	42,148,805
Gross loans outstanding	**$ 731,375,192**	**$ 16,247,618**	**$ 747,622,810**

2015

	Current	Delinquent	Total
Residential mortgage	$ 113,264,540	$ 2,092,040	$ 115,356,580
Home equity	128,560,485	1,466,863	130,027,348
Consumer automobile	352,560,864	6,828,366	359,389,230
Consumer credit card	28,944,779	365,036	29,309,815
Other consumer	42,648,304	899,893	43,548,197
Gross loans outstanding	**$ 665,978,972**	**$ 11,652,198**	**$ 677,631,170**

4. LOANS TO MEMBERS (Continued)

IMPAIRED LOANS

The Summit classifies as impaired all loans which have been previously modified, loans to members who are in bankruptcy, loans delinquent for one to five months with an outstanding principal balance of at least $25,000 and all loans delinquent 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:

2016	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 3,423,631	$ 62,500
Home equity	1,760,300	149,048
Consumer automobile	10,606,684	561,359
Consumer credit card	136,930	102,266
Other consumer	1,136,728	147,665
Total	**$ 17,064,273**	**$ 1,022,838**

2015	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 2,933,423	$ 60,000
Home equity	1,477,916	61,885
Consumer automobile	9,216,322	546,152
Consumer credit card	96,342	63,556
Other consumer	1,038,582	138,190
Total	**$ 14,762,585**	**$ 869,783**

The Credit Union's practice is to record a 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:

	2016	2015
Residential mortgage	$ 424,226	$ 287,406
Home equity	385,473	261,640
Consumer automobile	589,264	396,895
Consumer credit card	201,003	133,776
Other consumer	258,772	320,414
Total	**$ 1,858,738**	**$ 1,400,131**

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.

4. LOANS TO MEMBERS (Continued)

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, 2016, The Summit had 171 loans classified as troubled debt restructurings with a total outstanding balance of approximately $1,719,000. Of these, 8 loans are for residential mortgages with an aggregate outstanding balance of approximately $647,000. At December 31, 2015, The Summit had 140 loans classified as troubled debt restructurings with a total outstanding balance of approximately $1,385,000. Of these, 5 loans are for residential mortgages with an aggregate outstanding balance of approximately $487,000. 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:

2016

	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	$ -	$ 1,348,036	$ 360,997	$ 321,355	$ 102,871	$ 2,133,259	$ 133,415,322	$ 135,548,581
Home equity	518,600	808,086	38,471	86,849	298,624	1,750,630	128,560,097	130,310,727
Consumer automobile	7,016,336	3,064,451	383,629	420,844	168,420	11,053,680	398,797,891	409,851,571
Consumer credit card	-	137,969	76,950	136,286	64,717	415,922	29,347,204	29,763,126
Other consumer	423,529	142,041	69,785	146,980	111,792	894,127	41,254,678	42,148,805
	$ 7,958,465	$ 5,500,583	$ 929,832	$ 1,112,314	$ 746,424	$ 16,247,618	$ 731,375,192	$ 747,622,810

2015

	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	$ -	$1,567,466	$ 237,168	$ 287,406	$ -	$ 2,092,040	$ 113,264,540	$ 115,356,580
Home equity	457,411	687,692	60,120	45,044	216,596	1,466,863	128,560,485	130,027,348
Consumer automobile	4,821,269	1,475,778	134,424	249,321	147,574	6,828,366	352,560,864	359,389,230
Consumer credit card	-	145,595	85,665	97,095	36,681	365,036	28,944,779	29,309,815
Other consumer	358,355	137,754	83,370	280,296	40,118	899,893	42,648,304	43,548,197
	$ 5,637,035	$ 4,014,285	$ 600,747	$ 959,162	$ 440,969	$ 11,652,198	$ 665,978,972	$ 677,631,170

4. LOANS TO MEMBERS (Continued)

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:

2016	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$ 108,312	$ 323,970	$ 1,320,313	$ 50,000	$ 1,802,595
Charge-offs	(49,870)	(427,854)	(1,450,346)	-	(1,928,070)
Recoveries	-	104,386	270,449	-	374,835
Provision	36,337	437,124	1,543,554	-	2,017,015
Merged loan reserve adjustment	-	-	-	200,000	200,000
Ending balance	**$ 94,779**	**$ 437,626**	**$ 1,683,970**	**$ 250,000**	**$ 2,466,375**
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ -	$ 28,883	$ 566,999	$ -	$ 595,882
Related to loans collectively evaluated for impairment	32,279	408,743	1,116,971	-	1,557,993
Related to environmental factors and other considerations	-	-	-	250,000	250,000
Related to troubled debt restructurings	62,500	-	-	-	62,500
Ending balance	**$ 94,779**	**$ 437,626**	**$ 1,683,970**	**$ 250,000**	**$ 2,466,375**
Loans receivable:					
December 31, 2016 balance individually evaluated for impairment	$ 3,263,909	$ 28,883	$ 4,084,531	$ -	$ 7,377,323
December 31, 2016 balance collectively evaluated for impairment	132,284,672	29,734,243	578,226,572	-	740,245,487
Ending balance	**$ 135,548,581**	**$ 29,763,126**	**$ 582,311,103**	**$ -**	**$ 747,622,810**

4. LOANS TO MEMBERS (Continued)

ALLOWANCE FOR LOAN LOSS AND RECORDED INVESTMENT IN LOANS TO MEMBERS (Continued)

	2015				
	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$ 61,304	$ 572,443	$ 1,037,562	$ 50,000	$ 1,721,309
Charge-offs	(12,853)	(399,047)	(1,455,459)	-	(1,867,359)
Recoveries	1,648	118,881	302,946	-	423,475
Provision	58,213	31,693	1,435,264	-	1,525,170
Ending balance	**$ 108,312**	**$ 323,970**	**$ 1,320,313**	**$ 50,000**	**$ 1,802,595**
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ -	$ 18,678	$ 505,267	$ -	$ 523,945
Related to loans collectively evaluated for impairment	58,312	305,292	815,046	-	1,178,650
Related to environmental factors and other considerations	-	-	-	50,000	50,000
Related to troubled debt restructurings	50,000	-	-	-	50,000
Ending balance	**$ 108,312**	**$ 323,970**	**$ 1,320,313**	**$ 50,000**	**$ 1,802,595**
Loans receivable:					
December 31, 2015 balance individually evaluated for impairment	$ 2,933,423	$ 18,678	$ 3,064,271	$ -	$ 6,016,372
December 31, 2015 balance collectively evaluated for impairment	112,423,157	29,291,137	529,900,504	-	671,614,798
Ending balance	**$ 115,356,580**	**$ 29,309,815**	**$ 523,964,775**	**$ -**	**$ 677,631,170**

LOANS TO DIRECTORS AND OFFICERS

Included in loans to members at December 31, 2016 and 2015, are loans of $1,534,670 and $1,694,795, respectively, to directors and officers of The Summit.

5. PREMISES AND EQUIPMENT

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

	2016	2015
Land	$ 6,372,020	$ 6,372,020
Buildings and improvements	17,430,534	15,903,583
Furniture, fixtures and equipment	9,080,556	9,124,753
Leasehold improvements	882,126	458,570
Construction in progress	105,200	1,714,106
	33,870,436	33,573,032
Less: Accumulated depreciation and amortization	**(15,008,739)**	**(14,374,633)**
	$ 18,861,697	**$ 19,198,399**

6. 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 certain originated mortgages to the Federal National Mortgage Association (FNMA), while retaining the rights to service these mortgages for its members. During 2016 and 2015, net gains resulting from the sale of originated mortgages were $194,403 and $444,392, respectively. Mortgage loans serviced for FNMA are not included in the accompanying statement of financial condition. The unpaid principal balance of these loans was $176,536,944 and $193,008,220 at December 31, 2016 and 2015, respectively.

For 2016 and 2015, 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 7.25 percent and 7 percent rate of return at December 31, 2016 and 2015, respectively, and a prepayment speed based upon the consensus from the dealer survey conducted by the Bond Market Association.

