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

FORM 10 - QSB

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

For Quarterly Period Ended September 30, 1999

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 X 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 8, 1999

Transitional Small Business Disclosure Format (Check one):

Yes No X

This report contains 25 pages.

South Branch Valley Bancorp, Inc. and Subsidiaries

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South Branch Valley Bancorp, Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30, 1999 (unaudited)	December 31, 1998 (*)
ASSETS		
Cash and due from banks	$ 7,706,167	$ 4,239,721
Interest bearing deposits with other banks	848,458	770,000
Federal funds sold	4,140,958	4,842,745
Securities available for sale	77,000,278	31,409,924
Loans, net	178,525,980	142,770,127
Bank premises and equipment, net	6,995,032	5,170,858
Accrued interest receivable	1,909,842	1,059,990
Other assets	7,066,600	2,735,672
Total assets	$ 284,193,315	$ 192,999,037
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Non interest bearing	$ 19,010,050	$ 11,455,674
Interest bearing	203,615,960	134,917,518
Total deposits	222,626,010	146,373,192
Short-term borrowings	14,811,880	4,644,143
Long-term borrowings	20,718,483	16,468,875
Other liabilities	1,751,808	1,367,698
Total liabilities	259,908,181	168,853,908
Commitments and Contingencies		
Shareholders' Equity		
Common stock, $2.50 par value, authorized 2,000,000 shares, issued 600,407 shares	1,501,018	1,501,018
Capital surplus	9,611,774	9,611,774
Retained earnings	14,287,503	13,103,264
Less cost of 9,115 shares acquired for the treasury	(384,724)	(384,724)
Accumulated other comprehensive income	(730,437)	313,797
Total shareholders' equity	24,285,134	24,145,129
Total liabilities and shareholders' equity	284,193,315	192,999,037

(*) - December 31, 1998 financial information has been extracted from audited consolidated financial statements

See Notes to Consolidated Financial Statements

South Branch Valley Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income (unaudited)

	Three Months Ended		Nine Months Ended	
	Sept. 30, 1999	Sept. 30, 1998	Sept. 30, 1999	Sept. 30, 1998
Interest income				
Interest and fees on loan	$3,840,033	$3,093,108	$10,497,751	$8,228,698
Interest on securities				
Taxable	1,086,975	485,392	2,317,408	1,372,541
Tax-exempt	75,226	80,224	233,858	239,823
Interest on Federal funds sold and interest bearing deposits other banks	108,239	66,707	325,096	240,180
Total interest income	5,110,473	3,725,431	13,374,113	10,081,242
Interest expense				
Interest on deposits	2,174,834	1,646,856	5,693,047	4,438,711
Interest on short-term borrowings	203,704	60,305	375,556	182,443
Interest on long-term borrowings	256,308	167,946	771,456	504,611
Total interest expense	2,634,846	1,875,107	6,840,059	5,125,765
Net interest income	2,475,627	1,850,324	6,534,054	4,955,477
Provision for loan losses	97,500	75,000	257,500	195,000
Net interest income after provision for loan losses	2,378,127	1,775,324	6,276,554	4,760,477
Other income				
Insurance commissions	20,185	17,817	53,061	67,260
Service fees on deposit	185,935	111,533	444,079	311,906
Securities gains (losses)	-	-	-	4,131
Other	29,226	28,460	102,595	61,323
Total other income	235,346	157,810	599,735	444,620
Other expense				
Salaries and employee benefits	804,730	585,053	2,194,503	1,606,044
Net occupancy expense	116,293	67,883	309,067	220,835
Equipment expense	137,050	106,184	388,717	286,985
Supplies	70,899	33,286	212,454	88,644
Amortization of intangibles	79,955	44,737	189,144	96,089
Other	477,120	367,156	1,301,858	973,466
Total other expense	1,686,047	1,204,299	4,595,743	3,272,063
Income before income tax expense	927,426	728,835	2,280,546	1,933,034
Income tax expense	327,415	224,115	818,400	630,262
Net income	$ 600,011	$ 504,720	$ 1,462,146	$1,302,772
Basic earnings per common share	$ 1.01	$ 0.85	$ 2.47	$ 2.44
Diluted earnings per common share	$ 1.01	$ 0.85	$ 2.47	$ 2.44
Dividends per common share	$ 0.47	$ 0.44	$ 0.47	$ 0.44

