U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1995

Commission File Number 0-16587

South Branch Valley Bancorp, Inc.
(Exact name of registrant as specified in its charter)

West Virginia	55-0672148
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

310 N. Main Street Moorefield, West Virginia	26836
(Address of principal executive offices)	(Zip Code)

(304) 538-2353
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Common
Title of Class

Indicate by check mark whether the registrant: (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K [229.405 of this chapter] is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendments to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: $8,970,000

State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing.

Aggregate Market Value of Voting Stock	Based Upon Reported closing price on
$16,548,457	March 1, 1996

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of March 1, 1996
Common Stock ($2.50 par value)	378,510 shares

Documents Incorporated by Reference

The following lists the documents which are incorporated by reference in the Annual Report Form 10-KSB, and the Parts and Items of the Form 10-KSB into which the documents are incorporated.

Document	Part of Form 10-KSB Into Which Document is Incorporated
South Branch Valley Bancorp, Inc. Annual Report to Shareholders for the year ended December 31, 1995	Part II
Proxy Statement for the Annual Meeting April 16, 1996	Part III

This form 10-KSB is comprised of 85 pages. The exhibit index is located on page 15.

SOUTH BRANCH VALLEY BANCORP, INC
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PART I

ITEM 1. BUSINESS

Organized in 1987 as a West Virginia Corporation, South Branch Valley Bancorp, Inc. ("SBVB"), is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. At the close of business on December 31, 1987, SBVB merged its wholly owned subsidiary, South Branch Valley National Bank Inc., with South Branch Valley National Bank of Moorefield, a commercial bank with its principal place of business located at 310 N. Main Street, Moorefield, West Virginia. SBVB's business activities are conducted through the Bank. The Bank presently accounts for substantially all of the consolidated assets, revenues and net income of SBVB.

South Branch Valley National Bank

The South Branch Valley National Bank of Moorefield was originally chartered by the Office of the Comptroller of the Currency on August 15, 1883. For purposes of effecting the 1987 merger, South Branch Valley National Bank Inc. was organized and chartered on October 2, 1987. The surviving Bank is currently operating as South Branch Valley National Bank of Moorefield. The Bank is a full service, FDIC insured, national banking association engaged in the commercial and retail banking business. At December 31, 1995 the Bank employed approximately 57 people.

The Bank offers a wide variety of banking services to its customers. The Bank accepts deposits and has a night depository and an automated teller machine for the convenience of its customers. The Bank offers its customers various deposit arrangements with various maturities and yields, including non-interest bearing and interest bearing demand deposits, savings deposits, time certificates of deposit, Christmas Club accounts, and individual retirement accounts.

The Bank offers a full spectrum of lending services to its customers, including commercial loans and lines of credit, residential real estate loans, consumer installment loans and other personal loans. Loan terms, including interest rates, loan to value ratios, and maturities are tailored as much as possible to meet the needs of the borrower. Commercial loans are generally secured by various collateral including commercial real estate, accounts receivable and business machinery and equipment. Residential real estate loans consist primarily of mortgages on the borrower's personal residence, and are typically secured by a first lien on the subject property. Consumer and personal loans are generally secured, often by first liens on automobiles, consumer goods or depository accounts. A special effort is made to keep loan products as flexible as possible within the guidelines of prudent banking practices in terms of interest rate risk and credit risk. Bank lending personnel adhere to established lending limits and authorities based on each individual's lending expertise and experience.

When considering loan requests, the primary factors taken into consideration by the Bank are the cash flow and financial condition of the borrower, the value of the underlying collateral, if any, and the character and integrity of the borrower. These factors are evaluated in a number of ways including an analysis of financial statements, credit reviews and visits to the borrower's place of business.

The Bank also serves as trustee where appointed by a court or under a private trust agreement. As trustee, the Bank invests the trust assets and makes disbursements according to the terms and conditions of the governing trust document and state and Federal law. For the year ended December 31, 1995, fees generated from the operation of the Bank's Trust Department comprised less than one percent of gross revenues earned during the year.

Supervision and Regulation

SBVB is a holding company subject to the provisions of the Bank Holding Company Act of 1956 and is registered with the Board of Governors of the Federal Reserve System. Under the Bank Holding Company Act, holding companies are prohibited, with certain exceptions, from engaging in or acquiring the voting stock of any company engaging in activities other than banking. However, the Bank Holding Company Act authorizes the Board of Governors to permit holding companies to engage in, and to acquire the stock of companies that engage in, activities which the Board of Governors has determined to be so closely related to banking as to be a proper incident thereto.

The Company's subsidiary bank is a national banking association chartered under the laws of the United States. As such, the operations of the Bank are subject to the regulations of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and West Virginia law. As a member of the Federal Deposit Insurance Corporation, the Bank's deposits are insured as provided by law.

The primary supervisory authority over the Bank is the Comptroller of the Currency who regularly examines such areas as reserves, loans, investments, management practices, and other aspects of the Bank's operations.

On September 29, 1994, the Bank Holding Company Act was amended by the Interstate Banking and Branch Efficiency Act of 1994 which authorizes interstate bank acquisition anywhere in the country, effective one year after the date of enactment and interstate branching by acquisition and consolidation, effective June 1, 1997 in those states that have not opted out by that date. The impact of this amendment on the Company cannot be measured at this time.

The United States Congress and numerous states, including West Virginia, have periodically considered and enacted legislation which has resulted in the deregulation of banks and other financial institutions. As additional legislation is enacted, certain geographical restrictions on banks and bank holding companies or certain prohibitions against banks engaging in certain non-banking activities may be modified or eliminated. Such legislation could have the effect of placing the Bank in more direct competition with other financial institutions.

The Bank's monetary policy is directly affected by the Federal Reserve Board whose actions directly affect the money supply, and affect banks' lending ability by increasing or decreasing the cost and availability of funds to banks. In addition, deregulation of interest rates paid by banks on deposits and the types of deposits that may be offered by banks have eliminated or altered minimum balance requirements and rate ceilings on various types of time deposit accounts. The effect of these actions and the deregulation of interest rates have increased banks' costs of funds and have made the profitability of banks more sensitive to fluctuations in market rate conditions.

Competition

The Bank competes primarily with seven commercial banks over a four county area: Hardy County, Hampshire County, Grant County, and Pendleton County. Additionally, Farmers' Home Administration and the Federal Land Bank are competitors for loans. According to the latest Sheshunoff Bank Quarterly, dated September 1995, the Bank had assets representing approximately 16% of total assets for the seven commercial banks serving its primary market area.

It can be expected that with the liberalization of the branch banking laws in West Virginia, additional financial institutions may compete with the Bank. The Bank has taken an aggressive posture with the establishment of the Mathias, Franklin and the new Petersburg branches, and intends to continue vigorously competing for its share of the market within its service area.

ITEM 2. PROPERTIES

In 1911 the Bank acquired the property now known as the "Old Bank" building located at 107 South Main Street, Moorefield, West Virginia. In 1963 the Bank acquired property adjacent to that same building which is now being used as a parking lot. In December 1994 the Bank acquired property on Winchester Avenue that adjoins the Old Bank building and the parking lot. The completion of the renovation and addition to the main office has allowed the Bank's bookkeeping and operations departments to move into the main office. Therefore, the Winchester Ave. parcel as well as the property located at 107 S. Main St. will be offered for sale.

In 1974 the Bank acquired 5.82 acres of land located on the west side of U.S. Route 220 of Main Street in Moorefield, West Virginia. On June 29, 1976 the Bank received the approval of the Office of the Comptroller of the Currency to change the location of its main office to this site. This is the present location of the Bank's principal banking offices. In April 1994 the Bank acquired approximately one acre of real estate on the west side of U.S. Route 220 adjoining the main office.

On April 5, 1983 the Bank acquired property located in the town of Mathias, West Virginia. Since December 28, 1984 the Bank has operated its Mathias branch bank from this site.

By deeds dated May 31, 1986 and July 14, 1986 the Bank acquired two parcels of land located on the east side of U.S. Route 220 in the town of Franklin, West Virginia. On October 3, 1986 the Bank received preliminary approval of the Office of the Comptroller of the Currency to establish a branch bank at this location. The Bank's Franklin branch was opened for banking operations on January 1, 1987.

During 1995, the Bank acquired a parcel of land and branch office located on the north side of U.S. Route 220 in the town of Petersburg, West Virginia. This property was purchased from Blue Ridge Bank and began operating as a branch of South Branch Valley National Bank on November 15, 1995.

At December 31, 1995, various parcels of real estate with an aggregate book value of $40,355 are maintained by the Bank as a result of foreclosure proceedings on loans collateralized by such real estate.

ITEM 3. LEGAL PROCEEDINGS

The Bank is involved in various pending legal proceedings, all of which are regarded by management as normal litigation incident to the business of banking and are not expected to have a materially adverse effect on the business or financial condition of the Bank or the Holding Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

No matters were submitted to a vote of stockholders during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company acts as its own registrar and transfer agent. Its shares are not publicly traded on any exchange or over the counter market. Shares of the Company's common stock are occasionally bought and sold by private individuals, firms or corporations. In many instances, the Company does not have knowledge of the purchase price or the terms of the purchase. No definitive records of bids and ask or sale prices are available. However, the average sales price for the shares that have voluntarily been reported to the Company in the last 60 days is $43.72 per share.

The following sets forth quarterly cash dividends declared per share for the prior two years.

Quarterly Common Stock Dividends

Quarter	1995	1994
First	$ -	$ -
Second	.33	.30
Third	-	-
Fourth	.35	.31

The approximate number of stockholders of record for SBVB's common stock as of March 1, 1996 was 619.

Dividends paid by SBVB to its stockholders are based on dividends it receives from its subsidiary bank. The ability of the Bank to pay dividends to SBVB is subject to certain limitations of the national banking laws. In general, these limitations provide that no bank can pay dividends if the total of all dividends, including any proposed dividend declared by a bank in any calendar year, exceeds net income for that year when combined with net income for the preceding two years, less dividends for all three years. This restriction may be waived if the approval of the Office of the Comptroller of the Currency is obtained for such distribution. The Comptroller of the Currency may also prohibit a bank's dividend payments if such payment is deemed to be an unsafe or unsound banking practice. The foregoing summary is not a complete statement of applicable limitations and is qualified by reference to Sections 56 and 60 of Title 12 of the United States Code.

In the past it has been the Company's normal procedure to declare a smaller cash dividend in June of each year and then a larger dividend in December. The Company has been increasing the amount of the June cash dividend until both of the semi-annual cash dividends are approximately equal. In 1994 the Company increased the June dividend from $.18 per share in 1993 to $.30 per share. This substantial increase concluded this plan. It is the intention of management and the Board of Directors to continue to pay dividends on the same schedule during 1996. However, future cash dividends will depend on the earnings, financial condition and the business of the Bank as well as general economic conditions; however, management is not presently aware of any reason why dividend payments should not continue.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND RELATED STATISTICAL DISCLOSURES

"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 4 through 16 of the 1995 Annual Report is incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS

The report of the independent auditors and consolidated financial statements are included on pages 17 through 36 of the 1995 Annual Report and are incorporated herein by reference.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no Form 8-KSB filed within 24 months prior to the date of the most recent financial statements reporting a change of accountants and/or reporting disagreements on any matter of accounting principle or financial statement disclosure.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The current Board of Directors of the Company is comprised of the 14 individuals listed on pages 4 through 7 of the Proxy Statement. Directors of the Company are divided into three classes and serve a staggered three (3) year term. All current directors of the Company are also directors of the Company's subsidiary, South Branch Valley National Bank ("Bank"). Directors of the Bank serve for a one (1) year term. Information concerning Directors' fees, committees, meetings and attendance can be found on pages 9 through 11 of the Proxy Statement.

Information about the executive officers of the Company can be found in the Proxy Statement on pages 7 and 8. The Proxy Statement is incorporated herein by reference.

ITEM 10. EXECUTIVE COMPENSATION

A table showing executive compensation and information about the Company's profit sharing and thrift plan and the ESOP can be found on pages 11 and 12 of the Proxy Statement which has been incorporated herein by reference. Directors' compensation is discussed on page 9 of the Proxy Statement.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A table showing the amount of common stock beneficially owned by each director and by all executive officers and directors of the Company and the Bank as a group of sixteen (16) persons can be found on pages 8 and 9 of the Proxy Statement which has been incorporated herein by reference.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning transactions with directors, officers and principal shareholders can be found on page 14 of the Proxy Statement which has been incorporated herein by reference.

ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

Item 13. Financial Statement Schedules (cont'd)

		Page(s) Form 10-KSB
(a) 2.	Financial Statement Schedules	
	All other schedules for which provision is made in the applicable regulations of the Commission have been omitted as the schedules are not required under the related instructions, or are inapplicable, or the information required thereby is set forth in the financial statements or the notes thereto.	
(a) 3.	Exhibits Required to be Filed by Item 601 of Regulation S-B and 14(c) of Form 10-KSB	
	See index to exhibits	15
(b)	Reports on Form 8-K	
	No reports on Form 8-K were filed by the registrant during the fourth quarter of the year ended December 31, 1995.	
(c)	Exhibits	
	See Item 13(a) 3. above	

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

South Branch Valley Bancorp, Inc.
(registrant)

By:/s/Oscar M. Bean 3/22/96	By:/s/H. Charles Maddy, III 3/22/96
Oscar M. Bean, Date Chairman of the Board	H. Charles Maddy, III Date President

By: /s/Russell F. Ratliff, Jr. 3/22/96

Russell F. Ratliff, Jr. Date
Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	Title	Date
/s/ Oscar M. Bean Oscar M. Bean	Director	March 22, 1996
/s/ Donald W. Biller Donald W. Biller	Director	March 22, 1996
/s/ James M. Cookman James M. Cookman	Director	March 22, 1996
John W. Crites	Director	March 22, 1996
/s/ Thomas J. Hawse, III Thomas J. Hawse, III	Director	March 22, 1996
/s/ Phoebe F. Heishman Phoebe F. Heishman	Director	March 22, 1996

SIGNATURES (cont'd)

/s/ Gary L. Hinkle - --------------------------- Gary L. Hinkle	Director	March 22, 1996
/s/ Jeffrey E. Hott - --------------------------- Jeffrey E. Hott	Director	March 22, 1996
/s/ H. Charles Maddy, II - --------------------------- H. Charles Maddy, III	Director	March 22, 1996
/s/ Harold K. Michael - --------------------------- Harold K. Michael	Director	March 22, 1996
/s/ Mary Ann Ours - --------------------------- Mary Ann Ours	Director	March 22, 1996
/s/ Russell F. Ratliff, Jr. - --------------------------- Russell F. Ratliff, Jr.	Director	March 22, 1996
/s/ Harry C. Welton, Jr. - --------------------------- Harry C. Welton, Jr.	Director	March 22, 1996
/s/ Renick C. Williams - --------------------------- Renick C. Williams	Director	March 22, 1996

INDEX TO EXHIBITS

*Incorporated herein by reference to South Branch Valley Bancorp, Inc.'s registration statement on Form S-4 dated September 1, 1987, Registration No. 33-16947.

E X H I B I T (10)

MATERIAL CONTRACTS

Exhibit 10

EXECUTIVE BENEFIT AGREEMENT

THIS AGREEMENT, made and entered into on this 26th. day of January, 1996, by and among SOUTH BRANCH VALLEY BANCORP, INC., a West Virginia corporation and bank holding company (the "Company"), and its wholly-owned subsidiary, SOUTH BRANCH VALLEY NATIONAL BANK, a national banking association with its principal offices located in Moorefield, West Virginia (the "Bank") and H. CHARLES MADDY, III (the "Executive").

WHEREAS, the Executive is currently employed by the Company and its wholly owned subsidiary, as President and Chief Executive Officer; and,

WHEREAS, the Company, as the sole shareholder of the Bank, and the Board of Directors of the Company recognizes that the Executive's contribution to the growth, success, and continued operation of the Company and the Bank has been substantial; and,

WHEREAS, the Company believes it is in the best interest of the Company and the Bank to grant the Executive a level of security to preserve key management and to assure fair consideration of any affiliation opportunities that may arise.

NOW THEREFORE, in consideration of the promises and the respective covenants and agreements of the parties herein contained, the Company, the Bank and Executive contract and agree as follows:

OPERATION AND INTENT OF AGREEMENT. This Agreement is intended to provide for the payment by the Company and its subsidiary of certain benefits to Executive if a change of control of the Company or its subsidiary occurs. This Agreement also provides for the payment by the Company and/or the Bank of certain benefits to Executive if the Executive elects at his option to terminate his employment within six months after a change of control or if Executive's employment with the Company or the Bank is terminated within twenty-four (24) months after a change of control of the Company or the Bank and such termination was not for Good Cause, as that term is defined herein.

