

U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10 - QSB/A  
(Amendment No. 1)

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

For Quarterly Period Ended September 30, 1998  
-----

Commission File Number 0-16587  
-----

South Branch Valley Bancorp, Inc.  
-----

(Exact name of small business issuer as  
specified in its charter)

West Virginia  
-----

55-0672148  
-----

(State or other jurisdiction of  
incorporation or organization) (IRS Employer  
Identification No.)

310 North Main Street  
Moorefield, West Virginia 26836  
-----

(Address of principal executive offices) (Zip Code)

(304) 538-1000  
-----

(Issuer's telephone number, including area code)

Check whether the issuer: (1) has filed all reports required by Section 13 or 15(d) of the Exchange Act of 1934 during the past 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 ☒ No ☐  
-----

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

591,292 common shares were outstanding as of November 4, 1999

Transitional Small Business Disclosure Format (Check one):

Yes ☐ No ☒  
-----

This report contains 4 pages.

PART I, ITEM 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations is amended by the addition of a section entitled "Year 2000".

YEAR 2000

The Year 2000 Issue is the result of many existing computer programs and other date dependent electronic devices using only the last two digits, as opposed to four digits, to indicate the year. Such computer systems and devices may be unable to recognize a year that begins with 20XX instead of 19XX. If not corrected, the computer programs and devices could cause systems to fail or other computer errors, leading to possible disruptions in operations or creation of erroneous results. South Branch recognizes the significant potential risk associated with the Year 2000 Issue and, in a Company-wide effort, is taking steps to ensure that its internal systems are secure from such failure.

The Company's Year 2000 Plan ("Plan") addresses all its systems, software,

hardware, and infrastructure components. The Plan identifies and addresses "Mission Critical" and "Non-mission Critical" components for Information Technology ("IT") systems and Non-information Technology ("Non-IT") systems. IT includes, for example, systems that service loan and deposit customers. Non-IT systems include security systems, elevators, utilities and voice/data communications. An application, system, or process is deemed "Mission Critical" if it is vital to the successful continuance of a core business activity.

South Branch's Plan follows a five phase approach recommended by bank regulatory authorities. These phases are: Awareness, Assessment, Renovation, Testing/Validation, and Implementation. During the Awareness Phase, management gathered information and appointed a project steering committee to coordinate the Company's Year 2000 efforts. In the Assessment Phase, South Branch identified its Mission Critical IT and Non-IT systems and performed an inventory of all systems, software, hardware, equipment and components that potentially could be affected by the Year 2000 issue. The Renovation Phase involves implementing program changes and new components, where applicable, to accommodate identified Year 2000 issues. In the Testing/Validation Phase, the Company is testing renovated applications and components to ensure they are Year 2000 compliant. During the Implementation Phase, applications, systems and other components are fine-tuned and final programs and components are placed into operation.

South Branch's estimated progress as of September 30, 1998 towards meeting the Plan's goals for both IT and Non-IT systems by phase are as follows:

Phase	Estimated Percent Complete	Estimated Completion Date
-----	-----	-----
Mission Critical		
Awareness	100%	06/30/1998
Assessment	100%	09/30/1998
Renovation	50%	06/30/1999
Testing/Validation	50%	06/30/1999
Implementation	50%	06/30/1999
Non-mission Critical		
Awareness	100%	06/30/1998
Assessment	100%	09/30/1998
Renovation	50%	06/30/1999
Testing/Validation	50%	06/30/1999
Implementation	50%	06/30/1999

South Branch depends on various third-party vendors, suppliers, and service providers, and will be dependent on their continued service in order to avoid business interruptions. Any interruption in a third party's ability to provide goods and services, such as issues with telecommunication links and providers of electricity, could interrupt South Branch's ability to meet its customer's needs. South Branch has identified several third-party relationships considered Mission Critical, and is presently working with each to test transactions and/or interfaces between its processors, obtain appropriate information from each party, or assess each party's readiness with regard to the Year 2000 Issue.

Identifiable costs for the Company's Year 2000 project during 1998 approximated \$50,000, substantially all of which were capital expenditures for the replacement of computers and other date dependent electronic devices. The cost to complete the Plan is not expected to exceed \$150,000.

Major business risks associated with the Year 2000 problem include, but are not limited to, infrastructure failures, disruptions to the economy in general, excessive cash withdrawal activity, closure of government offices and clearing houses, and increased problem loans and credit losses in the event that borrowers fail to properly respond to the problem. These risks, along with the unlikely risk of South Branch failing to adequately complete the remaining phases of its Plan and the resulting possible inability to properly process business transactions expose the Company to loss of revenues, litigation, and asset quality deterioration.

The Year 2000 problem is unique in that it has never previously occurred; thus, it is not possible to completely foresee or quantify the overall or any specific financial or operational impacts to the Company or to third parties which provide Mission Critical services to the Company. South Branch will develop Year 2000 contingency plans in the event that Mission Critical third party vendors or other third parties fail to adequately address Year 2000 issues. Such plans principally will involve internal remediation or identifying alternative vendors.

SIGNATURES

Pursuant to the requirements 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/ H. Charles Maddy, III  
-----  
H. Charles Maddy, III,  
President and  
Chief Executive Officer

By: /s/ Robert S. Tissue  
-----  
Robert S. Tissue,  
Vice President and  
Chief Financial Officer

Date: November 15, 1999  
-----