For 2016 and 2015, The Summit capitalized $118,015 and $291,033 of MSR, respectively. Amortization of MSR was $308,803 and $328,403 for 2016 and 2015, respectively. The Summit amortizes MSR based upon the payments received for the serviced loans, adjusted for prepayments and charge-offs.

7. GOODWILL

The Summit's goodwill resulted from its merger with Syracuse Federal Credit Union in 2010. Goodwill recorded at the time of the merger was $1,957,919. In 2015, The Summit elected to amortize goodwill on the straight line basis over ten years. The gross carrying amounts of goodwill and accumulated amortization were as follows for the year ended December 31:

	2016	2015
Goodwill	$ 1,957,919	$ 1,957,919
Less: Accumulated amortization	(391,584)	(195,792)
	$ 1,566,335	**$ 1,762,127**

Amortization expense was $195,792 in 2015 and 2016.

8. OTHER ASSETS

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

	2016	2015
Accrued interest receivable	$ 2,072,169	$ 1,931,433
Receivable related to settlement of mortgage sales	931,318	785,671
Alloya Corporate Credit Union capital account	921,637	921,637
Prepaid operating expenses	771,686	872,298
Mortgage servicing rights, net	695,780	886,567
Deferred compensation annuity	530,458	560,963
Capital balance at Federal Home Loan Bank	369,400	360,300
Prepaid bond insurance	227,422	317,158
Advances for VISA clearing	221,300	217,700
CUSO investments	134,914	159,570
Miscellaneous	789,143	585,516
	$ 7,665,227	$ 7,598,813

9. SHARE ACCOUNTS AND CERTIFICATES

At December 31, 2016, scheduled maturities of members' and non-members' share and IRA certificates are as follows:

2017	$ 139,148,806
2018	62,783,260
2019	19,259,177
2020	6,291,169
2021	1,584,820
Thereafter	428,497
	$ 229,495,729

Dividend expense on members' and non-members' accounts is summarized as follows for the years ended December 31:

	2016	2015
Regular shares	$ 73,318	$ 69,038
Share drafts	14,255	13,664
Money market shares	519,271	501,176
Share certificates	2,384,775	1,784,775
IRA shares	31,561	31,577
IRA share certificates	299,178	234,163
	$ 3,322,358	$ 2,634,393

The aggregate amount of share certificate account balances in excess of $250,000 was $13,550,466 and $11,277,823 at December 31, 2016 and 2015, respectively.

Cash paid for dividends on members' and non-members' shares and certificates totaled $3,322,358 and $2,634,393 for the years ended December 31, 2016 and 2015, respectively.

10. 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:

	2016	2015
Projected Benefit Obligation		
Balance, beginning of year	$ 14,965,497	$ 13,653,046
Service cost	695,750	657,893
Interest cost	707,536	577,279
Actuarial loss	894,970	204,356
Benefits paid to participants	(203,784)	(127,077)
Balance, end of year	**$ 17,059,969**	**$ 14,965,497**

	2016	2015
Plan Assets		
Fair value, beginning of year	$ 10,217,056	$ 10,439,488
Actual investment return	588,381	(95,355)
Employer contributions	3,000,000	-
Benefits paid	(203,784)	(127,077)
Fair value, end of year	**$ 13,601,653**	**$ 10,217,056**
Funded status	**$ (3,458,316)**	**$ (4,748,441)**

FUNDED STATUS

Accrued pension liability of $3,458,316 and $4,748,441 was recognized in the statement of financial condition as a liability at December 31, 2016 and 2015, 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:

	2016	2015
Total net loss	$ (4,290,344)	$ (3,396,054)
Prior service cost	(98,941)	(137,534)
	$ (4,389,285)	**$ (3,533,588)**

Weighted average assumptions used to determine benefit obligations included a discount rate of 4.35% and 4.75% for 2016 and 2015, respectively, and a rate of compensation increase of 3.5% for both 2016 and 2015.