1. DEFINITIONS. The following definitions in addition to any terms otherwise defined herein, shall apply to designated phrases used in this Agreement.

a. "Change of Control" means (i) a change of ownership of the Company and/or its wholly owned subsidiary which would have to be reported to the Securities and Exchange Commission as a Change of Control, including but not limited to the acquisition by any "person" and/or entity as defined by securities regulations and law, of direct or indirect "beneficial ownership", as defined, of twenty five percent (25%) or more of the combined voting power of the Company's then outstanding securities; or (ii) the failure, at any time during a period of three (3) consecutive years, of individuals who at the beginning of such period constitute the Board for any reason, to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved by at least two-thirds of the directors at the beginning of the period, or (iii) the consummation of a "Business Combination" as defined in the Company's Articles of Incorporation.

b. "Salary" means the Executive's average of full earnings reported on IRS Form W-2 for the two full year periods immediately prior to the date of the consummation of the Change of Control or for two full year periods immediately preceding the Date of Termination, whichever is greater.

c. "Good Cause" includes (i) termination for continued poor work performance after written notice of and reasonable opportunity to correct deficiencies; (ii) termination for behavior outside or on the job which affects the ability of management of the Company or Bank or co-workers to perform their jobs and which is not corrected after reasonable written warning; (iii) termination for failure to devote reasonable time to the job which is not corrected after reasonable warning; and (iv) any other significant deficiency in performance by the Executive which is not corrected after reasonable warning.

d. "Disability" means total and permanent disability to perform the duties of the President and CEO from day to day in Executive's said capacity.

e. "Retirement" means termination of employment by the Executive in accordance with Company's (or its successor's) retirement plan, including early retirement as approved by the Board of Directors.

f. "Good Reason" means: (a) a Change of Control in the Company; and (b) a decrease in the total amount of the Executive's base salary below its level in effect immediately prior to the date of consummation of the Change of Control, without the Executive's prior written consent; or (c) a material reduction in the importance of the Executive's job responsibilities or assignment of job responsibilities inconsistent with the Executive's responsibility prior to the Change of Control without the Executive's prior written consent; or (d) a geographical relocation of the Executive to an office more than 20 miles from the Executive's location at the time of the Change of Control or the imposition of travel requirements inconsistent with those existing prior to the Change of Control without the Executive's prior written consent;or (e) failure of Company to obtain express assumption of this Agreement by its successor; or (f) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination required in this agreement; or (g) any removal of Executive from, or failure to re-elect Executive to any of the Executive's positions with Company or Bank immediately prior to a Change of Control (except in connection with termination of Executive's employment for

Good Cause, death, Disability or Retirement) without Executive's prior written consent.

g. "Wrongful Termination" means termination of the Executive's employment by the Company or its affiliates for any reason other than at Executive's option, Good Cause or the death, Disability or Retirement of Executive prior to the expiration of twenty-four (24) months after consummation of the Change of Control.

2. TERMINATION WITHOUT REASON AT EXECUTIVE'S OPTION; LUMP-SUM PAYMENT. The Executive may terminate his employment with the Company or its affiliates WITHOUT REASON AT HIS OPTION by giving written notice of termination within six (6) months of consummation of any Change of Control; provided that notice shall be given at least thirty (30) days prior to the effective time for termination. In such event, Executive shall be entitled to receive a lump sum payment equal to 75% of his Salary.

3. TERMINATION FOR GOOD REASON OR FOR CAUSE; NOTICE OF TERMINATION. The Executive may terminate his employment with the Company or its affiliates for Good Reason. In the event of a Change of Control, the Company or Bank may terminate Executive's employment only for Good Cause within twenty-four (24) months after consummation of Change of Control. Any termination of the Executive's employment by the Company or Bank or by the Executive shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, which shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of the Executive's employment under the provision so indicated, and which shall further specify an effective date of termination. For purposes of this Agreement, "Date of Termination" shall mean the date on which Notice of Termination is to be effective. Compensation shall be determined in accordance with paragraph 5(b) below.

4. RESIGNATION OF EXECUTIVE. Executive may resign for any reason within a six (6) month period after a Change of Control is consummated. Executive may resign for Good Reason within a twenty-four (24) month period, after a Change of Control is consummated, by giving thirty (30) days prior written notice of his resignation. Compensation shall be determined in accordance with paragraph 5 below; provided, however, that in the event of termination of the Executive due to his resignation (for reasons other than Good Reason or the exercise of the six-month option set forth in paragraph 2, above) Executive shall only be entitled to compensation through his last day of employment.

5. COMPENSATION OF EXECUTIVE UPON TERMINATION.

a. Except as hereinafter provided and as provided in paragraph 2 above, if the Executive terminates his employment with the Company or Bank at his option, without reason as provided above, the

Company hereby agrees to pay the Executive a cash payment equal to the Executive's Salary, as defined at 1(b), multiplied by 75%.

b. If the Executive terminates his employment with the Company or Bank for Good Reason or the Company terminates the Executive's employment in a manner constituting Wrongful Termination, the Company hereby agrees to pay the Executive a lump-sum cash payment equal to the Executive's Salary, on a monthly basis, multiplied by the number of months between the Date of Termination and the date that is twenty-four (24) months after the date of consummation of Change of Control. In the event calculation of such payment would result in a lump-sum cash payment to Executive less than 50% of his Salary, then Executive shall be entitled to receive a cash payment equal to 50% of his Salary.

c. For the year in which Wrongful Termination or a termination for Good Cause occurs, the Executive will be entitled to receive his reasonable share of the Company's cash incentive bonuses and employee benefit plan contributions, if any, allocated in accordance with existing policies and procedures and authorized by the Board of Directors, except that, the amount of the Executive's cash incentive bonus shall not be reduced due to the Executive not being actively employed for the full year.

d. The Executive will continue to participate, without discrimination, for the number of months between the Date of Termination and the date that is twenty-four (24) months after the date of the consummation of the Change of Control in benefit plans (such as retirement, disability and medical insurance) maintained after any Change of Control for employees, in general, of the Company, or any successor organization, provided the Executive's continued participation is possible under the general terms and conditions of such plans. In the event the Executive's participation in any such plan is barred, the Company shall arrange to provide the Executive with benefits substantially similar to those which the Executive would have been entitled had his participation not been barred. However, in no event will the Executive receive from the Company the employee benefits contemplated by this section if the Executive receives comparable benefits from any other source.

e. In the event the Executive becomes entitled to any payments or benefits under this Agreement or any benefit plan or program of the Company, if any such payments or benefits will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (or any similar tax that may hereinafter be imposed), the Company shall pay to the Executive an additional amount or amounts (each, a "Gross Up Payment"), such that the net amount or amounts retained by the Executive, after deduction of any Excise Tax on any of the above-described payments or benefits and any federal, state and local income tax and excise tax upon payment provided for by this section, shall be equal to the amount of such payments or benefits prior to the imposition of such Excise Tax.

6. OTHER EMPLOYMENT. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment. The amount of any payment provided for in this Agreement shall not be reduced by any compensation earned or benefits provided (except as set forth in the final sentence of paragraph 5.d above) as the result of employment by another employer after the Date of Termination.

7. RIGHTS OF COMPANY PRIOR TO THE CHANGE OF CONTROL. This Agreement shall not affect the right of the Company or Bank to terminate the Executive, or to reduce the salary or benefits of the Executive, with or without Good Cause, prior to any Change of Control; provided, however, any termination or reduction in salary or benefits which takes place after discussions have commenced which result in a Change of Control shall be presumed (without clear and convincing evidence to the contrary) to be a violation of this Agreement which entitled the Executive to the benefits hereof, so that any termination by Company shall be deemed to be a Wrongful Termination, and all references in this Agreement to "Salary" shall be deemed to mean the Salary, as defined herein, based on the earnings Executive would have had immediately prior to any reduction thereof.

8. SUCCESSORS; BINDING AGREEMENT, EXCLUSIVE REMEDY.

a. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or the Bank, by agreement in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if he terminated his employment for Good Reason.

b. This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executives devisee, legatee, or other designee or, if there by no such designee, to the Executive's estate.

c. This Agreement shall represent the exclusive and only remedy of Executive with respect to the Salary and other benefits provided for in this Agreement in the event a termination occurs after a Change of Control. The Company, Bank, and the Executive agree that it is impossible to determine with any reasonable accuracy the amount of prospective damages to either party should Executive be terminated or terminate his employment during the term of this Agreement. The Company and the Executive agree that the payment provided herein is reasonable and not a penalty, based upon the facts and circumstances of the parties at the time of entering this Agreement, and with due regard to future expectations.

9. ARBITRATION. In the event of any dispute between the Bank, the Executive and the Holding Company under this Agreement which the Bank, the Executive and the Company are unable to resolve, including but not limited to whether a Change of Control of the Bank has occurred or whether Executive's employment was terminated for Good Cause, the dispute shall be submitted to arbitration at the request of the Executive. In requesting arbitration the Executive shall so notify the other parties in writing and shall specify the question or questions to be arbitrated. Within ten (10) days after receipt of such notification, the Bank and the Company shall select one arbitrator and the Executive shall select one arbitrator and shall give the name and address thereof to the other parties. Within ten (10) days after the selection of the second arbitrator, the two arbitrators shall promptly select a third arbitrator. In the event one party fails to select an arbitrator within the required time period, the arbitrator who has been selected may select a disinterested arbitrator and the two arbitrators may proceed to resolve the dispute. The panel of arbitrators shall schedule a hearing on the disputed issues to be held within thirty (30) days of the last day of the hearing. The decision of a majority of the arbitrators shall be final and conclusive on the Executive, the Company and the Bank.

10. NOTICE. For the purposes of this Agreement, notices, demands and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by the United States registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:
Mr. H. Charles Maddy, III
P. O. Box 79
Old Fields, West Virginia 26845

If to the Company:
South Branch Valley Bancorp, Inc.
310 North Main Street
Moorefield, West Virginia 26836

or such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and another executive officer of the Company as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach

by the other hereto of, or compliance with, any condition or provisions of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time.

12. VALIDITY. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

13. LEGAL FEES. Company shall pay all reasonable legal fees and expenses incurred by Executive in enforcing any right or benefit provided by this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

SOUTH BRANCH VALLEY BANCORP, INC.

By: /s/Oscar M Bean
Its: Chairman of the Board

SOUTH VALLEY NATIONAL BANK

By: /s/ Oscar M. Bean
Its: Chairman of the Board

Attest:

/s/ Phoebe Fisher Heishman

/s/ H. Charles Maddy, III
Executive

E X H I B I T (13)

SOUTH BRANCH VALLEY BANCORP,INC ANNUAL
REPORT TO SHAREHOLDERS FOR THE YEAR
ENDED DECEMBER 31, 1995

1995
ANNUAL REPORT

SOUTH BRANCH VALLEY BANCORP, INC.

CONTENTS

ANNUAL MEETING

Two O'Clock p.m.
April 16, 1996
South Branch Valley National Bank
310 North Main Street
Moorefield, West Virginia

MAILING ADDRESS

South Branch Valley Bancorp, Inc.
P.O. Box 680
Moorefield, West Virginia 26836

[South Branch Valley Bancorp, Inc. logo]
P.O. Box Box 680   Moorefield, West Virginia 26836   (304) 538-6301

To Our Stockholders and Friends:

It is a pleasure to present the 1995 Consolidated Annual Report of South Branch Valley Bancorp, Inc. The past year was our eighth consecutive year of realizing record earnings which totaled $1,320,000. This earnings strength allowed us to increase our dividends over 1994 by 11.5% to $.68 per share. Total assets and total capital also reached record levels. Once again, our entire staff is to be commended for their excellent performance in responding as team players to the increasing demands of a competitive industry.

One of the highlights of 1995 was the completion of the expansion of our main building in Moorefield. It truly is a state of the art facility and has many features which will contribute to our ability to better serve you.

The opening of our new branch office in Petersburg was also on our list of achievements for the year. We are pleased to welcome the staff and customers of that facility and look forward to many years of service to the Petersburg community.

As we meet the challenges 1996 is sure to present, we want to thank you for your continued support. Your comments and suggestions are always welcome and your friendship is appreciated.

/s/ OSCAR M. BEAN	/s/ H. CHARLES MADDY, III
Oscar M. Bean	H. Charles Maddy, III
Chairman of the Board	President

FINANCIAL HIGHLIGHTS
SOUTH BRANCH VALLEY BANCORP, INC. AND SUBSIDIARY

DIVIDENDS PER SHARE
[CHART GOES HERE]

1991	$0.37
1992	$0.42
1993	$0.48
1994	$0.61
1995	$0.68

EARNINGS PER SHARE
[CHART GOES HERE]

1991	$2.48
1992	$2.97
1993	$3.06
1994	$3.26
1995	$3.49

	1995	1994	% CHANGE
FOR THE YEAR (IN THOUSANDS)			
Net Income	$ 1,320	$ 1,245	6.02%
Net Interest Income	4,542	4,487	1.23%
YEAR END BALANCES (IN THOUSANDS)			
Total Assets	$113,118	$96,634	17.06%
Total Loans	71,458	64,217	11.28%
Total Deposits	100,046	84,978	17.73%
Total Equity	11,329	9,378	20.80%
PER SHARE DATA			
Earnings	$ 3.49	$ 3.26	7.06%
Book Value	$ 29.93	$ 24.78	20.78%
Cash Dividends	$ 0.68	$ 0.61	11.48%
RATIOS			
Return on Average Assets	1.29%	1.29%	0.00%
Return on Average Equity	12.83%	13.24%	-3.17%
Shareholders' Equity to Total Assets	10.01%	9.70%	3.20%

RETURN ON AVERAGE ASSETS
(before cumulative effect of accounting change)
[GRAPH GOES HERE]

1991	1.14%
1992	1.22%
1993	1.27%
1994	1.29%
1995	1.29%

TOTAL ASSETS
[GRAPH GOES HERE]

1991	$ 84.0
1992	$ 90.1
1993	$ 94.6
1994	$ 96.6
1995	$113.1

SOUTH BRANCH VALLEY BANCORP, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of significant items of income and expense presented in South Branch Valley Bancorp, Inc.'s, and its wholly owned subsidiary, South Branch Valley National Bank's statements of income for the three years ended December 31, 1995. Also presented are applicable discussions of changes in financial position together with analysis of the rate sensitivity of the components of the Company's statement of condition.

RESULTS OF OPERATIONS

Net income for the three years ended December 31, 1995, 1994, and 1993, was $1,320,000, $1,245,000, and $1,170,000 respectively. Return on average total assets for the year ended December 31, 1995 was 1.29% compared to 1.29% in 1994 and 1.27% in 1993. On a per share basis, net income was $3.49 in 1995 compared to $3.26 in 1994 and $3.06 in 1993. Dividends per share totaled $.68 in 1995 compared to $.61 in 1994 and $.48 per share in 1993.

NET INTEREST INCOME

The major component of the Company's net earnings is net interest income, which is the excess of interest earned on earning assets over the interest expense for sources of funds. Net interest income is affected by changes in volume, resulting from growth and alterations of the balance sheet's composition, as well as fluctuations in interest rates and maturities of sources and uses of funds. Bank management seeks to maximize net interest income through management of the balance sheet. This is accomplished by determining the optimal product mix with respect to yields on assets and costs of funds in light of projected economic conditions, while maintaining portfolio risk at an acceptable level.

Included in interest and fees on loans are loan fees earned of $180,000, $175,000, and $185,000 for the years ended December 31, 1995, 1994, and 1993, respectively.

Interest income on securities which are exempt from Federal tax typically provide a favorable impact on earnings through reduction of the Company's tax liability. Consequently, for purposes of this discussion, interest income on tax exempt securities has been adjusted to reflect the tax benefit derived, after consideration of nondeductible interest expense related to these obligations, assuming an effective tax rate of 34.0 percent for all the years presented. The tax equivalent adjustment results in an increase of $41,000 in interest income for 1995, $45,000 for 1994 and $66,000 for 1993.

Table I presents, for the periods indicated, the changes in interest income and expense attributable to (a) changes in volume (changes in volume multiplied by prior period rate) and (b) changes in rate (change in rate multiplied by prior period volume). Changes in interest income and expense attributable to both rate and volume have been allocated between the factors in proportion to the relationship of the absolute dollar amounts of the change in each. Net interest income on a fully tax equivalent basis, average balance sheet amounts, and corresponding average rates for the years 1993, 1994 and 1995 are presented in Table II.

Net interest income, as adjusted, totaled $4,583,000, $4,531,000 and $4,586,000 for the years ended December 31, 1995, 1994 and 1993, respectively. Net interest margin, which recognizes earning asset growth by expressing net interest income as a percentage of total average earning assets, decreased from 5.2% in 1993 to 4.9% in 1994 and to 4.7% in 1995. Depressed loan yields and increased interest expense resulting from a competitive local market continued to negatively impact the Company's net interest margin. In 1995, the Company's yield on interest earning assets declined 30 basis points, while the cost of interest bearing liabilities rose 70 basis points. See Table

II for a detailed analysis of the Company's net interest yield on earning assets.

The spread between interest earning assets and interest bearing liabilities could continue to contract, thus negatively impacting the Company's net interest income in 1996. See the "Liquidity and Interest Rate Sensitivity" section for further discussion of the impact of changes in market interest rates on the Company.