See Notes to Consolidated Financial Statements

South Branch Valley Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

	Nine Months Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 1998
Cash Flows from Operating Activities		
Net income	$ 1,462,146	$ 1,302,772
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	310,814	240,909
Provision for loan losses	257,500	195,000
Deferred income tax expense (benefit)	1,215	(23,823)
Security gains (losses)	-	(4,131)
Loss (gain) on disposal of Bank premises and equipmen	-	(9,709)
Loss (gain) on disposal of other assets	10,967	(8,043)
Amortization of securities premiums (accretion of discounts) net	15,784	(17,979)
Amortization of goodwill and purchase accounting adjustments, net	87,005	72,399
(Increase) decrease in accrued interest receivable	(798,873)	(233,121)
(Increase) decrease in other assets	(439,982)	175,977
Increase (decrease) in other liabilities	493,343	109,243
Net cash provided by operating activities	1,399,919	1,799,494
Cash Flows from Investing Activities		
Proceeds from maturities of interest bearing deposits with other banks	(78,458)	297,100
Proceeds from maturities and calls of securities available for sale	7,693,296	5,825,000
Proceeds from sales of securities available for sale	-	409,050
Principal payments received on securities available for sale	2,338,012	2,262,327
Purchases of securities available for sale	(57,294,729)	(6,077,235)
Purchase of common stock of affiliate	-	(90,465)
Net (increase) decrease in Federal funds sold	701,787	7,476,819
Net loans made to customers	(27,354,184)	(19,190,412)
Purchases of Bank premises and equipment	(888,949)	(784,287)
Proceeds from sales of Bank premises and equipment	-	10,693
Proceeds from sales of other assets	-	50,801
Purchase of life insurance contracts	(1,246,000)	-
Net cash and cash equivalents received in acquisitions	35,071,460	976,517
Net cash (used in) investing activities	(41,057,765)	(8,834,092)
Cash Flows from Financing Activities		
Net increase (decrease) in demand deposit, NOW and savings accounts	20,868,747	6,494,806
Net increase (decrease) in time deposits	8,116,107	892,474
Net increase (decrease) in short-term borrowings	10,167,737	(2,267,364)
Proceeds from long-term borrowings	4,500,000	6,136,337
Repayment of long-term borrowings	(250,392)	(3,482,247)
Purchase of treasury stock	-	(217,754)
Dividends paid	(277,907)	(262,367)
Net cash provided by financing activities	43,124,292	7,293,885
Increase (decrease) in cash and due from banks	3,466,446	259,287
Cash and due from banks:		
Beginning	4,239,721	3,945,099
Ending	$ 7,706,167	$ 4,204,386

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows - continued (unaudited)

	Nine Months Ended Sept. 30, 1999	Nine Months Ended Sept. 30, 1998
Supplement Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ 6,840,201	$ 5,049,168
Income taxes	$ 792,692	$ 660,807
Supplemental Schedule of Noncash Investing and Financing Activities		
Other assets acquired in settlement of loans	$ 154,565	$ -
Acquisition of Greenbrier County branches		
Net cash and cash equivalents received in acquisition of Greenbrier County branches	$ (35,071,460)	$ -
Fair value of assets acquired (principally loans and Bank premises)	$ 12,382,196	$ -
Deposits and other liabilities assumed	(47,453,656)	-
	$(35,071,460)	$ -
Acquisition of Capital State Bank, Inc.		
Prior acquisition of 40% of the outstanding common shares purchased for cash	$ -	$ 5,363,946
Acquisition of 60% of the outstanding common shares in exchange for 183,465 shares of Company common stock	-	7,980,728
	$ -	$ 13,344,674
Fair value of assets acquired (principally loans and securities)	$ -	$ 46,720,306
Deposits and other liabilities assumed	-	(33,375,632)
	$ -	$ 13,344,674

See Notes to Consolidated Financial Statements

South Branch Valley Bancorp, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity (unaudited) .