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

	2016	2015
Discount rate	4.75%	4.25%
Expected long-term rate of investment return	7.25%	7.25%
Rate of compensation increase	3.50%	3.50%

10. POST-RETIREMENT BENEFIT PLANS (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

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.

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

	2016	2015
Net Periodic Benefit Cost:		
Service cost	$ 695,750	$ 657,893
Interest cost	707,536	577,279
Expected return on plan assets	(724,160)	(716,858)
Amortization of net loss	136,459	76,026
Amortization of prior service cost	38,593	38,593
	854,178	632,933
Amounts Recognized in Other Comprehensive Income:		
Net loss	$ 1,030,749	$ 1,016,568
Amortization of net loss	(136,459)	(76,026)
Amortization of prior service cost	(38,593)	(38,593)
	855,697	901,949
Total recognized in net periodic benefit cost and other comprehensive income	**$ 1,709,875**	**$ 1,534,882**

The accumulated benefit obligation of the Plan was $13,823,113 and $11,283,378 at December 31, 2016 and 2015, 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:

	2016	2015
Equity securities	50%	50%
Debt securities	40%	40%
Real estate	10%	10%
	100%	100%

The actual asset allocations for the Plan as of December 31, 2016 were 54% equity securities, 40% debt securities, and 6% real estate.

10. POST-RETIREMENT BENEFIT PLANS (Continued)
DEFINED BENEFIT PENSION PLAN (Continued)

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 Credit Union'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
2016		
Fixed Income	$ 5,469,103	$ 5,469,103
Large U.S. Equity	4,455,073	4,455,073
International	1,775,161	1,775,161
Small/Mid U.S. Equity	811,187	811,187
Real Estate	815,998	815,998
Balanced/Asset Allocation	275,131	275,131
Total	**$ 13,601,653**	**$ 13,601,653**
2015		
Fixed Income	$ 3,977,189	$ 3,977,189
Large U.S. Equity	3,197,046	3,197,046
International	1,181,303	1,181,303
Small/Mid U.S. Equity	788,252	788,252
Real Estate	622,311	622,311
Balanced/Asset Allocation	450,955	450,955
Total	**$ 10,217,056**	**$ 10,217,056**

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 Credit Union does not expect to make a contribution to the plan in 2017.

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

2017	$ 160,000
2018	$ 190,000
2019	$ 240,000
2020	$ 260,000
2021	$ 340,000
2022 through 2026	$ 2,880,000

10. POST-RETIREMENT BENEFIT PLANS (Continued)

DEFINED CONTRIBUTION PLAN

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 $193,554 and$194,632 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, approximately $1,950,000 and $1,642,000, 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 $2,750,000 and $2,951,000 at December 31, 2016 and 2015, 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 $530,458 and $560,963 at December 31, 2016 and 2015, respectively.

11. COMMITMENTS

LEASES

The Summit leases equipment and office space for branch locations under various long-term lease agreements. These agreements have terms which include escalating rental and renewal options. Rental expense included in operating expense was $116,331 and $272,369 for 2016 and 2015, respectively. Future minimum lease payments under the terms of these operating leases are as follows:

2017	$ 208,927
2018	186,566
2019	175,438
2020	163,953
2021	137,892
Thereafter	247,579
	$ 1,120,355

12. LINE-OF-CREDIT

The Summit has an open secured line-of-credit agreement with Alloya bearing a variable interest rate (1.53% at December 31, 2016) that allows for up to $46,090,000 of borrowings. Amounts borrowed are collateralized by certain assets of The Summit totaling $54,941,740. The Summit had a balance of $4,300,000 outstanding under the terms of this agreement at December 31, 2015. No amounts were outstanding under the terms of this agreement at December 31, 2016. Cash paid for interest was approximately $14,000 and $100,000 for the years ended December 31, 2016 and 2015, respectively.

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. Amounts borrowed are collateralized by portfolio mortgages held by The Summit with estimated value of approximately $87,000,000. As of December 31, 2016 and 2015, the Credit Union had no outstanding borrowings from the FHLB.