TABLE I: CHANGES IN INTEREST MARGIN DUE TO CHANGES IN RATE AND VOLUME
(IN THOUSANDS OF DOLLARS)

	1995 VERSUS 1994			1994 VERSUS 1993		
	INCREASE (DECREASE) DUE TO CHANGE IN:			INCREASE (DECREASE) DUE TO CHANGE IN:		
	VOLUME	RATE	TOTAL	VOLUME	RATE	TOTAL
INTEREST BEARING ASSETS						
Loans	$ 486	$ 309	$ 795	$ 576	$ (430)	$ 146
Securities						
Taxable	23	(1)	22	(8)	(129)	(137)
Tax-exempt	39	(33)	6	(50)	(30)	(80)
Total securities	62	(34)	28	(58)	(159)	(217)
Interest bearing deposits with other banks	9	(1)	8	(24)	(11)	(35)
Federal funds sold	(14)	20	6	(30)	15	(15)
Total interest earning assets	543	294	837	464	(585)	(121)
INTEREST BEARING LIABILITIES						
Interest bearing demand deposits	72	113	185	18	10	28
Savings deposits	(22)	34	12	2	(20)	(18)
Time deposits	152	397	549	56	(154)	(98)
Short-term borrowings	33	1	34	22	--	22
Long-term borrowings	5	--	5	--	--	--
Total interest bearing liabilities	240	545	785	98	(164)	(66)
Net interest income	$ 303	$ (251)	$ 52	$ 366	$ (421)	$ (55)

TABLE II: AVERAGE DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY, INTEREST EARNINGS & EXPENSES, AND AVERAGE RATES

(IN THOUSANDS OF DOLLARS)	1995 AVERAGE BALANCES	1995 EARNINGS/ EXPENSE	1995 YIELD/ RATE	1994 AVERAGE BALANCES	1994 EARNINGS/ EXPENSE	1994 YIELD/ RATE	1993 AVERAGE BALANCES	1993 EARNINGS/ EXPENSE	1993 YIELD/ RATE
ASSETS									
Interest earning assets:									
Loans, net of unearned interest	$ 66,148	$ 6,590	10.0%	$ 61,175	$ 5,795	9.5%	$ 55,283	$ 5,649	10.2%
Securities									
Taxable	26,059	1,651	6.3%	25,703	1,629	6.3%	25,814	1,766	6.8%
Tax-exempt	2,898	205	7.1%	2,390	199	8.3%	2,963	279	9.4%
Interest bearing deposits with other banks	1,997	137	6.9%	1,859	129	6.9%	2,194	164	7.5%
Federal Funds sold	756	49	6.5%	1,051	43	4.1%	1,883	58	3.1%
Total interest earning assets	97,858	8,632	8.8%	92,178	7,795	8.5%	88,137	7,916	9.0%
Noninterest earning assets:									
Cash & due from banks	2,157			2,694			2,685		
Bank premises & equipment	2,084			1,298			1,151		
Other assets	1,052			1,032			1,362		
Allowance for loan losses	(930)			(990)			(914)		
Total assets	$ 102,221			$ 96,212			$ 92,421		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest bearing liabilities:									
Interest bearing demand deposits	$ 17,825	$ 641	3.6%	$ 15,579	$ 456	2.9%	$ 14,957	$ 428	2.9%
Regular deposits	13,084	446	3.4%	13,757	434	3.2%	13,694	452	3.3%
Time deposits	51,492	2,901	5.6%	48,486	2,352	4.9%	47,380	2,450	5.2%
Short-term borrowings	910	56	6.2%	377	22	5.8%	9	--	3.2%
Long-term borrowings	85	5	5.9%	--	--	--	--	--	--
Total interest bearing liabilities	83,396	4,049	4.9%	78,199	3,264	4.2%	76,040	3,330	4.4%
Noninterest bearing liabilities & share-holders' equity									
Demand deposits	7,819			8,009			7,421		
Other liabilities	716			606			402		
Shareholders' equity	10,290			9,398			8,558		
Total liabilities & shareholders' equity	$ 102,221			$ 96,212			$ 92,421		
NET INTEREST EARNINGS		$ 4,583			$ 4,531			$ 4,586	
NET INTEREST YIELD ON EARNING ASSETS			4.7%			4.9%			5.2%

PROVISION FOR LOAN LOSSES

The provision for loan losses represents management's determination of the amount necessary to be charged against the current period's earnings in order to maintain the allowance for loan losses at a level which is considered adequate in relation to the estimated risk inherent in the loan portfolio. The provision for loan losses was $55,000, $120,000, and $205,000 for the years ended December 31, 1995, 1994, and 1993, respectively. Charge-offs, net of recoveries, for 1995 were $188,000 compared to $32,000 and $145,000 in 1994 and 1993. See the "Risk Elements" section for further discussion of the allowance for loan losses.

OTHER INCOME

The following table details the components of non-interest income earned by the Company for the years ended December 31, 1995, 1994 and 1993 in thousands of dollars, as well as the percentage increase (decrease) in each of the components over the prior year.

	(IN THOUSANDS OF DOLLARS)				
	1995		1994		1993
	AMOUNT	PERCENT CHANGE	AMOUNT	PERCENT CHANGE	AMOUNT
Insurance commissions	$ 110	(0.1%)	$ 111	88.1%	$ 59
Trust department income	5	(68.8%)	16	100.0%	8
Service fees	211	1.0%	209	28.2%	163
Securities gains (losses)	(1)	50.0%	(2)	(106.3%)	32
Gain (loss) on sales of other assets	--	100.0%	(21)	(170.0%)	30
Other	54	86.2%	29	(46.3%)	54
	$ 379	10.8%	$ 342	(1.2%)	$ 346

Non-interest income earned in 1995 increased $37,000 or 10.8%. A substantial portion of this increase is attributable to the Company having incurred $21,000 in losses on sales of foreclosed properties in 1994. Also contributing to this increase is a reduction in teller cash shortages and increased credit card merchant fees.

OTHER EXPENSES

The following table itemizes the primary components of non-interest expense in thousands of dollars for the three years ended December 31, 1995 by dollar amount and percentage variance from the preceding year.

	(IN THOUSANDS OF DOLLARS)				
	1995		1994		1993
	AMOUNT	PERCENT CHANGE	AMOUNT	PERCENT CHANGE	AMOUNT
Salaries and employee benefits	$ 1,557	7.5%	$ 1,448	(1.2%)	$ 1,465
Net occupancy expense of premises	127	7.6%	118	2.6%	115
Equipment rentals, depreciation and maintenance	162	3.2%	157	(21.1%)	199
Federal deposit insurance premiums	100	(51.2%)	205	(1.9%)	209
Other expense	920	5.6%	871	(0.8%)	878
	$ 2,866	2.4%	$ 2,799	(2.3%)	$ 2,866

Non-interest expense decreased $67,000 or 2.4% from 1994 to 1995. Salaries and employee benefits increased 7.5% from $1,448,000 in 1994 to $1,557,000 in 1995. Net occupancy expense of premises totaled $127,000 for 1995 as compared to $118,000 for 1994 for a 7.6% increase. Equipment rentals, depreciation and maintenance increased 3.2% from $157,000 in 1994 to $162,000 in 1995. Insurance premiums decreased approximately $105,000 or 51.2% from 1994 to 1995. This decrease was a result of the FDIC's reduction of the premiums for the best capitalized banks effective July 1, 1995 from 23 cents per $100 of deposits to 4 cents per $100 of deposits. With the new branch in Petersburg and the new addition just recently completed at the Moorefield main office, management expects increased non-interest expenses in 1996 being offset somewhat by the reduction in the FDIC insurance premiums.

INCOME TAX EXPENSE

Income tax expense (benefit) for the three years ended December 31, 1995, 1994, and 1993 totaled $680,000, $665,000, and $625,000, respectively. The differences resulted from growth in taxable income. See Note 10 of the Company's financial statement for further information relating to the Company's income taxes.

CHANGES IN FINANCIAL POSITION

Table III illustrates the average composition of major balance sheet classifications of the Company expressed in terms of dollar amounts and as a percentage of total assets for each of the three years ended December 31, 1995, 1994, 1993.

Total average assets for the year ended December 31, 1995 were $102,221,000, an increase of 6.2% over 1994's average of $96,212,000. Total average assets increased $3,791,000 or 4.1% from 1993 to 1994.

Total average interest earning assets, expressed as a percentage of total assets, decreased slightly to 95.7% for 1995 as compared to 95.8% for 1994 and 95.3% for 1993.

The Company's asset growth is funded primarily by growth in its customer deposit accounts. Average total deposits grew approximately 5.1% during 1995 which was consistent with the growth experienced by the Bank's primary market area and with management's goals of consistent, controlled deposit growth. See Table II for average deposit balances by type and their related interest expense. Also see Note 8 of the financial statements for a maturity distribution of certificates of deposit and Individual Retirement Accounts in denominations of $100,000 or more as of December 31, 1995.

LOAN PORTFOLIO

Total net loans averaged $66,148,000 in 1995 and comprised 64.7% of total average assets compared to $61,175,000 or 63.6% of total average assets during 1994. This increase in the dollar volume of loans is primarily attributable to a slightly increased loan demand experienced in 1995 as well as a more aggressive strategy taken by management to increase loan volume.

The following table depicts loan balances at December 31, 1995 and 1994 by types along with their respective percentage of total loan volume.

(IN THOUSANDS OF DOLLARS)	1995 AMOUNT	1995 PERCENT OF TOTAL	1994 AMOUNT	1994 PERCENT OF TOTAL
Commercial, financial, and agricultural	$ 18,875	26.4%	$17,833	27.7%
Real estate--mortgage	36,980	51.7%	33,315	51.9%
Real estate--construction	103	.2%	251	.4%
Installment loans to individuals (net of unearned interest)	14,957	20.9%	12,396	19.3%
Other	543	.8%	422	.7%
Total loans (net of unearned interest)	$ 71,548	100.0%	$ 64,217	100.0%
Less allowance for loan losses	860		993	
Loans, net	$ 70,598		$ 63,224	

See Note 5 to the consolidated financial statements for the Company's loan maturities as of December 31, 1995.

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities which are disclosed but not reflected in the accompanying financial statements. These commitments and contingent liabilities include various guarantees and commitments to extend credit and standby letters of credit. At December 31, 1995, 1994, and 1993, such commitments approximated $4,463,000, $3,445,000, and $3,552,000, respectively. The Bank does not anticipate any material losses as a result of these commitments.

Interest on installment loans is recognized using methods which approximate the simple interest method depending on the term of the loan and provisions of State law on the date the loan was originated. For commercial and real estate mortgage loans, interest income is computed using the simple interest method.

Certain loan fees and direct loan costs are recognized as income or expense when incurred, whereas Statement Number 91 of the Financial Accounting Standards Board requires that such fees and costs be deferred and amortized as adjustments of the related loan's yield over the contractual life of the loan. The effects of this departure from generally accepted accounting principles are not significant to the Company's consolidated financial statements.

RISK ELEMENTS

As more fully explained in Notes 1 and 6 of the financial statements, the Company adopted Statements of Financial Accounting Standards Nos. 114 and 118 (SFAS Nos. 114 and 118) "Accounting by Creditors for Impairment of a Loan" and "Accounting by Creditors for Impairment of a Loan--Income Recognition and Disclosure", respectively, effective January 1, 1995. Under SFAS Nos. 114 and 118, a loan is impaired when, based on current information and events, it is probable that all amounts due will not be collected in accordance with the contractual terms of the specific loan agreement. Impaired loans, other than certain large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, are reported at the present value of expected future cash flows discounted using the loan's original effective interest rate or, alternatively, at the loan's observable market price, or at the fair value of the loan's collateral if the loan is collateral dependent. The adoption of SFAS Nos. 114 and 118 did not significantly impact the Company's financial position or results of operations during 1995.

SOUTH BRANCH VALLEY BANCORP, INC. AND SUBSIDIARY

TABLE III: AVERAGE BALANCES (IN THOUSANDS OF DOLLARS)

	1995		1994		1993	
	AVERAGE BALANCES	PERCENT	AVERAGE BALANCES	PERCENT	AVERAGE BALANCES	PERCENT
ASSETS						
Interest earning assets:						
Loans, net of unearned interest	$ 66,148	64.7%	$ 61,175	63.6%	$ 55,283	59.8%
Securities						
Taxable	26,059	25.5%	25,703	26.7%	25,814	27.9%
Tax-exempt	2,898	2.8%	2,390	2.5%	2,963	3.2%
Total	28,957	28.3%	28,093	29.2%	28,777	31.1%
Interest bearing deposits with other banks	1,997	2.0%	1,859	1.9%	2,194	2.4%
Federal Funds sold	756	0.7%	1,051	1.1%	1,883	2.0%
Total interest earning assets	97,858	95.7%	92,178	95.8%	88,137	95.3%
Noninterest earning assets:						
Cash & due from banks	2,157	2.1%	2,694	2.8%	2,685	2.9%
Bank premises & equipment	2,084	2.1%	1,298	1.3%	1,151	1.3%
Other assets	1,052	1.0%	1,032	1.1%	1,362	1.5%
Allowance for loan losses	(930)	(0.9%)	(990)	(1.0%)	(914)	(1.0%)
Total assets	$ 102,221	100.0%	$ 96,212	100.0%	$ 92,421	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest bearing liabilities:						
Interest bearing demand deposits	$ 17,825	17.4%	$ 15,579	16.2%	$ 14,957	16.2%
Regular deposits	13,084	12.8%	13,757	14.3%	13,694	14.8%
Time deposits	51,492	50.4%	48,486	50.4%	47,380	51.3%
Short-term borrowings	910	0.9%	377	0.4%	9	--
Long-term borrowings	85	0.1%	--	--	--	--
	83,396	81.6%	78,199	81.3%	76,040	82.3%
Noninterest bearing liabilities:						
Demand deposits	7,819	7.6%	8,009	8.3%	7,421	8.0%
Other liabilities	716	0.7%	606	0.6%	402	0.4%
Total liabilities	91,931	89.9%	86,814	90.2%	83,863	90.7%
Shareholders' equity	10,290	10.1%	9,398	9.8%	8,558	9.3%
Total liabilities and shareholders' equity	$ 102,221	100.0%	$ 96,212	100.0%	$ 92,421	100.0%

The following table presents a summary of restructured or nonperforming loans for each of the three years ended December 31, 1995, 1994 and 1993.

	DECEMBER 31,		
	1995	1994	1993
	(IN THOUSANDS OF DOLLARS)		
Nonaccrual loans	$ 538	$ 675	$ 530
Accruing loans past due 90 days or more	260	585	19
Restructured loans	230	366	367
Total	$ 1,028	$ 1,626	$ 916
Percentage of total loans net of unearned interest	1.4%	2.5%	1.5%

If interest on non-accrual loans had been accrued, such income would have approximated $37,000, $6,000 and $41,000 for the years ended December 31, 1995, 1994 and 1993, respectively. Beginning in 1994, $622,000 of these non-accrual loans were reclassified as cash non- accrual and as interest was paid, it was taken into income. Interest income previously accrued on non-accrual loans and included as a part of the Company's interest income is not material.

The Company's subsidiary Bank, on a quarterly basis, performs a comprehensive loan evaluation which encompasses the identification of all potential problem credits which are included on an internally generated watch list. The identification of loans for inclusion on the watch list is facilitated through the use of various sources, including past due loan reports, previous internal and external loan evaluations, classified loans identified as part of regulatory agency loan reviews and reviews of new loans representative of current lending practices within the Bank. Once this list is reviewed to ensure it is complete, the credit review department reviews the specific loans for collectibility, performance and collateral protection. In addition, a grade is assigned to the individual loans utilizing internal grading criteria, which is somewhat similar to the criteria utilized by the Bank's primary regulatory agency. Based on the results of these reviews, specific reserves for potential losses are identified and the allowance for loan losses is adjusted appropriately. While there may be some loans or portions of loans identified as potential problem credits which are not specifically identified as either non-accrual or accruing loans past due 90 or more days, they are considered by management to be insignificant to the overall disclosure and are, therefore, not specifically quantified within the Management's Discussion and Analysis.

In addition, management feels these additional loans do not represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity or capital resources, nor do they represent material credits about which management is aware of any information which would cause the borrowers to not comply with the loan repayment terms.

Specific reserves are allocated to the non-performing loans based on the quarterly evaluation of expected loan loss reserve requirements as determined by Bank management. In addition, a portion of the reserve is determined through the use of loan loss experience factors which do not provide for identification of specific potential problem loans. As noted above, some of the loans, which are not deemed significant, are included in the watch list of potential problem loans and have specific reserves allocated to them.

At December 31, 1995, the Company's allowance for loan loss was $860,000 or 1.2% of total loans compared to $993,000 or 1.6% at December 31, 1994.

TABLE IV: ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES (IN THOUSANDS OF DOLLARS)

	1995		1994		1993	
	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS
Commercial, financial, and agricultural	$ 221	26.4%	$ 364	27.7%	$ 301	19.6%
Real estate	355	51.9%	488	52.3%	475	63.6%
Installment	229	20.9%	138	19.3%	126	16.1%
Other	5	0.8%	3	0.7%	3	0.7%
	$ 810	100.0%	$ 993	100.0%	$ 905	100.0%

At December 31, 1995, the Company had approximately $40,000 in other real estate owned which was obtained as the result of foreclosure proceedings. Management does not anticipate any material losses on any of the properties currently held in other real estate.

LOAN CONCENTRATIONS

The Company's subsidiary bank grants commercial, residential and consumer loans to customers primarily located in Hardy, Grant, Hampshire and Pendleton Counties of West Virginia. Although the Bank strives to maintain a diverse loan portfolio, a substantial portion of its debtors' ability to honor their contracts is indirectly dependent upon the poultry industry.

As of December 31, 1995 and 1994, the Bank had direct extensions of credit used to build and operate poultry houses totaling approximately $5,873,000 and $6,835,000, respectively. These loans are generally structured to be repaid over periods ranging from 15 to 20 years, however, most also contain balloon provisions which serve to require each loan's renewal every 1 to 5 years or are written with an adjustable interest rate feature. The security for these loans generally consists of liens on the land, buildings and equipment associated with each poultry house.

The Bank evaluates the credit worthiness of each of its customers on a case-by-case basis and the amount of collateral it obtains is based upon management's credit evaluation. Although, by definition, loan concentrations are more susceptible to deteriorating economic conditions affecting the specific areas and industries to which the concentrations are tied, the Company does not, as of this writing, anticipate losses in this identified area that would be materially different from the losses experienced in the loan portfolio taken as a whole.

SECURITIES

Effective January 1, 1994, the Bank adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115). Under SFAS NO. 115, management determines the appropriate classification of debt and equity securities at the time of purchase and re-evaluates such classifications as of each reporting date. Debt securities are classified as held to maturity when the bank has the positive intent and ability to hold the securities to maturity. Securities classified as held to maturity are carried at amortized cost. Debt securities not classified as held to maturity and marketable equity securities are classified as available for sale. Securities available for sale are carried at fair value with unrealized gains and losses reported as a separate component of equity, net of income taxes. The Bank does not have a trading account.