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Compre-hensive Income	Total Share-holders' Equity
Balance, December 31, 1998	$1,501,018	$9,611,774	$13,103,264	$(384,724)	$313,797	$24,145,129
Nine Months Ended September 30, 1999						
Comprehensive income:						
Net income	-	-	1,462,146	-	-	1,462,146
Other comprehensive income, net of tax:						
Net unrealized (loss) on securities of ($1,044,234), net of reclassification adjustment for gains(losses) included in net income of $ -	-	-	-	-	(1,044,234)	(1,044,234)
Total comprehensive income	-	-	-	-	-	417,912
Cash dividend declared on common stock ($.47 per share)	-	-	(277,105)	-	-	(277,105)
Balance, September 30, 1999	$1,501,018	$9,611,774	$14,287,503	$(384,724)	$ (730,437)	$ 24,285,134
Balance, December 31, 1997	$1,042,355	$2,089,709	$11,898,420	$(166,970)	$ 197,038	$ 15,060,552
Nine Months Ended September 30, 1998						
Comprehensive income:						
Net income	-	-	1,302,772	-	-	1,302,772
Other comprehensive income, net of tax:						
Net unrealized gain on securities of $120,147, net of reclassification adjustment for gains included in net income of $2,541	-	-	-	-	117,606	117,606
Total comprehensive income	-	-	-	-	-	1,420,378
Issuance of 183,465 shares of common stock at $43.50 per share as consideration for the acquisition of Capital State Bank, Inc.	458,668	7,522,065	-	-	-	7,980,728
Cost of 5,000 shares of common stock acquired for the treasury	-	-	-	(217,754)	-	(217,754)
Cash dividends declared on common stock ($.44 per share)	-	-	(262,367)	-	-	(262,367)
Balance, September 30, 1998	$1,501,018	$9,611,774	$12,938,825	$(384,724)	$ 314,644	$ 23,981,537

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements (unaudited)

Note 1. Basis of Presentation

These consolidated financial statements of South Branch Valley Bancorp, Inc. and Subsidiaries ("South Branch" or "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for annual year end financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect 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 materially from these estimates.

The results of operations for the three month and nine month periods ended September 30, 1999 are not necessarily indicative of the results to be expected for the full year. The consolidated financial statements and notes included herein should be read in conjunction with the audited consolidated financial statements and notes related thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 1998.

The Private Securities Litigation Act of 1995 indicates that the disclosure of forward-looking information is desirable for investors and encourages such disclosure by providing a safe harbor for forward-looking statements by management. This Quarterly Report on Form 10-QSB contains forward- looking statements that involve risk and uncertainty. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause South Branch's actual results and experience to differ materially from the anticipated results or other expectations expressed in those forward-looking statements.

Note 2. Earnings Per Share

Basic earnings per common share are computed based upon the weighted average shares outstanding. The weighted average shares outstanding for the nine month periods ended September 30, 1999 and 1998 were 591,292 and 534,241 respectively. The weighted average shares outstanding for the three month periods ended September 30, 1999 and 1998 were 591,292 and 592,292 respectively.

In accordance Financial Accounting Standards Board Statement No. 128, Earning per Share, diluted earnings per share amounts assume the conversion, exercise or issuance of all potential common stock instruments unless the effect is to reduce the loss or increase the income per common share from continuing operations. At September 30, 1999, options totaling 7,500 shares of South Branch's common stock had been granted under the Company's 1998 Officer Stock Option Plan, which had the effect of increasing average shares outstanding for purposes of computing diluted earnings per share by 43 and 0 shares for the nine months ended September 30, 1999 and 1998, respectively. These options had no effect on the average shares outstanding for purposes of computing diluted earnings per share for the quarters ended September 30, 1999 and 1998.