The Summit has an agreement with the Federal Reserve Bank of New York (FRB), to borrow at FRB's discount window. The terms of this line of credit call for the pledging of The Summit's indirect auto loan portfolio as collateral security for any and all amounts borrowed by The Summit. As of December 31, 2016 and 2015, the credit union had not borrowed from FRB.

13. 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 non-performance 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, 2016 is as follows:

Members' unused credit card lines	$ 86,281,566
Members' unused lines of credit, excluding credit card lines	$ 84,989,542
Members' loans approved, not yet disbursed	$ 7,134,006

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.

14. 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 Deferred Compensation Plan Investments	Defined Benefit Plan	Accumulated Other Comprehensive Loss
Balance, January 1, 2015	$ (72,884)	$ 64,304	$ (2,631,639)	$ (2,640,219)
Other comprehensive income (loss)	74,024	(22,858)	(901,949)	(850,783)
Balance, December 31, 2015	1,140	41,446	(3,533,588)	(3,491,002)
Other comprehensive income (loss)	(635)	28,313	(855,697)	(828,019)
Balance, December 31, 2016	**$ 505**	**$ 69,759**	**$ (4,389,285)**	**$ (4,319,021)**

Reclassifications of balances from accumulated other comprehensive income to the statement of income were immaterial in both 2016 and 2015.

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

At December 31, 2016 and 2015, 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.

16. NCUA CHARGES

CORPORATE CREDIT UNION STABILIZATION FUND

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. As of December 31, 2016, the NCUA has indicated that further assessments may not be necessary; however, the possibility of assessments remains if circumstances change. The timing and amount of the assessments to which the Credit Union will be subject in the future is unknown at this time.

NCUSIF

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

The Credit Union was not required to pay assessments in 2016 or 2015.

17. 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, 2016 and 2015, substantially all of The Summit's loan portfolio involves borrowers and, where applicable, collateral, in the State of New York.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 27, 2017, which is the date the consolidated financial statements were available to be issued.

Our Board of Directors

Our Board of Directors is a diverse team of volunteers who live and work throughout New York State from Buffalo to Syracuse and everywhere in between. They are lawyers, professors, agency presidents and community members. They provide knowledge and leadership to keep us focused on our members and our mission.

Thomas B. Quirk, *Chairman*
Augustin Melendez, *Vice Chair*
Kofi Appiah Okyere, *Treasurer*
Chris Modesti, *Secretary*

DIRECTORS

Elizabeth A. Dudman
Gerald K. Gebauer
Richard W. Murphy
William A. Reifsteck
Clarence "Chip" Turner
Daryl Wolf
Sarah Sorensen

ASSOCIATE BOARD MEMBER

Kate Sweeney

DIRECTORS EMERITUS

Charles J. Faggiano
Joseph E. Thyroff

Top Row: Kate Sweeney, Joseph Thyroff, Richard Murphy, William Reifsteck, Mike Vadala, Elizabeth Dudman, Clarence Turner, Sarah Sorensen, Daryl Wolf

Bottom Row: Thomas Quirk, Chris Modesti, Kofi Appiah Okyere, Augustin Melendez, Gerald Gebauer

COMMITTEES

EXECUTIVE
Tom Quirk
Augie Melendez
Kofi Appiah Okyere
Chris Modesti

SUPERVISORY
Bill Schafer
John Pusloskie
Kate Sweeney
Kelly McCormick-Sullivan

NOMINATING
John Striebich
Sarah Clark
Dave Semrau

INVESTMENT
Richard Murphy
Kofi Appiah Okyere
Chris Modesti
Chip Turner
Leanne McGuinness
Karen Lamy

PENSION
Daryl Wolf
Augie Melendez
Mike Vadala
Joe Thyroff*
Laurie Wiest*
Laurie Baker*
Leanne McGuinness*
Karen Lamy*

BOARD GOVERNANCE
Bill Reifsteck
Tom Quirk
Jerry Gebauer
Betty Dudman
Laurie Baker
Mike Vadala