In 1995, the Company reassessed the classifications of its securities and transferred $3.4 million (at amortized cost) of securities from held to maturity to available for sale as permitted by the Financial Accounting Standards Board's Special Report "A Guide to Implementation of Statement

115 on Accounting for Certain Investments in Debt and Equity Securities". See Note 4 of the financial Statement for additional details regarding this transfer)

At December 31, 1995, the fair value of the Bank's available for sale portfolio totaled $31,480,580, which was 101.8% of the amortized cost. The increase in fair value of the portfolio during 1995 is attributed to the significant decrease in interest rates in the economy during the same period. See Note 4 of the accompanying financial statements for details of amortized cost, the fair values, unrealized gains and losses as well as the security classifications by type. Available for sale securities comprised approximately 27.8% of total assets at December 31, 1995.

At December 31, 1995, the Bank did not own securities of any one issuer that exceeded ten percent of shareholders' equity. The maturity distribution of the securities portfolio (excluding equity securities) at December 31, 1995, together with the weighted average yields for each range of maturity are summarized in Table V. The stated average yields are actual yields and are not stated on a tax equivalent basis.

TABLE V: INVESTMENT SECURITY MATURITY ANALYSIS (IN THOUSANDS OF DOLLARS)

SECURITIES AVAILABLE FOR SALE	WITHIN ONE YEAR		AFTER ONE BUT WITHIN FIVE YEARS		AFTER FIVE BUT WITHIN TEN YEARS		AFTER TEN YEARS	
	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD
U.S. Treasury securities	$ 1,508	6.49%	$ 6,323	5.87%	$ - -	- -	$ - -	- -
U.S. Government agencies and corporations	1,166	5.88%	10,210	6.45%	3,491	6.97%	1,680	7.07%
Mortgage backed securities:								
U.S. Government agencies and corporations	139	7.52%	1,081	6.82%	1,116	6.80%	45	8.31%
State and political subdivisions	477	6.76%	750	5.48%	1,983	5.12%	115	7.35%
Other	- -	- -	498	6.23%	- -	- -	- -	- -
Total	$ 3,290	6.36%	$ 18,862	6.23%	$ 6,590	6.38%	$ 1,840	7.12%

SHORT-TERM BORROWINGS

The Bank has a line of credit from the Federal Home Loan Bank of Pittsburgh. Management uses this line to make additional funds available at competitive rates. Funds acquired through this program are reflected on the consolidated balance sheet as short-term borrowings.

The Federal Home Loan Bank borrowings is a product known as Flexline. It is a line of credit limited to 10% of the Bank's assets and is subject to annual renewals that are effective the first business day of the new year. The line bears interest at the Bank's overnight cost of funds rate, and may be paid off at any time without prepayment penalty. The Bank's borrowing rate is subject to change daily. The line of credit is secured by a blanket lien on all unpledged and unencumbered assets of the Bank.

The following summarizes the Company's short-term borrowings, consisting of Federal funds purchased and borrowings from the Federal Reserve and the Federal Home Loan Bank, for the years ended December 31, 1995 and 1994.

	1995	1994
Amount outstanding at end of period	$ - -	$ 1,700,000
Interest rate at end of year	- -	6.6%
Maximum month-end amount outstanding	$ 2,000,000	$ 1,700,000
Average amount outstanding during the year	$ 910,000	$ 376,707
Weighted average interest rate for the year	6.2%	5.8%

LONG-TERM BORROWINGS

In November 1995, the Bank obtained from the Federal Home Loan Bank of Pittsburgh a long term fixed rate loan in the amount of $250,000 with an interest rate of 6.04 percent. In December 1995, the Bank applied for and received an additional $500,000 at an interest rate of 5.96 percent. These loans mature in seven years with interest payable monthly. Funds acquired through this program are reflected on the consolidated balance sheet as long-term borrowings. These funds are part of the Federal Home Loan Bank's Community Investment Program. The Bank used these funds to fund fixed rate, long term mortgage loans.

LIQUIDITY

Liquidity in commercial banking can be defined as the ability to satisfy customer loan demand and meet deposit withdrawals while maximizing net interest income. The Company's primary sources of funds are deposits and principal and interest payments on loans. Additional funds are provided by maturing securities. The Bank uses ratio analysis to monitor the changes in its sources and uses of funds so that an adequate liquidity position is maintained. At December 31, 1995, cash , due from banks and Federal funds sold totaled approximately $4,353,000 or 3.8% of total assets. Additionally, securities and interest bearing deposits with other banks maturing within one year approximated $3,872,000 or 3.4% of total assets. Management believes that the liquidity of the Company is adequate and foresees no demands or conditions that would adversely affect it.

ASSET/LIABILITY MANAGEMENT

The principal objective of asset/liability management is to minimize interest rate risk, which is the vulnerability of the Company's net interest income to changes in interest rates and manage the ratio of interest rate sensitive assets to interest rate sensitive liabilities within specified maturities or repricing dates. The Company's actions in this regard are taken under the guidance of the Subsidiary Bank's Asset/Liability Management Committee, which is comprised of members of the Bank's senior management and members of the Board of Directors. The Bank's Asset/Liability Management Committee is actively involved in formulating the economic assumptions that the Bank uses in its financial planning and budgeting process and establishes policies which control and monitor the Bank's sources, uses and prices of funds.

Some amount of interest rate risk is inherent and appropriate to the banking business. Several techniques are available to monitor and control the level of interest rate risk. The Bank regularly performs modeling to project the potential impact of future interest rate scenarios on net interest income. Through such simulation analysis, interest rate risk is maintained within established policy limits. Based upon the present mix of assets and liabilities and management's assumptions with respect to growth and repricing, variation in the Bank's net interest income in 1996 is anticipated to remain within these policy limits given a 200 basis point increase or decrease in market interest rates.

Another means of analyzing an institution's interest rate risk is by monitoring its interest rate sensitivity "gaps". An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity "gap" is defined as the difference between interest earning assets and interest bearing liabilities maturing or repricing within a given time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds interest rate sensitive assets. During a period of falling interest rates, a positive gap would tend to adversely affect net interest income, while a negative gap would tend to result in an increase in net interest income. During a period of rising interest rates, a positive gap would tend to result in an increase in net interest income while a negative gap would tend to affect net interest income adversely.

Table VI below sets forth at December 31, 1995 the Company's interest rate sensitivity gaps within the one year time horizon computed based upon contractual repricings and maturities. As presented in the table, the Company has a one year cumulative negative interest sensitivity gap of $38.0 million (or 36% of total earning assets). However, included within the one year time period are $35.6 million of interest bearing demand and savings deposits which on a contractual basis are immediately repriceable. However, the actual repricing of these deposits tends to lag well behind movements in market interest rates. Accordingly, the sensitivity of such core deposits to changes in market interest rate may differ significantly from their contractual terms. If interest bearing demand and savings deposits are assumed to reprice beyond the one year time horizon, the Company's one year cumulative interest rate sensitivity gap at December 31, 1995 would be a negative $2.2 million or just 2.1% of interest earning assets.

TABLE VI: ASSET & LIABILITY RATE SENSITIVITY ANALYSIS, DECEMBER 31, 1995
(IN THOUSANDS OF DOLLARS)

	MATURING OR REPRICING WITHIN			
	0-90 DAYS	91-180 DAYS	181-365 DAYS	TOTAL 1 YEAR
Interest Earning Assets:				
Loans	$ 10,819	$ 9,036	$ 7,440	$ 27,295
Taxable Securities	0	754	2,059	2,813
Tax Exempt Securities	0	300	177	477
Other	90	96	396	582
Total Earning Assets	$ 10,909	$ 10,186	$ 10,072	$ 31,167
Interest Bearing Liabilities:				
Certificates of Deposit	$ 10,068	$ 10,362	$ 12,964	$ 33,394
Savings Deposits	15,731	- -	- -	15,731
Interest Bearing Demand Deposits	20,028	- -	- -	20,028
	$ 45,827	$ 10,362	$ 12,964	$ 69,153
Static Interest Sensitivity Gap	$(34,918)	$ (176)	$ (2,892)	$ (37,986)
Cumulative Gap	$ (34,918)	$ (35,094)	$(37,986)	
Gap/Total Earning Assets				(35.7%)
Gap/Total Earning Assets (excluding savings & demand deposits)				(2.1%)

NOTE: Although this schedule shows a net liability sensitive position during a one year time horizon of $38 million (or 35.7% of earning assets), savings accounts and interest bearing demand deposits will not necessarily immediately reprice as interest rates fluctuate. If these accounts are excluded from the calculation, the Company is in a net asset sensitive position of $2 million or 2.1% of interest earning assets.

CAPITAL RESOURCES

The capital position of South Branch Valley Bancorp, Inc. has shown consistent improvement during the past three years. Stated as a percentage of total assets, the Company's equity ratio was 10.0%, 9.7%, and 9.6% at December 31, 1995, 1994 and 1993, respectively. These increases can be attributed to a strong earnings base during the past three years combined with controlled asset growth. The Company's subsidiary bank's risk weighted Tier I, total, and leverage capital ratios were approximately 14.0%, 15.2% and 9.2%, respectively, at December 31, 1995 and are well within Federal regulatory guidelines.

Management has established an objective to maintain a minimum 8.0% rate of internal capital growth as a primary means of ensuring capital adequacy within regulatory guidelines. The percent of return on average equity multiplied by the percent of earnings retained equals the internal capital growth rate percentage. The following table illustrates this relationship.

RELATIONSHIP BETWEEN SIGNIFICANT
FINANCIAL RATIOS

	1995	1994	1993
Return on average equity times	12.8%	13.3%	13.7%
Earnings retained equals	80.5%	81.4%	84.3%
Internal capital growth rate	10.3%	10.8%	11.5%

Cash dividends rose 11.5% to $.68 in 1995. It is the intention of management and the Board of Directors to continue to pay dividends on the same schedule during 1996. However, future cash dividends will depend on the earnings, financial condition and the business of the Bank as well as general economic conditions; however, management is not presently aware of any reason dividend payments should not continue.

Dividends paid by the Bank are subject to restrictions by banking regulations. The most restrictive provision requires approval by the regulatory agency if dividends declared in any year exceed the year's net income, as defined, plus the retained net profits of the two preceding years. During 1996, the net retained profits available for distribution to South Branch Valley Bancorp as dividends without regulatory approval are approximately $1,862,000, plus net income of the interim periods through the date of declaration.

RETURN ON EQUITY AND ASSETS

The following table summarizes ratios considered to be significant indicators of the Company's profitability and financial condition for the three years ended December 31, 1995.

	1995	1994	1993
Return on average assets	1.29%	1.29%	1.27%
Return on average equity	12.83%	13.24%	13.67%
Dividend pay-out ratio	19.50%	18.65%	15.69%
Equity to assets ratio	10.01%	9.70%	9.60%

EFFECTS OF CHANGING PRICES

The results of operations and the financial condition of the Company has been presented based on historical cost, unadjusted for the effects of inflation.

Virtually all of the Company's assets and liabilities are monetary in nature. Only a relatively small portion of the Company's assets, such as premises and equipment, are not monetary in nature. Consequently, most of the Company's assets are repriced to reflect the effects of inflation on a more frequent basis than non-banking industries.

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
South Branch Valley Bancorp,Inc.
Moorefield, West Virginia

We have audited the accompanying consolidated balance sheets of South Branch Valley Bancorp, Inc., and subsidiary as of December 31, 1995 and 1994, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 1995, 1994 and 1993. These consolidated financial statements are the responsibility of the Company'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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit 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 consolidated 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 South Branch Valley Bancorp, Inc., and subsidiary as of December 31, 1995 and 1994, and the results of their operations and cash flows for the years ended December 31, 1995, 1994 and 1993, in conformity with generally accepted accounting principles.

ARNETT & FOSTER

/s/ ARNETT & FOSTER

Charleston, West Virginia
January 12, 1996

SOUTH BRANCH VALLEY BANCORP, INC., AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1995 AND 1994

	1995	1994
ASSETS		
Cash and due from banks	$ 2,191,647	$ 2,152,919
Interest bearing deposits with other banks	2,134,919	1,733,700
Federal funds sold	2,161,745	- -
Securities held to maturity (estimated fair value 1994 $3,105,322)	- -	3,165,939
Securities available for sale	31,480,580	23,388,488
Loans, less allowance for loan losses of $859,681 and $993,023, respectively	70,598,398	63,224,441
Bank premises and equipment, net	3,180,351	1,587,965
Accrued interest receivable	983,841	883,058
Other assets	386,377	497,810
TOTAL ASSETS	$ 113,117,858	$ 96,634,320

	1995	1994
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Non interest bearing	$ 7,832,774	$ 8,047,012
Interest bearing	92,213,562	76,930,853
Total deposits	100,046,336	84,977,865
Short-term borrowings	- -	1,700,000
Long-term borrowings	750,000	- -
Other liabilities	992,862	578,315
Total liabilities	101,789,198	87,256,180
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Common stock, $2.50 par value, authorized 600,000 shares, issued 382,625	956,562	956,562
Capital surplus	685,534	685,534
Retained earnings	9,512,884	8,450,114
Less cost of shares acquired for the treasury 1995 and 1994, 4,115 shares	(166,970)	(166,970)
Net unrealized gain (loss) on securities	340,650	(547,100)
Total shareholders' equity	11,328,660	9,378,140
Total liabilities and shareholders' equity	$ 113,117,858	$ 96,634,320

See Notes to Consolidated Financial Statements

South Branch Valley Bancorp, Inc., and Subsidiary

Consolidated Statements of Income
For The Years Ended December 31, 1995, 1994 and 1993

	1995	1994	1993
Interest income			
Interest and fees on loans	$ 6,589,530	$ 5,795,517	$ 5,649,599
Interest and dividends on securities:			
Taxable	1,650,905	1,629,643	1,765,952
Tax-exempt	164,410	153,951	212,677
Interest on interest bearing deposits with other banks	136,696	128,561	164,323
Interest on Federal funds sold	49,297	43,322	57,546
Total interest income	8,590,838	7,750,994	7,850,097
Interest expense			
Interest on deposits	3,987,850	3,242,307	3,329,503
Interest on short-term borrowings	55,994	21,772	296
Interest on long-term borrowings	5,095	--	--
Total interest expense	4,048,939	3,264,079	3,329,799
Net interest income	4,541,899	4,486,915	4,520,298
Provision for loan losses	55,000	120,000	205,000
Net interest income after provision for loan losses	4,486,899	4,366,915	4,315,298
Other income (expense)			
Insurance commissions	110,352	111,140	59,145
Trust department income	5,052	16,218	8,008
Service fees	211,379	208,439	163,355
Securities gains (losses)	(1,546)	(1,607)	32,482
Gain (loss) on sales of other assets	277	(21,391)	29,490
Other	53,481	29,114	53,652
Total other income	378,995	341,913	346,132
Other expenses			
Salaries and employee benefits	1,557,108	1,447,838	1,465,481
Net occupancy expense	126,315	118,479	114,725
Equipment rentals, depreciation and maintenance	162,277	157,315	199,051
Federal deposit insurance premiums	100,174	204,642	209,315
Other	920,188	871,162	877,513
Total other expenses	2,866,062	2,799,436	2,866,085
Income before income tax expense	1,999,832	1,909,392	1,795,345
Income tax expense	679,676	664,802	625,059
Net income	$ 1,320,156	$ 1,244,590	$ 1,170,286
Earnings per common share	$ 3.49	$ 3.26	$ 3.06
Average common shares outstanding	378,510	381,218	382,625

See Notes to Consolidated Financial Statements

South Branch Valley Bancorp, Inc., and Subsidiary

Consolidated Statements of Shareholders' Equity
For The Years Ended December 31, 1995, 1994 and 1993

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Net Unrealized Gain (Loss) on Securities
Balance, December 31, 1992	$ 956,562	$ 685,534	$ 6,451,024	$ - -	$ - -
Net income	- -	- -	1,170,286	- -	- -
Cash dividends declared on common stock ($.48 per share)	- -	- -	(183,660)	- -	- -
Balance, December 31, 1993	956,562	685,534	7,437,650	- -	- -
Net income	- -	- -	1,244,590	- -	- -
Cost of 4,115 shares acquired for the treasury	- -	- -	- -	(166,970)	- -
Cash dividends declared on common stock ($.61 per share)	- -	- -	(232,126)	- -	- -
Net unrealized gain (loss) on securities upon adoption of SFAS No. 115	- -	- -	- -	- -	431,220
Change in net unrealized gain (loss) on securities	- -	- -	- -	- -	(978,320)
Balance, December 31, 1994	956,562	685,534	8,450,114	(166,970)	(547,100)
Net income	- -	- -	1,320,156	- -	- -
Cash dividends declared on common stock ($.68 per share)	- -	- -	(257,386)	- -	- -
Change in net unrealized gain (loss) on securities	- -	- -	- -	- -	887,750
Balance, December 31, 1995	$ 956,562	$ 685,534	$ 9,512,884	$ (166,970)	$ 340,650

See Notes to Consolidated Financial Statements

South Branch Valley Bancorp, Inc., and Subsidiary

Consolidated Statements of Cash Flows
For The Years Ended December 31, 1995, 1994 and 1993