Note 3. Acquisitions and New Subsidiary

On December 23, 1998, Capital State Bank, Inc., a subsidiary of the Company, entered into an agreement to purchase three branch banking facilities located in Greenbrier County, West Virginia. The transaction was completed on April 22, 1999, and includes the branches' facilities and associated loan and deposit accounts. Total deposits assumed approximated $47.4 million and total loans acquired approximated $8.9 million as of the transaction's closing. This transaction was accounted for using the purchase method of accounting. The excess purchase price over the fair value of the net assets acquired as of the consummation date approximated $2,267,000, which is included in other assets in the accompanying consolidated balance sheet as of September 30, 1999. This goodwill is being amortized over a period of 15 years using the straight line method.

On March 24, 1998 and March 25, 1998, the shareholders of Capital State Bank, Inc. and South Branch Valley Bancorp, Inc. respectively, approved the merger of Capital State into Capital Interim Bank, Inc., a wholly owned subsidiary of South Branch. The merger was consummated at the close of business on March 31, 1998. This acquisition was accounted for using the purchase method of accounting., and accordingly, the assets and liabilities and results of operations of Capital State are reflected in the Company's consolidated financial statements beginning April 1, 1998. The excess purchase price over the fair value of the net assets acquired as of the consummation date approximated $1,966,000, and is being amortized over a period of 15 years using the straight line method.

The following presents certain pro forma condensed consolidated financial information of South Branch, using the purchase method of accounting, after giving effect to the acquisitions of Capital State Bank, Inc. and Greenbrier County branches as if each transaction had been consummated at the beginning of the periods presented.

(In thousands, except per share data)

	Nine Month Period Ended September 30, 1999		Nine Month Period Ended September 30, 1998	
	As Reported	Pro Forma	As Reported	Pro Forma
Total interest income	$ 13,374	$ 14,256	$ 10,081	$ 12,971
Total interest expense	$ 6,840	$ 7,316	$ 5,126	$ 6,677
Net interest income	$ 6,534	$ 6,940	$ 4,955	$ 6,294
Net income	$ 1,462	$ 1,534	$ 1,303	$ 1,492
Basic earnings per common share	$ 2.47	$ 2.59	$ 2.44	$ 2.57
Diluted earnings per common share	$ 2.47	$ 2.59	$ 2.44	$ 2.57

This pro forma information has been included for comparative purposes only and may not be indicative of the combined results of operations that actually would have occurred had the transactions been consummated at the beginning of the periods presented, or which will be attained in the future.

During 1998, South Branch applied for and on January 25, 1999 received preliminary approval from the Office of the Comptroller of the Currency to begin organizing a new subsidiary bank, Shenandoah Valley National Bank, to be located in Winchester, Virginia. Shenandoah Valley National Bank was granted its charter on May 14, 1999 and was initially capitalized with $4 million, funded by a special dividend in the amount of $3 million from the Company's subsidiary bank, South Branch Valley National Bank, and from a $1 million term loan from Potomac Valley Bank. Shenandoah Valley National Bank opened for business on May 17, 1999. Start-up costs totaling $89,998 related to the organization of this Institution were expensed during 1999.

Note 4. Securities

The amortized cost, unrealized gains, unrealized losses and estimated fair values of securities at September 30, 1999 and December 31, 1998 are summarized as follows:

September 30, 1999	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Available for Sale				
Taxable:				
U. S. Treasury securities	$ 1,493,860	$ 17,078	$ -	$ 1,510,938
U. S. Government agencies and corporations	43,852,131	27,444	725,534	43,154,041
Small Business Administration guaranteed loan participation certificates	722,634	9,874	-	732,508
Mortgage-backed securities - U. S. Government agencies and corporations	21,080,868	18,144	520,531	20,578,481
Corporate debt securities	2,525,278	13,075	2,148	2,536,205
Federal Reserve Bank stock	207,200	-	-	207,200
Federal Home Loan Bank stock	2,126,600	-	-	2,126,600
Other equity securities	306,625	-	-	306,625
Total taxable	72,315,196	85,615	1,248,213	71,152,598
Tax-exempt:				
State and political subdivision	5,833,779	64,654	54,853	5,843,580
Federal Reserve Bank stock	4,100	-	-	4,100
Total tax-exempt	5,837,879	64,654	54,853	5,847,680
Total	$78,153,075	$ 150,269	$1,303,066	$77,000,278