POLICY
Sarah Sorensen
Richard Murphy
Joe Thyroff

MEMBERSHIP
Charles Faggiano
Chip Turner*

Bolded is Committee Chair
** Not a voting committee member*

Branch Locations

BUFFALO

Clarence Branch
5641 Transit Road
East Amherst, NY 14051

Delaware/Hertel Branch
2290 Delaware Avenue
Buffalo, NY 14216

CORTLAND

Cortland Branch
143 Main Street
Cortland, NY 13045

SUNY Cortland Branch
Neubig Hall
15 Neubig Road
Cortland, NY 13045

ROCHESTER

Brighton Branch
1660 Monroe Avenue
Brighton, NY 14618

Excellus Blue Cross/Blue Shield
165 Court Street
Rochester, NY 14647

Greece Branch
Canal Ponds Business Park
100 Marina Drive
Greece, NY 14626

Henrietta Branch
2087 East Henrietta Road
Henrietta, NY 14623

Hilton Branch
41 Hovey Square
Hilton, NY 14468

Irondequoit Branch
2121 Hudson Avenue
Rochester, NY 14617

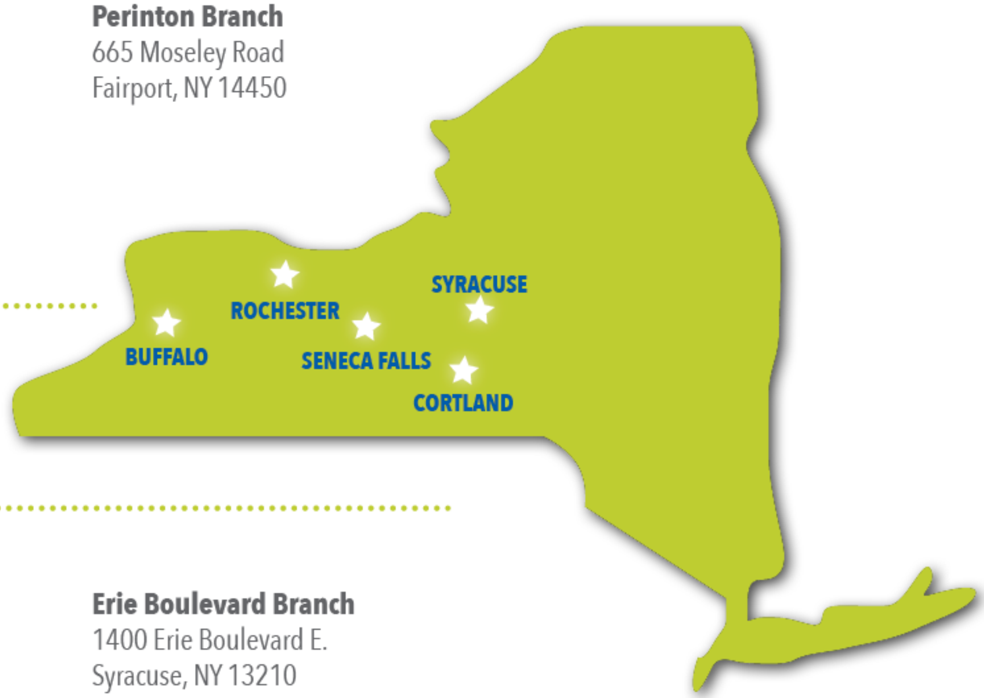
Main/Winton Branch
2315 East Main Street
Rochester, NY 14609

Penfield Branch
2146 Penfield Road
Penfield, NY 14526

Perinton Branch
665 Moseley Road
Fairport, NY 14450

SENECA FALLS

Seneca Falls Branch
123 Fall Street
Seneca Falls, NY 13148



SYRACUSE

Camillus Branch
130 Township Boulevard
Camillus, NY 13031

Cicero Branch
6091 Route 31
Cicero, NY 13039

Erie Boulevard Branch
1400 Erie Boulevard E.
Syracuse, NY 13210

Liverpool Branch
4336 Wetzel Road
Liverpool, NY 13090

the SUMMIT FEDERAL CREDIT UNION

2016 Annual Report

The Summit Federal Credit Union is an Equal Housing Lender and
is federally insured by the National Credit Union Administration.