	1995	1994	1993
Cash Flows from Operating Activities			
Net Income	$ 1,320,156	$ 1,244,590	$ 1,170,286
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	154,338	133,833	139,466
Provision for loan losses	55,000	120,000	205,000
Security (gains) losses	1,546	1,607	(32,482)
(Gain) loss on sale of other assets	- -	21,391	(29,490)
Deferred income tax expense (benefit)	22,802	(8,259)	63,138
(Increase) decrease in accrued interest receivable	(96,329)	(61,855)	30,110
Amortization of security premiums and (accretion of discounts) net	88,705	124,215	89,615
(Increase) decrease in other assets	(82,702)	52,515	30,077
Increase (decrease) in other liabilities	146,024	59,920	52,168
Net cash provided by operating activities	1,609,540	1,687,957	1,717,888
Cash Flows from Investing Activities			
(Purchase of) proceeds from interest bearing deposits with other banks, net	(401,219)	575,800	(211,186)
Proceeds from maturities and calls of securities held to maturity	100,000	590,000	3,383,818
Proceeds from maturities and calls of securities available for sale	5,345,000	3,075,000	- -
Proceeds from sales of securities available for sale	2,030,688	3,008,437	- -
Proceeds from sales of securities	- -	- -	985,373
Principal payments received on securities held to maturity	313,701	1,038,080	1,710,553
Principal payments received on securities available for sale	170,994	132,666	- -
Purchases of securities held to maturity	(615,569)	(248,703)	(6,317,205)
Purchases of securities available for sale	(10,917,720)	(6,839,992)	- -
(Increase) decrease in Federal funds sold	(2,161,745)	525,000	2,325,000
Loans made to customers, net	(6,147,361)	(4,810,871)	(7,362,304)
Purchases of Bank premises and equipment	(1,427,803)	(616,751)	(49,468)
Net cash acquired in purchase of Petersburg Branch	3,400,973	- -	- -
Proceeds from sales of other assets	- -	139,500	285,500
Net cash (used in) investing activities	(10,310,061)	(3,431,834)	(5,249,919)
Cash Flows from Financing Activities			
Net increase in demand deposit, NOW and savings accounts	4,987,833	1,010,167	688,729
Proceeds from sales of (payments for matured) time deposits, net	4,958,802	(1,023,399)	2,753,928
Net increase (decrease) in short-term borrowings	(1,700,000)	1,700,000	- -
Proceeds from long-term borrowings	750,000	- -	- -
Purchase of treasury stock	- -	(166,970)	- -
Dividends paid	(257,386)	(232,126)	(183,660)
Net cash provided by financing activities	8,739,249	1,287,672	3,258,997
Increase (decrease) in cash and due from banks	38,728	(456,205)	(273,034)
Cash and due from banks:			
Beginning	2,152,919	2,609,124	2,882,158
Ending	$ 2,191,647	$ 2,152,919	$ 2,609,124
Supplemental Disclosures of Cash Flow Information			
Cash payments for:			
Interest, net of interest capitalized during construction	$ 3,943,067	$ 3,219,912	$ 3,362,873
Income taxes	$ 759,002	$ 605,411	$ 497,047
Supplemental Schedule of Noncash Investing and Financing Activities			
Other real estate acquired in settlement of loans	$ 17,905	$ 38,800	$ 10,500
Acquisition of Petersburg Branch:			
Net cash acquired in purchase	$ 3,400,973	$ - -	$ - -
Fair value of assets acquired, net of cash and cash equivalents (principally loans)	$ 1,738,987	$ - -	$ - -
Deposits and other liabilities assumed	(5,139,960)	- -	- -
	$ (3,400,973)	$ - -	$ - -

See Notes to Consolidated Financial Statements

South Branch Valley Bancorp, Inc., and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of South Branch Valley Bancorp, Inc., and its subsidiary conform to generally accepted accounting principles and to general practices within the banking industry. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of the Company's more significant accounting policies.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of South Branch Valley Bancorp, Inc., and its subsidiary, South Branch Valley National Bank, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Presentation of cash flows: For purposes of reporting cash flows, cash and due from banks includes cash on hand and amounts due from banks (including cash items in process of clearing). Cash flows from demand deposits, NOW accounts, savings accounts and Federal funds purchased and sold are reported net since their original maturities are less than three months. Cash flows from loans and certificates of deposit and other time deposits are reported net.

Securities: Effective January 1, 1994, the Bank adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115). Under SFAS No. 115, securities are classified as "held to maturity", "available for sale" or "trading." The appropriate classification is determined at the time of purchase of each security and re-evaluated at each reporting date.

Securities held to maturity--Debt securities for which the bank has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized using the interest method. Securities available for sale--Securities not classified as "held to maturity" or as "trading" are classified as "available for sale." Securities classified as "available for sale" are those securities the Bank intends to hold for an indefinite period of time, but not necessarily to maturity. "Available for sale" securities are reported at estimated fair value net of unrealized gains or losses, which are adjusted for applicable income taxes, and reported as a separate component of shareholders' equity.

Trading securities--There are no securities classified as "trading" in the accompanying financial statements.

Realized gains and losses on sales of securities are recognized on the specific identification method. Amortization of premiums and accretion of discounts are computed using the interest method.

Loans and allowance for loan losses: Loans are stated at the amount of unpaid principal, reduced by unearned discount and an allowance for loan losses.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs. The Bank makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, review of specific problem loans and other factors in determining the adequacy of the allowance for loan losses.

Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely.

Unearned interest on discounted loans is amortized to income over the life of the loans, using methods which approximate the interest method. For all other loans, interest is accrued daily on the outstanding balances.

In 1995, the subsidiary bank adopted Statements of Financial Accounting Standards Nos. 114 and 118 (SFAS Nos. 114 and 118) "Accounting by Creditors for Impairment of a Loan" and "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosure," respectively. Under SFAS Nos. 114 and 118, a loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due in accordance with the contractual terms of the specific loan agreement. Impaired loans, other than certain large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment, are required to be reported at the present value of expected future cash flows discounted using the loan's original effective interest rate or, alternatively, at the loan's observable market price, or at the fair value of the loan's collateral if the loan is collateral dependent. The method selected to measure impairment is made on a loan-by-loan basis, unless foreclosure is deemed to be probable, in which case the fair value of the collateral method is used. The implementation of SFAS Nos. 114 and 118 did not have a significant impact on the accompanying financial statements. Generally, after management's evaluation, loans are placed on nonaccrual status when principal or interest is greater than 90 days past due based upon the loan's contractual terms.

Interest is accrued daily on impaired loans unless the loan is placed on non-accrual status. Impaired loans are placed on non-accrual status when the payments of principal and interest are in default for a period of 90 days, unless the loan is both well-secured and in the process of collection. Interest on non-accrual loans is recognized primarily using the cost-recovery method.

Certain loan fees and direct loan costs are recognized as income or expense when incurred. Whereas, Statement Number 91 of the Financial Accounting Standards Board requires that such fees and costs be deferred and amortized as adjustments of the related loan's yield over the contractual life of the loan. The Bank's method of recognition of loan fees and direct loan costs produces results which are not materially different from those that would be recognized had Statement Number 91 been adopted.

Bank premises and equipment: Bank premises and equipment are stated at cost less
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accumulated depreciation. Depreciation is computed primarily by the straight-line method for bank premises and equipment over the estimated useful lives of the assets. Repairs and maintenance expenditures are charged to operating expenses as incurred. Major improvements and additions to premises and equipment, including construction period interest costs, are capitalized. Interest capitalized during 1995 totaled $26,921. No interest was capitalized during 1994 and 1993.

Other real estate: Other real estate consists primarily of real estate held for
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resale which was acquired through foreclosure on loans secured by such real estate. At the time of acquisition, these properties are recorded at the lower of cost or appraised market value with any writedown being charged to the allowance for loan losses. Expenses incurred in connection with operating these properties are charged to operating expenses. Gains and losses on the sales of these properties are credited or charged to operating income in the year of the transactions.

Other real estate acquired through foreclosure with carrying values of $40,355 and $22,451, at December 31, 1995 and 1994, respectively, is included in other assets in the accompanying consolidated balance sheets.

Income taxes: The provision for income taxes includes Federal and state income
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taxes and is

based on pretax net income reported in the consolidated financial statements, adjusted for transactions that may never enter into the computation of income taxes payable. Deferred tax assets and liabilities are based on the differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Valuation allowances are established when deemed necessary to reduce deferred tax assets to the amount expected to be realized.

Earnings per share: Earnings per common share are computed based upon the weighted average shares outstanding. The weighted average number of shares outstanding was 378,510, 381,218 and 382,625 for the years ended December 31, 1995, 1994 and 1993, respectively.

Employee benefits: The Company has a profit-sharing and thrift plan and an employee stock ownership plan (ESOP) which cover substantially all employees. The amount of the contributions to the plans are at the discretion of the Company's Board of Directors.

Trust department: Assets held in an agency or fiduciary capacity by the subsidiary bank's Trust Department are not assets of the subsidiary bank and are not included in the accompanying consolidated balance sheets. Trust Department income is recognized on the cash basis in accordance with customary banking practice. Reporting such income on a cash basis rather than the accrual basis does not have a material affect on net income.

Reclassifications: Certain accounts in the consolidated financial statements for 1994 and 1993, as previously presented, have been reclassified to conform to current year classifications.

NOTE 2. ACQUISITION OF PETERSBURG BRANCH

On November 15, 1995, the Bank acquired a branch bank located in Petersburg, West Virginia from an unaffiliated institution. In connection with this acquisition, the Bank acquired the branch's assets including its land, banking facility, equipment and loans and assumed its deposit liabilities. The acquisition was accounted for as a purchase and the results of operations of the Petersburg branch since the date of its acquisition are included in the accompanying consolidated financial statements. The branch's purchase price and the related excess of the purchase price over the fair value of the net assets acquired was not significant.

NOTE 3. CASH CONCENTRATION

At December 31, 1995, the subsidiary bank had a concentration totaling $3,147,431 with NationsBank, consisting of a due from balance and Federal funds sold. At December 31, 1994, the subsidiary bank had no such concentrations.

NOTE 4. SECURITIES

During 1995, concurrent with the adoption of the Special Report "A Guide to Implementation of Statement 115 on Accounting for Certain Investments in Debt and Equity Securities" issued by the Financial Accounting Standards Board, the subsidiary bank reassessed the classifications of its securities and transferred securities with amortized cost of $3,358,274 and estimated fair value of $3,410,711 from the held to maturity category to the available for sale category. Accordingly, shareholders' equity was increased $32,410, net of deferred income taxes of $20,027, to reflect the net unrealized holding gain on such securities. This reclassification did not have an impact on the accompanying statements of income.

In connection with the adoption of SFAS No. 115, certain securities totaling $23,716,501 (at amortized cost) were classified as available for sale. Accordingly, shareholders' equity at January 1, 1994, was increased $431,220, net of income taxes of $269,950, to reflect the net unrealized holding gains of such securities. The adoption of SFAS No. 115 had no impact on the accompanying statements of income.

The amortized cost, unrealized gains and losses, and estimated fair values of securities at December 31, 1995 and 1994, are summarized as follows:

	1995			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value (Estimated Fair Value)
Available for sale:				
Taxable:				
U.S. Treasury Securities	$ 7,830,447	$115,362	$ 11,594	$ 7,934,215
U.S. Government agencies and corporations	14,866,575	296,026	19,554	15,143,047
Small Business Administration guaranteed loan participation certificates	1,680,257	33,838	- -	1,714,095
Mortgage-backed securities - U.S. Government agencies and corporations	2,381,926	24,146	5,637	2,400,435
Corporate debt securities	497,930	9,951	227	507,654
Federal Reserve Bank stock	44,300	- -	- -	44,300
Federal Home Loan Bank stock	289,900	- -	- -	289,900
Other equity securities	6,625	- -	- -	6,625
Total taxable	27,597,960	479,323	37,012	28,040,271
Tax-Exempt:				
State and political subdivisions	3,324,621	116,183	4,595	3,436,209
Federal Reserve Bank stock	4,100	- -	- -	4,100
Total tax-exempt	3,328,721	116,183	4,595	3,440,309
Total	$30,926,681	$595,506	$ 41,607	$31,480,580

	1994			
	Carrying Value (Amortized Cost)	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Held to maturity:				
Taxable:				
Mortgage-backed securities--U.S. Government agencies and corporations	$ 2,062,764	$ 10,589	$ 78,216	$ 1,995,137
Tax-exempt:				
State and political subdivisions	1,103,175	11,801	4,791	1,110,185
Total	$ 3,165,939	$ 22,390	$ 83,007	$ 3,105,322

	1994			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Carrying Value (Estimated Fair Value)
Available for sale:				
Taxable:				
U.S. Treasury Securities	$ 8,628,089	$ 12,137	$319,219	$ 8,321,007
U.S. Government agencies and corporations	12,154,221	21,560	458,480	11,717,301
Mortgage-backed securities--U.S. Government agencies and corporations	804,134	- -	77,211	726,923
Corporate debt securities	1,047,574	3,381	25,256	1,025,699
Federal Reserve Bank stock	44,300	- -	- -	44,300
Federal Home Loan Bank stock	283,800	- -	- -	283,800
Other equity securities	6,625	- -	- -	6,625
Total taxable	22,968,743	37,078	880,166	22,125,655
Tax-Exempt:				
State and political subdivisions	1,305,239	13,262	59,768	1,258,733
Federal Reserve Bank stock	4,100	- -	- -	4,100
Total tax-exempt	1,309,339	13,262	59,768	1,262,833
Total	$24,278,082	$ 50,340	$939,934	$23,388,488

Mortgage-backed obligations of U.S. Government agencies and corporations and Small Business Administration guaranteed loan participation certificates are included in securities at December 31, 1995. These obligations, having contractual maturities ranging from 1 to 24 years, are reflected in the following maturity distribution schedules based on their anticipated average life to maturity, which ranges from 1 to 9 years. Accordingly, discounts are accreted and premiums are amortized over the anticipated average life to maturity of the specific obligation.

The maturities, amortized cost and estimated fair values of securities at December 31, 1995, are summarized as follows:

	Available for sale	
	Amortized Cost	Carrying Value (Estimated Fair Value)
Due in one year or less	$ 6,337,347	$ 6,467,162
Due from one to five years	20,006,024	20,359,557
Due from five to ten years	4,238,385	4,308,936
Due after ten years	- -	- -
Equity securities	344,925	344,925
Total	$30,926,681	$31,480,580

The proceeds from sales, calls, maturities of securities and principal payments received on mortgage-backed obligations and the related gross gains and losses realized are as follows:

For the year ended December 31,	Proceeds From Sales	Proceeds From Calls and Maturities	Proceeds From Principal Payments	Gross Realized Gains	Gross Realized Losses
1995					
Securities held to maturity	$ - -	$ 100,000	$ 313,701	$ - -	$ - -
Securities available for sale	2,030,688	5,345,000	170,994	19,618	21,164
	$2,030,688	$5,445,000	$ 484,695	$19,618	$21,164
1994					
Securities held to maturity	$ - -	$ 590,000	$1,038,080	$ - -	$ - -
Securities available for sale	3,008,437	3,075,000	132,666	7,172	8,779
	$3,008,437	$3,665,000	$1,170,746	$ 7,172	$ 8,779
1993	$ 985,373	$3,383,818	$1,710,553	$32,560	$ 78

At December 31, 1995 and 1994, securities carried at $11,329,098 and $6,970,920, respectively, with estimated fair values of $11,578,096 and $6,761,458, respectively, were pledged to secure public deposits, and for other purposes required or permitted by law.

NOTE 5. LOANS

Loans are summarized as follows:

	1995	1994
Commercial, financial and agricultural	$18,875,277	$17,832,805
Real estate - construction	102,690	250,659
Real estate - mortgage	36,980,052	33,314,620
Installment	15,981,416	13,509,203
Other	542,519	422,210
Total loans	72,481,954	65,329,497
Less unearned discount	1,023,875	1,112,033
Total loans net of unearned income	71,458,079	64,217,464
Less allowance for loan losses	859,681	993,023
Loans, net	$70,598,398	$63,224,441

Included in the net balance of loans are non-accrual loans amounting to $538,239 and $674,580 at December 31, 1995 and 1994, respectively. If interest on non-accrual loans had been accrued, such income would have approximated $36,708, $5,500 and $41,007 for the years ended December 31, 1995, 1994 and 1993, respectively.

The following presents loan maturities at December 31, 1995:

	Within 1 Year	After 1 But Within 5 Years	After 5 Years
Commercial, financial and agricultural	$ 6,302,520	$ 4,319,437	$ 8,253,320
Real estate - construction	37,719	40,398	24,573
Real estate - mortgage	2,713,729	4,256,579	30,009,744
Installment loans	1,952,206	10,769,699	3,259,511
Other	331,518	- -	211,001
Total	$11,337,692	$19,386,113	$41,758,149
Loans due after one year with:			
Variable rates	$32,662,304		
Fixed rates	28,481,958		
	$61,144,262		

The Bank has made, and may be expected to make in the future, commercial and mortgage loans that have adjustable rates. Such loan rates are generally indexed to the Wall Street prime interest rate or to other common indices. At December 31, 1995, the Bank's commercial loan portfolio contained adjustable rate loans of approximately $9,442,196. The interest rates on such loans ranged from 7.56% to 12.75%, and provided for future interest rate changes at set intervals, ranging from one to sixty months. Likewise, the Bank's mortgage portfolio contained adjustable rate loans of approximately $26,326,496 at December 31, 1995. The interest rates on such loans ranged from 6.75% to 12.75%, and provided for future interest rate changes at set intervals, ranging from monthly to fifteen years.