December 31, 1998	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Available for Sale				
Taxable:				
U. S. Treasury securities	$ 2,990,294	$ 68,354	$ -	$ 3,058,648
U. S. Government agencies and corporations	12,698,092	82,796	11,404	12,769,484
Small Business Administration guaranteed loan participation certificates	973,127	21,119	-	994,246
Mortgage-backed securities - U. S. Government agencies and corporations	6,334,380	86,483	-	6,420,863
Corporate debt securities	249,724	1,214	-	250,938
Federal Reserve Bank stock	44,300	-	-	44,300
Federal Home Loan Bank stock	1,052,300	-	-	1,052,300
Other equity securities	306,625	-	-	306,625
Total taxable	24,648,842	259,966	11,404	24,897,404
Tax-exempt:				
State and political subdivisions	6,246,745	268,525	6,850	6,508,420
Federal Reserve Bank stock	4,100	-	-	4,100
Total tax-exempt	6,250,845	268,525	6,850	6,512,520
Total	$30,899,687	$528,491	$18,254	$31,409,924

The maturites, amortized cost and estimated fair values of securities at September 30, 1999 are summarized as follows:

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 6,253,366	$ 6,183,607
Due from one to five years	34,967,188	34,640,827
Due from five to ten years	31,288,329	30,591,416
Due after ten years	2,999,667	2,939,903
Equity securities	2,644,525	2,644,525
	$78,153,075	$77,000,278

Note 5. Loans

Loans are summarized as follows:

	September 30, 1999	December 31, 1998
Commercial, financial and agricultural	$ 61,942,168	$ 41,956,586
Real estate - construction	1,287,729	1,801,317
Real estate - mortgage	87,666,088	73,885,892
Installment	28,977,970	26,579,782
Other	641,644	409,382
Total loans	180,515,599	144,632,959
Less unearned income	478,398	490,946
Total loans net of unearned income	180,037,201	144,142,013
Less allowance for loan losses	1,511,221	1,371,886
Loans, net	$178,525,980	$142,770,127

The following presents loan maturities at September 30, 1999:

	Within 1 Year	After 1 but within 5 Years	After 5 Years
Commercial, financial and agricultural	$10,082,445	$13,403,817	$ 38,455,906
Real estate - construction	1,211,526	-	76,203
Real estate - mortgage	2,223,862	8,347,967	77,094,259
Installment	3,327,432	21,477,873	4,172,665
Other	552,226	89,418	-
Total	$17,397,491	$43,319,075	$119,799,033

Loans due after one year with:

Variable rates	$ 49,293,847
Fixed rates	113,824,261
	$163,118,108

The Company grants commercial, residential and consumer loans to customers primarily located in the Potomac Highlands, South Central, and South Eastern counties of West Virginia, and in Winchester-Frederick County, Virginia. Although the Company strives to maintain a diverse loan portfolio, exposure to credit losses can be adversely impacted by downturns in local economic and employment conditions. Major employment within the Company's market area is diverse, but primarily includes the poultry, government, health care, education, coal production and various professional, financial and related service industries.

Note 6. Allowance for Loan Losses

An analysis of the allowance for loan losses for the nine month periods ended September 30, 1999 and 1998, is as follows:

	Nine Months Ended September 30,		Year Ended December 31,
	1999	1998	1998
Balance, beginning of period	$ 1,371,886	$ 895,281	$ 895,281
Losses:			
Commercial, financial & agricultural	14,783	546	4,063
Real estate - mortgage	30,488	-	-
Installment	92,952	113,613	124,103
Other	10,845	2,196	24,638
Total	149,068	116,355	152,804
Recoveries:			
Commercial, financial & agricultural	432	2,830	2,830
Real estate - mortgage	1,320	21,191	21,969
Installment	27,161	47,380	60,797
Other	1,990	300	2,011
Total	30,903	71,701	87,607
Net losses	118,165	44,654	65,197
Allowance of purchased subsidiary	-	271,802	271,802
Provision for loan losses	257,500	195,000	270,000
Balance, end of period	$ 1,511,221	$1,317,429	$ 1,371,886