Concentration of credit risk: The subsidiary bank grants commercial, residential and consumer loans to customers primarily located in Hardy, Grant, Hampshire and Pendleton Counties of West Virginia. Although the Bank strives to maintain a diverse loan portfolio, a substantial portion of its debtors' ability to honor their contracts is indirectly dependent upon the poultry industry. As of December 31, 1995 and 1994, the Bank had direct extensions of credit used to build and operate poultry houses totaling approximately $5,872,805 and $6,834,966, respectively. These loans are generally structured to be repaid over periods ranging from 15 to 20 years, however, most also contain balloon provisions which serve to require each loan's renewal every 1 to 5 years or are written with an adjustable interest rate feature. The security for these loans generally consists of liens on the land, buildings and equipment associated with each poultry house.

The Bank evaluates the credit worthiness of each of its customers on a case-by-case basis and the amount of collateral it obtains is based upon management's credit evaluation.

The subsidiary bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties), all of which have been, in the opinion of management, on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

The following presents the activity with respect to related party loans aggregating $60,000 or more to any one related party (other changes represent additions to and changes in director and executive officer status):

	1995	1994
Balance, beginning	$ 3,679,777	$2,148,569
Additions	3,998,154	1,386,819
Amounts collected	(2,450,899)	(830,193)
Other changes, net	(50,634)	974,582
Balance, ending	$ 5,176,398	$3,679,777

NOTE 6. ALLOWANCE FOR LOAN LOSSES

An analysis of the allowance for loan losses for the years ended December 31, 1995, 1994 and 1993, is as follows:

	1995	1994	1993
Balance, beginning of year	$993,023	$905,448	$845,541
Losses:			
Commercial, financial and agricultural	46,373	10,589	124,441
Real estate - mortgage	137,334	14,779	30,419
Installment loans	39,004	45,380	64,755
Other	10,909	11,609	6,776
Total	233,620	82,357	226,391
Recoveries:			
Commercial, financial and agricultural	7,864	24,627	43,183
Real estate - mortgage	3,135	1,107	8,902
Installment loans	28,862	23,422	25,487
Other	5,417	776	3,726
Total	45,278	49,932	81,298
Net losses	188,342	32,425	145,093
Provision for loan losses	55,000	120,000	205,000
Balance, end of year	$859,681	$993,023	$905,448

As explained in Note 1, the subsidiary bank adopted SFAS Nos. 114 and 118 in 1995. The Bank's total recorded investment in impaired loans at December 31, 1995, approximated $747,950, for which the related allowance for loan losses determined in accordance with SFAS Nos. 114 and 118 approximated $153,560. The Bank's average investment in such loans approximated $696,425 for the year ended December 31, 1995. All impaired loans at December 31, 1995, were collateral dependent, and accordingly, the fair value of the loan's collateral was used to measure the impairment of each loan.

For purposes of SFAS Nos. 114 and 118, the Bank considers groups of smaller-balance, homogeneous loans to include: mortgage loans secured by residential property, other than those which significantly exceed the Bank's typical residential mortgage loan amount (currently those in excess of $100,000): small balance commercial loans (currently those less than $50,000); and installment loans to individuals, exclusive of those loans in excess of $50,000.

For the year ended December 31, 1995, the Bank recognized approximately $85,398 in interest income on impaired loans. Using a cash-basis method of accounting, the Bank would have recognized approximately the same amount of interest income on such loans.

NOTE 7. BANK PREMISES AND EQUIPMENT

The major categories of Bank premises and equipment and accumulated depreciation at December 31, 1995 and 1994, are summarized as follows:

	1995	1994
Land	$ 443,566	$ 368,970
Building and improvements	2,793,282	1,222,679
Furniture and equipment	1,940,716	1,682,151
Construction in progress	- -	159,815
	5,177,564	3,433,615
Less accumulated depreciation	1,997,213	1,845,650
Bank, premises and equipment, net	$3,180,351	$1,587,965

Depreciation expense for the years ended December 31, 1995, 1994 and 1993 totaled $154,388, $133,833, and $139,466, respectively.

NOTE 8. DEPOSITS

The following is a summary of interest bearing deposits by type as of December 31, 1995 and 1994:

	1995	1994
Demand deposits, interest bearing	$20,027,502	$15,736,681
Savings deposits	15,731,154	12,958,404
Certificates of deposit	48,947,117	41,621,073
Individual Retirement Accounts	7,507,789	6,614,695
Total	$92,213,562	$76,930,853

Time certificates of deposit and IRA's in denominations of $100,000 or more totaled $7,758,560 and $5,924,995 at December 31, 1995 and 1994, respectively. Interest paid on time certificates of deposit and Individual Retirement Accounts in denominations of $100,000 or more was $392,641, $290,030 and $305,295 for the years ended December 31, 1995, 1994 and 1993, respectively.

The following is a summary of the maturity distribution of certificates of deposit and IRA's in denominations of $100,000 or more as of December 31, 1995:

	Amount	Percent
Three months or less	$1,509,517	19.45%
Three through six months	1,791,216	23.09%
Six through twelve months	1,782,155	22.97%
Over twelve months	2,675,672	34.49%
Total	$7,758,560	100.00%

NOTE 9. OTHER BORROWINGS

Short-term borrowings: In June, 1994, the subsidiary bank was granted a line of credit from the Federal Home Loan Bank of Pittsburgh (FHLB), under its Flexline Program. The line of credit amount is limited to 10% of the Bank's total qualifying assets and is subject to annual renewal.

Borrowings under this arrangement bear interest at the rate posted by the FHLB on the day of the borrowing and is subject to change daily. The line of credit is secured by a blanket lien on all unpledged and unencumbered assets of the Bank.

Long-term borrowings: The subsidiary bank's long-term borrowings of $750,000 at December 31, 1995, consist of advances from the FHLB under its Community Investment program. These borrowings bear an average fixed interest rate of 5.98% and are due in the year 2002.

NOTE 10. INCOME TAXES

The components of applicable income tax expense (benefit) for the years ended December 31, 1995, 1994 and 1993, are as follows:

	1995	1994	1993
Current:			
Federal	$587,472	$611,581	$492,136
State	69,402	61,480	69,785
	656,874	673,061	561,921
Deferred:			
Federal	20,268	(7,342)	54,857
State	2,534	(917)	8,281
	22,802	(8,259)	63,138
Total	$679,676	$664,802	$625,059

A reconciliation between the amount of reported income tax expense and the amount computed by multiplying the statutory income tax rates by book pretax income for the years ended December 31, 1995, 1994 and 1993, is as follows:

	1995		1994		1993	
	Amount	Percent	Amount	Percent	Amount	Percent
Computed tax at applicable statutory rate	$679,943	34	$ 649,193	34	$610,417	34
Increase (decrease) in taxes resulting from:						
Tax-exempt interest, net	(55,982)	(3)	(51,525)	(3)	(65,013)	(4)
State income taxes, net of Federal tax benefit	45,802	2	40,577	2	46,058	3
Other, net	9,913	1	26,557	1	33,597	2
Applicable income taxes	$679,676	34	$ 664,802	34	$625,059	35

Deferred income taxes reflect the impact of "temporary differences" between amounts of assets and liabilities for financial reporting purposes and such amounts as measured for tax purposes. Deferred tax assets and liabilities represent the future tax return consequences of temporary differences, which will either be taxable or deductible when the related assets and liabilities are recovered or settled.

The tax effects of temporary differences which give rise to the Company's deferred tax assets and liabilities as of December 31, 1995 and 1994, are as follows:

	1995	1994
Deferred tax assets:		
Allowance for loan losses	$ 216,678	$ 268,414
Deferred compensation	24,930	7,603
Goodwill	790	- -
Net unrealized loss on securities	- -	342,495
	242,398	618,512
Less valuation allowance	(188,773)	(207,694)
	53,625	410,818
Deferred tax liabilities:		
Depreciation	20,959	12,855
Net unrealized gain on securities	213,253	- -
	234,212	12,855
Net deferred tax assets (liabilities)	$(180,587)	$ 397,963

The income tax expense (benefit) on realized securities gains (losses) was $(595), $(619) and $12,830, for the years ended December 31, 1995, 1994 and 1993, respectively.

NOTE 11. EMPLOYEE BENEFITS

Profit-Sharing and Thrift Plan:

The Company has a defined contribution profit-sharing and thrift plan with 401(k) provisions covering substantially all employees. Contributions to the Plan are at the discretion of the Board of Directors. Contributions made to the plan and charged to expense were $50,475, $45,106 and $46,207 for the years ended December 31, 1995, 1994 and 1993, respectively.

Employee Stock Ownership Plan:

The Company has an Employee Stock Ownership Plan (ESOP) which enables eligible employees to acquire shares of the Company's common stock. The cost of the ESOP is borne by the Company through annual contributions to an Employee Stock Ownership Trust in amounts determined by the Board of Directors.

The expense recognized by the Company is based on cash contributed or committed to be contributed by the Company to the ESOP during the year. Contributions to the ESOP, for the years ended December 31, 1995, 1994 and 1993 were $45,582, $40,166 and $40,050, respectively. Dividends made by the Company to the ESOP are reported as a reduction to retained earnings. The ESOP owns 4,065 shares of the Company's common stock, all of which, are considered outstanding for earnings per share computations.

The trustees of both the Profit-Sharing and Thrift Plan and ESOP are also members of the Company's and subsidiary bank's Board of Directors.

Incentive Compensation Program:

The subsidiary bank has an incentive compensation program for its key employees. Bonuses are awarded to key employees based on a prescribed formula using the Bank's return on assets as a base. Under the terms of the incentive compensation program, bonuses charged to operations were $120,000, $112,000 and $121,000 for 1995, 1994 and 1993, respectively.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Financial instruments with off-balance sheet risk: The subsidiary bank is a party of certain financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. Such financial instruments consist solely of commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position. The contract amounts of these instruments reflect the extent of involvement the Bank has in this class of financial instruments. The Bank's total contract amount of commitments to extend credit at December 31, 1995 and 1994, approximated $4,462,545 and $3,445,652, respectively.

The Bank'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 amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract.

Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, equipment or real estate.

Litigation: The Bank is involved in various legal actions arising in the ordinary course of business. In the opinion of counsel, the outcome of these matters will not have a significant adverse effect on the consolidated financial statements.

Employment Agreement: The Company has an employment agreement with its chief executive officer. This agreement contains change in control provisions that would entitle the officer to receive compensation in the event there is a change in control in the Company (as defined) and a termination of his employment.

NOTE 13. REGULATORY RESTRICTIONS ON CAPITAL AND DIVIDENDS

The subsidiary bank is required to maintain minimum amounts of capital to total "risk weighted" assets, as defined by banking regulations. A comparison of the subsidiary bank's capital as of December 31, 1995, with the minimum requirements for an adequately capitalized bank is presented below:

	Actual	Minimum Requirements
Tier 1 Risk-based Capital	13.97%	4.00%
Total Risk-based Capital	15.22%	8.00%
Leverage Ratio	9.18%	3.00%

The primary source of funds for the dividends paid by South Branch Valley Bancorp, Inc., is dividends received from its subsidiary bank. Dividends paid by the subsidiary bank are subject to restrictions by banking regulations. The most restrictive provision requires approval by the regulatory agency if dividends declared in any year exceed the year's net income, as defined, plus the net retained profits of the two preceding years. During 1996, the net retained profits available for distribution to South Branch Valley Bancorp, Inc. as dividends without regulatory approval are approximately $1,862,000, plus net retained profits, as defined, for the interim periods through the date of declaration.

NOTE 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following summarizes the methods and significant assumptions used by the Company in estimating its fair value disclosures for financial instruments.

Cash and due from banks: The carrying values of cash and due from banks approximate their estimated fair value.

Interest bearing deposits with other banks: The fair values of interest bearing deposits with other banks are estimated by discounting scheduled future receipts of principal and interest at the current rates offered on similar instruments with similar remaining maturities.

Federal funds sold: The carrying values of federal funds sold approximate their estimated fair values.

Securities: Estimated fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable securities.

Loans: The estimated fair values for loans are computed based on scheduled future cash flows of principal and interest, discounted at interest rates currently offered for loans with similar terms to borrowers of similar credit quality. No prepayments of principal are assumed.

Deposits: The estimated fair values of demand deposits (i.e. noninterest bearing checking NOW, Super NOW, Money Market and savings accounts) and other variable rate deposits approximate their carrying values. Fair values of fixed maturity deposits are estimated using a discounted cash flow methodology at rates currently offered for deposits with similar remaining maturities. Any intangible value of long-term relationships with depositors is not considered in estimating the fair values disclosed.

Long-term borrowings: The fair values of long-term borrowings are estimated by discounting scheduled future payments of principal and interest at current rates available on borrowings with similar terms.

Off-balance sheet instruments: The fair values of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit standing of the counterparties. The amounts of fees currently charged on commitments and standby letters of credit are deemed insignificant, and therefore, the estimated fair values and carrying values are not shown below.

The carrying values and estimated fair values of the Company's financial instruments are summarized below:

	December 31, 1995	
	Carrying Value	Estimated Fair Value
Financial assets:		
Cash and due from banks	$ 2,191,647	$ 2,191,647
Interest bearing deposits other banks	2,134,919	2,199,418
Federal funds sold	2,161,745	2,161,745
Securities available for sale	31,480,580	31,480,580
Loans	70,598,398	70,757,154
	$108,567,289	$108,790,544
Financial liabilities		
Deposits	$100,046,336	$100,603,254
Long-term borrowings	750,000	750,000
	$100,796,336	$101,353,254

NOTE 15. CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

The investment of the Corporation in its wholly-owned subsidiary is presented on the equity method of accounting. Information relative to the Corporation's balance sheets at December 31, 1995 and 1994, and the related statements of income and cash flows for the years ended December 31, 1995, 1994 and 1993 are presented as follows:

	December 31, 1995	December 31, 1994
Assets		
Cash	$ 68,466	$ 72,563
Investment in bank subsidiary, eliminated in consolidation	11,246,742	9,292,126
Investment in other bank common stock	6,625	6,625
Other assets	6,826	6,826
Total assets	$11,328,659	$9,378,140

	December 31, 1995	December 31, 1994
Liabilities and shareholders' equity		
Common stock, $2.50 par value, authorized 600,000 shares, issued 382,625	$ 956,562	$ 956,562
Capital surplus	685,534	685,534
Retained earnings (consisting of undivided profits of subsidiary not yet distributed)	9,512,883	8,450,114
Less cost of shares acquired for the treasury 1995 and 1994, 4115 shares	(166,970)	(166,970)
Net unrealized gain (loss) on securities	340,650	(547,100)
Total shareholders' equity	11,328,659	9,378,140
Total liabilities and shareholders' equity	$11,328,569	$9,378,140

	1995	1994	1993
Statements of Income			
Income - dividends from bank subsidiary	$ 264,000	$ 460,000	$ 180,000
Other dividends	191	186	- -
Expenses--operating	(17,728)	(17,729)	(14,303)
Income before income taxes and undistributed income	246,463	442,457	165,697
Applicable income tax expense (benefit)	(6,826)	(6,826)	(5,579)
Income before undistributed income	253,289	449,283	171,276
Equity in undistributed income in bank subsidiary	1,066,866	795,307	999,010
Net income	$ 1,320,155	$1,244,590	$1,170,286

Statements of Cash Flows

	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,320,155	$1,244,590	$1,170,286
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiary	(1,066,866)	(795,307)	(999,010)
(Increase) decrease in other assets	- -	(1,247)	668
Net cash provided by operating activities	253,289	448,036	171,944
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of other bank stocks	- -	(6,625)	- -
Net cash (used in) investing activities	- -	(6,625)	- -
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of treasury stock	- -	(166,970)	- -
Dividends paid to shareholders	(257,386)	(232,126)	(183,660)
Net cash (used in) financing activities	(257,386)	(399,096)	(183,660)
Increase (decrease) in cash	(4,097)	42,315	(11,716)
Cash:			
Beginning	72,563	30,248	41,964
Ending	$ 68,466	$ 72,563	$ 30,248

South Branch Valley Bancorp, Inc., accounts for its investment in its bank subsidiary by the equity method. During the years ended December 31, 1995, 1994 and 1993, changes were as follows:

Number of shares owned at December 31, 1995 - 60,000 Percent to total shares at December 31, 1995 - 100%

Balance at December 31, 1992	$ 8,044,909
Add (deduct):	
Equity in net income	1,179,010
Dividends declared	(180,000)
Balance at December 31, 1993	$ 9,043,919
Add (deduct):	
Equity in net income	1,255,307
Dividends declared	(460,000)
Net unrealized gain (loss) on securities	(547,100)
Balance at December 31, 1994	$ 9,292,126
Add (deduct):	
Equity in net income	1,330,866
Dividends declared	(264,000)
Net unrealized gain (loss) on securities	887,750
Balance at December 31, 1995	$11,246,742

Shareholders' Information

South Branch Valley Bancorp, Inc. files an annual report to the Securities and Exchange Commission on Form 10-KSB. Copies of this report may be obtained without charge upon written request to:

Carol A. Riggleman
South Branch Valley Bancorp, Inc.
Post Office Box 680
Moorefield, West Virginia 26836

Common Stock Dividend

Dividends on South Branch Valley Bancorp, Inc. stock are normally paid on the 15th day of June and December. The record date is normally the 1st day of the same months.

The Company acts as its own registrar and transfer agent. Its shares are not publicly traded on any exchange or over the counter market. Shares of the Company's common stock are occasionally bought and sold by private individuals, firms or corporations. In many instances, the Company does not have knowledge of the purchase price or the terms of the purchase. No definitive records of bids and ask or sale prices are available.

Offices of South Branch Valley National Bank

Main Bank
310 North Main Street
Moorefield, WV 26836
(304) 538-2353

Petersburg Branch
102 Virginia Avenue
Petersburg, WV 26847
(304) 257-2122

Mathias Branch
P.O. Box 40
Mathias, WV 26812
(304) 897-5997

Franklin Branch
P.O. Box 863
Franklin, WV 26807
(304) 358-2388

Officers of the Holding Company

South Branch Valley Bancorp, Inc.

OSCAR M. BEAN
Chairman of the Board

H. CHARLES MADDY, III
President

DONALD W. BILLER
Vice Chairman

PHOEBE F. HEISHMAN
Secretary

RUSSELL F. RATLIFF, JR.
Treasurer

CAROL A. RIGGLEMAN
Assistant Secretary

Directors

South Branch Valley Bancorp, Inc.
and
South Branch Valley National Bank

OSCAR M. BEAN
Chairman of the Board
Managing Partner -- Bean & Bean Attorneys

H. CHARLES MADDY, III
President and Chief Executive Officer,
South Branch Valley National Bank

DONALD W. BILLER
Vice-Chairman
President -- D. W. Biller, Inc.
Director -- WV Farm Credit ACA

PHOEBE F. HEISHMAN
Secretary
Editor and Publisher -- Moorefield Examiner
President -- R.E. Fisher Co., Inc.

JAMES M. COOKMAN
President -- Cookman Insurance Group
President -- Cookman Realty Group, Inc.
President -- Transcover, Inc.

JOHN W. CRITES
President -- Allegheny Wood Products, Inc.
Partner -- JPC, Limited Liability Co.
Partner -- Allegheny Dimension, Limited Liability Co.
Principal Stockholder - KJV Aviation, Inc.

THOMAS J. HAWSE, III
President -- Hawse Food Market, Inc.
Partner -- Hawse Brothers

GARY L. HINKLE
President -- Hinkle Trucking, Inc.
President -- Dettinburn Transport, Inc.
Vice-President -- Mt. Storm Fuel Corp.

JEFFREY E. HOTT
Vice-President -- Hott's Ag Services, Inc.
Vice-President -- Franklin Oil Co.

HAROLD K. MICHAEL
Agent -- Nationwide Insurance
Member -- WV House of Delegates

MARY ANN OURS
President -- Ours Valley View Poultry Farms, Inc.

RUSSELL F. RATLIFF, JR.
Vice President & Cashier
South Branch Valley National Bank

HARRY C. WELTON, JR.
Retired Farmer

RENICK C. WILLIAMS
President -- South Branch Inn, Inc.
President -- Fort Pleasant Farms, Inc.
President -- Hampshire S & J Co., Inc.
Partner -- Renick Williams & Sons

J. ALECK WELTON
Director Emeritus

Operating Officers of the Bank

South Branch Valley National Bank

H. CHARLES MADDY, III
President and Chief Executive Officer

RUSSELL F. RATLIFF, JR.
Vice President Operations, Cashier & Trust Officer

JEFFERY L. PAVAN
Vice President Loan Administration

SCOTT C. JENNINGS
Vice President, Loan Review & Compliance

CAROL A. RIGGLEMAN
Community Reinvestment Officer

BARBARA HELMAN
Assistant VP Operations

KATHLEEN S. SIMERLY
Accounting Officer

DEBRA S. DAVIS
Asst. VP Loan Administration & Senior Loan Officer

MARK H. WRIGHT
Commercial Loan Officer

KENT SHIPE
Mathias Branch Manager

JOHN F. BOWERS
Franklin Branch Manager

MARLIN C. CASTO
Petersburg Branch Manager

J. VANCE WILSON
Loan Officer

BELINDA L. TURNER
Assistant Branch Manager, Petersburg

CATHLEEN D. SMITH
Loan Officer

DEBORAH HAMILTON
Assistant Branch Manager, Mathias

CAROLYN SPONAUGLE
Assistant Branch Manager, Franklin

JULIE R. COOK
IRA Officer

DANYL FREEMAN
Internal Auditor

South Branch Valley National Bank

STAFF

Main Bank

Teresa Barr	Jonathan Bland	Carolyn Berg
Curt Boswell	Stacey Bowman	Ethel Coby
Shirley Corsetti	Rhonda Dolly	Jeremy Eye
Fern Gilhuys	Tracey Gochenour	Jolene Johnson
Sharon Kuykendall	Gail Malcolm	Tina Martin
Tabitha Mongold	Bernadette Nesslerodt	Sandra Ours
Christa Raines	Shelly Reel	Angie Smith
Elizabeth Snyder	Pamela Smoot	Elaine Stickley
Ramona Thorne	Pamela Wilson	Gloria Wolfe

Mathias

Christine Delawder		Teresa Halterman
Connie Landacre		Helen May
Donna Shipe		Dorothy Strawderman

Franklin

	Debra Alt	
Tammy Clutter		Amber-Jon Hanna
Renee McCutcheon		Lisa Roberson

Petersburg

Regina Minnich	Stacy Park	Myra Yokum

E X H I B I T (20)

Other Documents Incorporated By Reference

Proxy Statement

Exhibit 20
PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
APRIL 16, 1996

GENERAL INFORMATION.
- --------------------

This proxy statement is furnished by the Board of Directors of South Branch Valley Bancorp, Inc. (the "Company") for the Annual Meeting of Shareholders to be held at the Company's main offices, 310 North Main Street, Moorefield, West Virginia 26836 at 2:00 p.m. on April 16, 1996 and any adjournment thereof. Holders of shares of stock of the Company of record at the close of business on March 1, 1996 are entitled to notice of and to vote at the Annual Meeting of Shareholders and at any adjournment of the meeting. The holders of a majority of the shares entitled to vote at the meeting must be present in person or represented by proxy in order to constitute a quorum for all matters to come before the meeting.

In the election of directors, shareholders cast one (1) vote for each nominee for each share held. However, every shareholder has the right of cumulative voting, in person or by proxy, in the election of directors. Cumulative voting gives each shareholder the right to aggregate all votes which he or she is entitled to cast in the election of directors and to cast all such votes for one candidate or distribute them among as many candidates and in such a manner as the shareholder desires. For 1996 the number of directors to be elected is five (5) and therefore each shareholder has the right to cast five (5) votes in the election of directors for each share of stock held on the record date. If you wish to exercise, by proxy, your right to cumulative voting in the election of directors, you must provide a proxy showing how your votes are to be distributed among one or more candidates. Unless contrary instructions are given by a shareholder who signs and returns a proxy, all votes for the election of directors represented by such proxy will be divided equally among the five (5) nominees set forth in this proxy statement. However, if cumulative voting is invoked by any shareholder, the vote represented by the proxies delivered pursuant to this solicitation, which do not contain contrary instructions, may be cumulated at the discretion of the Board of Directors of South Branch Valley Bancorp, Inc. in order to elect to the Board of Directors the maximum nominees named in this proxy statement.

On the record date, there were 378,510 shares of common stock outstanding which are held by approximately 619 shareholders. A majority of the outstanding shares of South Branch Valley Bancorp, Inc. will constitute a quorum at the meeting. Abstentions and broker non-votes are counted for purposes of determining the presence of a quorum for the transactions of business. The election of each director nominated requires the favorable vote of a plurality of all votes cast by the holders of common stock at a meeting at which a quorum is present. Only shares that are voted in favor of a particular nominee will be counted toward such nominee's achievement of a plurality. Abstentions and broker non-votes will not be counted toward such nominee's achievement of a plurality and thus have no effect. A broker non-vote generally occurs when a broker who holds shares in street name for a customer does not have the authority to vote on certain matters because its customer has not provided any voting instructions on the matter.

PROXY SOLICITATION.

The accompanying proxy is solicited by the Board of Directors of the Company. In that connection, this proxy statement is being mailed to the shareholders on or before March 19, 1996, concurrently with the mailing of the Company's 1995 Annual Report. In addition to this solicitation by mail, it is possible that employees of the Company may solicit proxies in person or by telephone. Brokers, fiduciaries, custodians and other nominees have been requested to forward solicitation materials to the beneficial owners of the common stock of the Company held of record in their names and will, upon request, be reimbursed for their reasonable expenses in so doing. All costs of the solicitation of proxies will be borne by the Company.

REVOCATION OF PROXY OR SUBSTITUTION.

Any person signing and mailing the enclosed proxy may, nevertheless, revoke the proxy at any time before the actual voting thereof (i) by giving written notice to the President of South Branch Valley Bancorp, Inc, (ii) by submitting a subsequently dated proxy, or (iii) by appearing at the 1996 annual meeting and voting in person. On the accompanying proxy, a shareholder may substitute the name of another person in lieu of those persons presently named as proxies. Such substituted persons may be asked to present adequate identification to the Secretary prior to voting.

SHAREHOLDER OWNERSHIP.

As of March 1, 1996, so far as is known to the Company, the following persons owned beneficially 5% or more of the outstanding common stock of the Company.

NAME AND ADDRESS	NUMBER OF SHARES	PERCENTAGE
John W. Crites 46 Point Drive Petersburg, WV 26847	21,905 (1)	5.8%

(1) 19,905 shares are owned by Allegheny Wood Products, Inc., of which Mr. Crites is majority owner and president.

ELECTION OF DIRECTORS.

NOMINEES. There are five (5) nominees for election as directors of the Company to hold office until 1999 and until their successors have been duly elected and qualified.

The Articles of Incorporation of the Company provide that nominations for election to the Board of Directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the existing management of the Company, must be made in writing and delivered or mailed to the President of the Company not less than thirty (30) days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than thirty (30) days notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the Company not later than the fifth (5th) day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known by the shareholder: (i) the name and address of each nominee, (ii) the principal occupation of each nominee, (iii) the name and address of the notifying shareholder, and (iv) the number of shares of the Company's stock owned by the notifying shareholder. Nominations not made in accordance with these requirements, may, in the discretion of the chairman of the meeting, be disregarded, and upon his instruction, the votes cast for each such nominee shall be disregarded.

If the enclosed proxy is properly executed and received in time for the meeting, it is the intention of the person named in the proxy to vote for the shares represented thereby for the persons nominated for election as directors unless authority to vote has been withheld or otherwise directed by the shareholder. All of the nominees have indicated a willingness to serve, but in case any of the nominees is not a candidate at the meeting or is disqualified as a candidate for any reason, it is the intention of the persons named in the enclosed proxy to vote in favor of the remainder of the nominees and to vote for substitute nominees at their discretion.

Donald W. Biller, John W. Crites, Jeffrey E. Hott and Harry C. Welton were each elected to the Board at the 1993 annual meeting and are currently serving as directors of the Company. Russell F. Ratliff, Jr. was elected to the Board at the 1995 annual meeting and is currently serving as a director of the Company. All nominees are also directors of the Company's subsidiary, South Branch Valley National Bank.

The following is information about the nominees as of March 1, 1996:

<u>DONALD W. BILLER</u>, 64, is president of D.W. Biller, Inc. which is a farming operation in the Lost River Valley. A director of the Company since 1987 and the Bank since 1975, he presently serves on the Executive and Trust Audit committees. Mr. Biller is the beneficial owner of 6,120 shares of the Company's common stock.

<u>JOHN W. CRITES</u>, 55, is president of Allegheny Wood Products, Inc., and a partner in both Allegheny Dimension, LLC and JPC, LLC, all three of which are involved in the wood products industry in Grant County. Mr. Crites has been a director of both the Company and the Bank since

1989 and currently serves on the Planning & Budget Committee and is a rotating member of the Executive Committee. Mr. Crites is the beneficial owner of 21,905 shares of the Company's common stock.

JEFFREY E. HOTT, 45, is Vice President of both Franklin Oil Company and E.E. Hott, Inc. The latter is an agricultural services and farming operation. Both entities are located in Pendleton County. Mr. Hott has been a director of both the Company and the Bank since 1990. He currently serves on the Trust Audit Committee and is a rotating member of the Executive Committee. Mr. Hott is the beneficial owner of 17,050 shares of the Company's common stock.

HARRY C. WELTON, 66, is owner of a family farming operation near Moorefield. He has been a director of the Company since 1987 and of the Bank since 1986. Mr. Welton currently serves on the Asset/Liability Management & Investments and the Compliance & Audit committees, and is a rotating member of the Executive Committee. Mr. Welton is the beneficial owner of 13,430 shares of the Company's common stock.

RUSSELL F. RATLIFF, JR., 45, a resident of Moorefield, has served as an officer of the bank since 1984, having served as Vice President and Cashier from 1993 to present, CEO and Cashier from 1988 to 1993 and Senior Vice President and Cashier from 1986 to 1987. He has served as treasurer of the Company since its inception in 1987 and has been a director of the Company since October 1994, at which time he was also appointed to the bank board. In 1995 he was elected to serve a one year term. Mr. Ratliff is the beneficial owner of 1,498 shares of the Company's common stock.

CURRENT BOARD OF DIRECTORS.

In addition to the individual nominees listed above, the current Board of Directors of the Company is comprised of the eight individuals listed below. Directors of the Company are divided into three classes and serve a staggered three (3) year term. All current directors of the Company are also directors of the Company's subsidiary, South Branch Valley National Bank ("Bank"). Directors of the Bank serve for a one (1) year term. The table below sets forth information concerning each director as of March 1, 1996. The current number of directors of the Company is fourteen (14).

Name and Age	Date Current Term as Director of Company Expires	Positions & Principal Occupation or Employment Last Five Years
Oscar M. Bean (45)	1998	Chairman of the Board since February 1995; Director of Company since 1987; Director of Bank since 1978; Managing

Bean (Cont.)		Partner of Bean & Bean Attorneys.
James M. Cookman (41)	1997	Director of Company and Bank since 1994; President of Cookman Insurance Group; President of Cookman Realty Group, Inc.; President of Transcover, Inc.
Thomas J. Hawse, III (50)	1997	Director of Company and Bank since May 1989; President of Hawse Food Market, Inc.; Partner, Hawse Brothers.
Phoebe F. Heishman (54)	1998	Secretary of Company since 1995; Director of Company since 1987; Director of Bank since 1973; Editor and Publisher of Moorefield Examiner; President of R.E. Fisher Co., Inc.
Gary L. Hinkle (46)	1997	Director of Company and Bank since 1993; President of Hinkle Trucking, Inc.; President of Dettinburn Transport, Inc.; Vice President of Mt. Storm Fuel Corp.
H. Charles Maddy, III (32)	1997	Director of Company and Bank since 1993; President of the Company since 1994; President and Chief Executive Officer of South Branch Valley National Bank since 1993; Chief Financial Officer of Company 1988 to 1994; Vice President and Controller of Bank, 1988 to 1993.
Harold K. Michael (52)	1997	Director of Company and Bank since 1994; Owner/Agent of Harold K. Michael & Son Insurance; Member of West Virginia House of Delegates.
Mary Ann Ours (62)	1998	Director of Company and Bank since 1994; President of Valley View Poultry Farm, Inc.
Renick C. Williams (61)	1998	Director of Company since 1987; President and Chairman of the Board of Company, 1987 to 1995;

Williams (Cont.)	Director of Bank since 1967; President of South Branch Inn, Inc.; President of Fort Pleasant Farms, Inc.; President of Hampshire S&J Co., Inc.; Partner, Renick Williams & Sons.

EXECUTIVE OFFICERS.

The following table identifies the executive officers of the Company, all of whom were appointed in April 1995 to serve until the next annual meeting. Mr. Pavan and Mr. Jennings are executive officers of the Company's only subsidiary, South Branch Valley National Bank. Mr. Bean and Mrs. Heishman, who are also directors of the Company, do not receive additional compensation for their service as executive officers of the Company and thus are not listed in the Executive Compensation Table shown on page 10.

Name, Year Appointed, Age	Office, Experience
Oscar M. Bean, 1995 (45)	Chairman of the Board of the Company February 1995 to present; Chairman of the Board of the Bank, February 1995 to present; Secretary of the Company 1987 to February 1995.
Phoebe F. Heishman, 1995 (54)	Secretary of the Company, February 1995 to present.
H. Charles Maddy, III, 1988 (32)	President of the Company since 1994; Chief Financial Officer of the Company, 1988 to 1994; President and Chief Executive Officer of the Bank, April 1993 to present; Executive Vice President of the Bank, 1992 to 1993; Vice President and Controller, 1988 to 1992.
Russell F. Ratliff, Jr., 1986 (45)	Treasurer of the Company, 1987 to present; Vice President and Cashier of the Bank, April 1993 to present; CEO and Cashier of the Bank, 1988 to 1993.
Jeffery L. Pavan, 1992 (33)	Vice President of Loan Administration, 1992 to present. Previously affiliated with United Companies Lending

Pavan (Cont.)	Corporation, Inc. in Fort Wayne, Indiana.
Scott C. Jennings, 1994 (34)	Vice President of Loan Review and Compliance, 1994 to present; Loan Review and Compliance Officer 1991 to 1994.

OWNERSHIP OF STOCK BY DIRECTORS AND EXECUTIVE OFFICERS.

The following table sets forth the amount of common stock beneficially owned by each director and by all executive officers and directors of the Company and its subsidiary, South Branch Valley National Bank, as a group of sixteen (16) persons as of March 1, 1996

Name of Beneficial Owner	Qualifying Shares Owned	Other Shares Beneficially Owned Direct	Indirect	Percent of Class**
Oscar M. Bean	1,000	5,728	3,815 (4)	2.5%
Donald W. Biller	1,000	4,120	1,000 (1)	1.4%
James M. Cookman	1,000	---	428 (7)	.1%
John W. Crites	1,000	1,000	19,905 (2)	5.5%
Thomas J. Hawse, III .	1,000	1,800	---	.5%
Phoebe F. Heishman ...	1,000	9,150	1,540 (5)	2.8%
Gary L. Hinkle	1,000	6,517	2,000 (8)	2.3%
Jeffrey E. Hott	1,000	1,000	15,050 (3)	4.2%
H. Charles Maddy, III	*	202	333 (6)	.1%
Harold K. Michael	1,000	8	---	.0%
Mary Ann Ours	1,000	3,615	---	.9%
Russell F. Ratliff,Jr	*	1,100	398 (6)	.4%
Harry C. Welton, Jr ..	1,000	2,310	10,120 (1)	3.3%
Renick C. Williams ...	1,000	130	---	.0%
		36,680	54,589	24.0%
		======	======	======
All directors and executive officers as a group (16 persons).		36,708	54,788	24.2%
		======	======	======

* Director/employee exempt from qualifying requirement.
** Does not include qualifying shares.

(1) All shares indirectly held are owned by the spouse.

(2) All shares indirectly held by Mr. Crites are owned by Allegheny Wood Products, Inc. of which Mr. Crites is the president and majority shareholder.

(3) 150 shares are owned by Mr. Hott's minor children; 7,800 shares are owned by E.E. Hott, Inc. and 7,100 shares are owned by Franklin Oil Co. (Mr. Hott is vice president of both companies).

(4) 55 shares are owned by Mr. Bean's spouse; 260 shares are owned by Mr. Bean's minor children; 3,500 shares are owned by Mr. Bean's mother for whom he has power of attorney.

(5) 220 shares are owned by Ms. Heishman's spouse; 1320 shares are owned by minor children.

(6) Fully vested shares held on behalf of named individual in the Company's ESOP.

(7) 60 shares are owned by Mr. Cookman's minor children; 500 shares are owned by Cookman Insurance Center, Inc. in which Mr. Cookman has a majority interest, and 368 shares are owned by the Cookman Insurance Center, Inc. Profit Sharing Plan.

(8) 2,000 shares are owned by Hinkle Trucking, Inc. of which Mr. Hinkle is the president.

DIRECTORS' QUALIFICATIONS, FEES, COMMITTEES, MEETINGS AND ATTENDANCE.

Each director of the Company is required to own a minimum of 1,000 shares of the Company's common stock. Ownership is defined as shares held in the individual's own name, jointly with spouse, or by a company where the individual has controlling interest. Directors who are also employees of the Company's subsidiary bank are exempted from this requirement. In addition, each director must sign an oath and pledge confidentiality on all matters that he might learn in his role as a director. The Company requires that all directors retire on or before age 70.

Directors of the Company do not receive a fee for their services. During the 1995 calendar year, there were five (5) meetings of the Board of Directors of the Company. The Company has no standing committees. Nominations for election to office are made by the Board as a whole.

Directors of South Branch Valley National Bank receive a fee for their services of $400 per month except for the Chairman of the Board who receives $500 per month. They also receive $100 for each meeting they attend. As employees of the bank, Mr. Maddy and Mr. Ratliff do not receive the $100 fee for each meeting attended. Pursuant to a deferred compensation plan adopted in 1994, directors may elect to defer their fee income. Periodically, the fees will be converted to units representing shares of the Company's stock which the Company is required to deliver when the director reaches retirement age. Directors have no voting rights with respect to the units of Company stock purchased.

During the 1995 calendar year, there were sixteen (16) meetings of the Board of Directors of South Branch Valley National Bank. The Board of Directors of South Branch Valley National Bank has a standing Executive Committee, a standing Planning & Budget Committee, a standing Compliance & Audit Committee, a standing Trust Audit Committee, and a standing Investments & Asset/Liability Management Committee. The Board does not have a nominating committee as nominations are made by the Board as a whole. No directors attended fewer than 75% of the aggregate of all Board and committee meetings for those committees of which they are members.

The Executive Committee is comprised of eight directors, four of whom are regular members including the Chairman of the Board and the President & Chief Executive Officer and the Vice President of Operations. The fourth member is rotated alphabetically each year and for the current year is Donald W. Biller. The other four members rotate each month according to their membership on other committees which are meeting the same day. The Committee monitors the Bank's problem loans, sets loan limits for the Bank's officers and for the Officer Loan Committee. It sits as an approval body for loans above the limits set for the Officer Loan Committee, and is responsible for the Bank's loan policy. The committee has the authority to establish officers' salaries and reviews management's recommendations as to employee pay grade scales and other matters relating to compensation and personnel. The committee may transact any business that the entire Board can transact.

The Compliance & Audit Committee has the primary responsibility of administering the Bank's compliance monitoring system and of reviewing all audit issues relating to the Bank, both external and internal. The committee met three times in 1995 to review reports submitted by the compliance officer and internal auditor, noting any exceptions, and sees that education and training sessions are scheduled for any area where deficiencies are noted. The committee looks at each employee's area of responsibility to ascertain that there are no conflicts of interest. Members of this committee are Oscar M. Bean, H. Charles Maddy, III, Russell F. Ratliff, Jr., James M. Cookman, Harold K. Michael and Harry C. Welton.

The Investments & Asset/Liability Management Committee coordinates the Bank's overall acquisition and allocation of funds along with managing the Bank's interest rate exposure and determining general balance sheet strategy. This committee is also involved with the investment policy, asset/liability management, liquidity management, capital management and related issues. Members of this committee are Oscar M. Bean, Harry C. Welton, H. Charles Maddy, III, Thomas J. Hawse, III, Renick C. Williams and Russell F. Ratliff, Jr. This committee meets at least quarterly.

The Planning & Budget Committee consists of Oscar M. Bean, Renick C. Williams, John W. Crites, Thomas J. Hawse, III, Gary L. Hinkle, H. Charles Maddy, III and Russell F. Ratliff, Jr. This committee recommends planning and budgeting policy to the Board, monitors the planning and budgeting activities of the Bank's officers, and is responsible for planning future direction of the Bank. The Bank's strategic plan, mission statement and policy statement are all responsibilities of this committee.

The Trust Audit Committee reviews all issues relating to the Bank's trust department, including audit issues. The Committee is comprised of the following members: Donald W. Biller, Jeffrey E. Hott, Phoebe F. Heishman, and Mary Ann Ours.

EXECUTIVE COMPENSATION.

Cash Compensation. Executive officers of the Company are not compensated for services rendered to the Company. Executive officers of its subsidiary, South Branch Valley National Bank, are compensated for services rendered to the Bank. The table below sets forth the cash compensation of the Company's Chief Executive Officer and any executive officer of South Branch Valley Bancorp, Inc. or its subsidiary earning $100,000 or more for the years ended December 31, 1995, 1994 and 1993.

SUMMARY COMPENSATION TABLE

		Annual Compensation		
Name and Principal Position	Year	Salary	Bonus	All Other Compensation
H. Charles Maddy, III	1995	$70,000	$25,110	$19,432 (1)
President & Chief Executive Officer	1994	$60,000	$23,886	$17,427 (1)
	1993	$52,093	$23,886	$ 5,339 (2)

(1) Amount includes payments made on behalf of the executive to the ESOP and 401(k) Profit Sharing Plan, amounts taxable to the executive for personal use of the Company vehicle, and fees received by the executive as a member of the Company's subsidiary bank's board of directors.

(2) Amount represents payments made by the Company to the ESOP and 401(k) Profit Sharing Plan on behalf of named individuals.

SOUTH BRANCH VALLEY BANCORP, INC. PLANS.

The Company has a defined contribution profit-sharing and thrift plan with 401(k) provisions covering substantially all employees. Any employee who is at least 21 years of age and is employed in a position requiring at least 1,000 hours of service per year is eligible to participate. Vesting in discretionary contributions occurs at the rate of 0% for the first two years of eligibility and 20% per year thereafter. Under the provisions of the plan, the Company will make a matching contribution on behalf of each participant of 25% of the participant's salary reduction contributions of up to 4% of such participant's compensation. These matching contributions shall be fully vested at all times. The Company may also make optional contributions at the discretion of the Company's Board of Directors. Total Company contributions to the plan for the year ended December 31, 1995, totaled $48,518. The trustees of the plan are also members of the Company's Board of Directors.

The Company has an Employee Stock Ownership Plan (ESOP) covering substantially all employees. Any employee who is at least 21 years of age and is credited with at least 1,000 hours of service during the plan year is eligible to participate. Vesting occurs at the rate of 0% for the first year of credited service and 20% for each year thereafter. Under the provisions of the plan, employee participants in the ESOP are not permitted to contribute to the plan, rather the cost of the ESOP is borne by the Company through annual contributions in amounts determined by the Company's Board of Directors. Contributions to the plan for the year ended December 31, 1995, totaled $45,503. The trustees of the ESOP are also members of the Company's Board of Directors.

In 1990, the Company adopted an incentive compensation program for its key employees. Bonuses are awarded to key employees based on a prescribed formula using the Company's return on assets as a base. For the year ended December 31, 1995, $120,000 was paid under the provisions of the incentive compensation program. The amounts awarded to the Chief Executive Officer are shown in the bonus column of the Compensation Table.

CHANGE OF CONTROL AGREEMENT.

Effective January 26, 1996, the Company entered into an agreement with H. Charles Maddy, III, its Chief Executive Officer, to encourage him not to terminate his employment with the Company because of the possibility that the Company might be acquired by another entity (the "Agreement"). The Board of Directors determined that such an arrangement was appropriate, especially in view of the recent entry of large regional bank holding companies into West Virginia. The agreements were not undertaken in the belief that a change of control of the Company was imminent.

Generally, the Agreement provides severance compensation to Mr. Maddy if his employment should end under certain specified conditions after a change of control. Compensation is paid upon any involuntary termination following a change of control unless Mr. Maddy is terminated for cause. In addition, compensation will be paid after a change of control if Mr. Maddy voluntarily terminates employment because of (i) a decrease in the total amount of Mr. Maddy's base salary below the level in effect on the date of consummation of the change of control, without Mr. Maddy's consent; (ii) a material reduction in the importance of Mr. Maddy's job responsibilities without his consent, (iii) geographical relation of Mr. Maddy without his consent to an office more than twenty

(20) miles from his location at the time of a change of control; (iv) failure by the Company to obtain assumption of the contract by its successor, (v) failure of the Company to give notice of termination as required in the Agreement, or (vi) any removal of Mr. Maddy from, or failure to reelect Mr. Maddy to any position with the Company or Bank that he held immediately prior to the change in control without his prior written consent (except for good cause, death, disability or retirement).

Under the Agreement, a "change of control" is deemed to occur in the event of (i) a change of ownership of the Company which must be reported to the Securities and Exchange Commission as a change of control, including but not limited to the acquisition by any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934 (the "Exchange Act")) of direct or indirect "beneficial ownership" (as defined by Rule 13d-3 under the Exchange Act) of twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities, or (ii) the failure during any period of three (3) consecutive years of individuals who at the beginning of such period constitute the Board for any reason to constitute at least a majority thereof, unless the election of each director who was not a director at the beginning of such period has been approved in advance by directors representing at least two-thirds (2/3) of the directors at the beginning of the period, or (iii) the consummation of a "Business Combination" as defined in the Company's Articles of Incorporation.

Under the Agreement, severance benefits include: (a) cash payment equal to Mr. Maddy's monthly base salary in effect on either (i) the date of termination; or (ii) the date immediately preceding the change of control, whichever is higher, multiplied by the number of full months between the date of termination and the date that is twenty-four (24) months after the date of consummation of the change of control; (b) payment of cash incentive award, if any, under the Company's bonus plan; (c) continuing participation in employee benefit plans and programs such as retirement, disability and medical insurance for a period of twenty-four (24) months following the date of termination.

Mr. Maddy also has the right to terminate his employment without reason by giving written notice of termination within six (6) months of consummation of any change of control. In such event, Mr. Maddy will be entitled to receive a lump sum equal to 75% of his salary, as defined in the Agreement.

The Agreement does not effect the right of the Company to terminate Mr. Maddy, or change the salary or benefits of Mr. Maddy, with or without good cause, prior to any change of control; provided, however, any termination or change which takes place after discussions have commenced which result in a change of control will be presumed to be a violation of the agreement and will entitle the officer to the benefits under the agreement, absent clear and convincing evidence to the contrary.

TRANSACTIONS WITH DIRECTORS, OFFICERS AND PRINCIPAL SHAREHOLDERS.

Directors and executive officers of South Branch Valley Bancorp, Inc. and subsidiary, members of their immediate families, and business organizations and individuals associated with them have been customers of, and have had normal banking transactions with South Branch Valley National Bank. All such transactions were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

Director Oscar M. Bean is a partner in the law firm of Bean & Bean which has served as counsel for South Branch Valley National Bank in a number of matters during the year. It is anticipated that this relationship will continue in 1996. Fees paid by the Bank to the law firm of Bean & Bean were less than 5% of the law firm's gross revenues in 1995.

STOCK TRANSFERS.

Shares of the Company's common stock are occasionally bought and sold by private individuals, firms or corporations. In many instances, the Company does not have knowledge of the purchase price or the terms of the purchase. No definitive records of bids and ask or sale prices are available. The Company has engaged Ferris, Baker, Watts Incorporated as its market maker for its common stock. Persons interested in buying or selling the Company's common stock should contact David J. Miller at 1-800-505-2030. The company may also be reached at the following address:

David J. Miller, CPA
Ferris, Baker Watts, Inc.
704 4th Avenue
Huntington, WV 25701

INDEPENDENT PUBLIC ACCOUNTANT.

At the meeting, the shareholders of the Company will be asked to ratify the selection of the firm of Arnett & Foster, certified public accountants, of 1000 Laidley Tower, 500 Lee Street East, Charleston, West Virginia 25329, as the Company's independent auditors for the year ending December 31, 1996. A member of the firm will be available to respond to shareholder inquiries at the annual meeting.

REPORTING OF SECURITIES TRANSACTIONS.

Pursuant to Section 16(a) of the Securities Exchange Act of 1934 and Securities and Exchange Commission (the "SEC") regulations, the Company's directors, executive officers and greater than ten percent shareholders are required to file reports of ownership and changes in ownership with the SEC and to furnish the Company with copies of all such reports they file. Based solely upon submissions of copies of reports to the Company, the Company is aware that Messrs. Maddy, Ratliff, Pavan and Jennings inadvertently filed one late report required by Section 16(a) of the Securities Act. For Messrs. Maddy, Ratliff and Pavan, the transaction involved the acquisition of shares on their behalf by the Company's Employee Stock Ownership Plan. For Mr. Jennings, the late filing involved his initial statement of beneficial stock ownership on Form 3. A remedial filing was made as soon as possible after the discovery of these delinquencies.

OTHER MATTERS.

The Board of Directors does not intend to bring other matters before the meeting except items incident to the context of the meeting. However, on all matters properly brought before the meeting by the Board or by others, the persons named as proxies in the accompanying proxy, or their substitutes, will vote in accordance with the recommendations of the Board of Directors.

SHAREHOLDER PROPOSALS.

To be included in the Board of Directors' Proxy Statement for the 1997 Annual Meeting of Shareholders, a shareholder's proposal must be received by the Company on or before December 31, 1996. The proposal should be directed to the secretary of the Company at 310 North Main Street, Moorefield, West Virginia 26836.

ANNUAL REPORT.

The annual report of the Company for the year ended December 31, 1995 is being mailed concurrently with this Proxy Statement. The financial statements and other information to be delivered with this Proxy Statement constitute the annual disclosure statement as required by 12 C.F.R. 18.

FORM 10-KSB.

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH PERSON WHOSE PROXY IS BEING SOLICITED, UPON THE REQUEST OF ANY SUCH PERSON, A COPY OF THE COMPANY'S ANNUAL REPORT FORM 10-KSB FOR 1995. REQUESTS FOR COPIES OF SUCH REPORT SHOULD BE DIRECTED TO CAROL A. RIGGLEMAN, ASSISTANT SECRETARY, SOUTH BRANCH VALLEY BANCORP, INC., P.O. BOX 680, MOOREFIELD, WEST VIRGINIA 26836.

By Order of the Board of Directors
Dated: March 1, 1996

E X H I B I T (21)

Subsidiaries of the Registrant

Exhibit 21

SOUTH BRANCH VALLEY BANCORP, INC.

SUBSIDIARIES OF REGISTRANT

The following lists the subsidiary of the registrant, a West Virginia Corporation.

South Branch Valley National Bank, a national banking association organized under the laws of the United States of America

E X H I B I T (23)

Consent of Independent Certified Public Accountants

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

Securities and Exchange Commission
Washington, D.C.

We hereby consent to the incorporation by reference in this Annual Report on Form 10-KSB of our report dated January 12, 1996 on our audit of the consolidated financial statements of South Branch Valley Bancorp, Inc. as of December 31,1995 and 1994, and for the three years in the period ended December 31, 1995, appering in the 1995 Annual Report to Shareholders of South Branch Valley Bancorp, Inc.

Arnett & Foster

Charleston, West Virginia
March 22, 1996

THIS CONFORMING PAPER FORMAT DOCUMENT IS BEING PURSUANT TO RULE 901 (D) OF
REGULATION S-T.

0000811808
SOUTH BRANCH VALLEY NATIONAL BANK

YEAR
DEC-31-1995
JAN-01-1995
DEC-31-1995
2,191,647
92,213,562
2,161,745
0
31,480,580
0
0
71,458,079
(859,681)
113,117,858
100,046,336
0
992,862
750,000
0
0
956,562
10,372,098
113,117,858
6,589,530
1,815,315
185,993
8,590,838
3,987,850
4,048,939
4,541,899
55,000
(1,546)
2,866,062
1,999,832
1,320,156
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0
1,320,156
3.49
3.49
4.70
538,239
259,904
230,288
1,028,431
993,023
223,620
45,278
859,681
859,681
0
0