Note 7. Bank Premises and Equipment

The major categories of Bank premises and equipment and accumulated depreciation at September 30, 1999 and December 31, 1998 are summarized as follows:

	September 30, 1999	December 31, 1998
Land	$ 1,739,783	$ 1,174,679
Buildings and improvements	5,065,242	3,928,162
Furniture and equipment	2,712,446	2,327,419
	9,517,471	7,430,260
Less accumulated depreciation	2,522,439	2,259,402
Bank premises and equipment,net	$ 6,995,032	$ 5,170,858

Note 8. Deposits

The following is a summary of interest bearing deposits by type as of September 30, 1999 and December 31, 1998:

	September 30, 1999	December 31, 1998
Demand deposits, interest bearing	$ 49,825,600	$ 27,510,717
Savings deposits	33,964,412	14,748,928
Individual retirement accounts	9,462,254	9,338,626
Certificates of deposit	110,363,694	83,319,247
Total	$ 203,615,960	$134,917,518

The following is a summary of the maturity distribution of certificates of deposit and Individual Retirement Accounts in denominations of $100,000 or more as of September 30, 1999:

	Amount	Percent
Three months or less	$ 6,155,253	21.2%
Three through six months	4,332,375	14.9%
Six through twelve months	11,533,553	39.8%
Over twelve months	6,989,772	24.1%
Total	$29,010,953	100.0%

A summary of the scheduled maturities for all time deposits as of September 30, 1999 is as follows:

1999	$ 26,148,348
2000	65,486,564
2001	15,962,363
2002	4,724,153
2003	3,743,924
Thereafter	3,760,596
	$119,825,948

Note 9. Restrictions on Capital

South Branch and its subsidiaries are subject to various regulatory capital requirements administered by the banking regulatory agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, South Branch and each of its subsidiaries must meet specific capital guidelines that involve quantitative measures of South Branch's and its subsidiaries' assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. South Branch and each of its subsidiaries' capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require South Branch and each of its subsidiaries to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, at September 30, 1999, that South Branch and each of its subsidiaries met all capital adequacy requirements to which they were subject.

The most recent notifications from the banking regulatory agencies categorized South Branch and each of its subsidiaries as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, South Branch and each of its subsidiaries must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below.

South Branch's and its subsidiaries', South Branch Valley National Bank's ("SBVNB"), Capital State Bank, Inc.'s ("CSB"), and Shenandoah Valley National Bank's ("SVNB") actual capital amounts and ratios are also presented in the following table (dollar amounts in thousands).

	Actual		Minimum Required Regulatory Capital		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 1999						
Total Capital (to risk weighted assets)						
South Branch	$22,494	13.3%	$13,505	8.0%	$16,881	10.0%
SBVNB	11,762	11.1%	8,479	8.0%	10,598	10.0%
CSB	7,150	13.6%	4,210	8.0%	5,262	10.0%
SVNB	3,890	34.7%	898	8.0%	1,123	10.0%
Tier I Capital (to risk weighted assets)						
South Branch	20,982	12.4%	6,753	4.0%	10,129	6.0%
SBVNB	10,644	10.0%	4,239	4.0%	6,359	6.0%
CSB	6,772	12.9%	2,105	4.0%	3,157	6.0%
SVNB	3,875	16.2%	449	4.0%	674	6.0%
Tier I Capital (to average assets)						
South Branch	20,982	7.1%	8,914	3.0%	14,857	5.0%
SBVNB	10,644	7.0%	4,531	3.0%	7,551	5.0%
CSB	6,772	7.0%	2,918	3.0%	4,863	5.0%
SVNB	3,875	16.3%	719	3.0%	1,199	5.0
As of December 31, 1998						
Total Capital (to risk weighted assets)						
South Branch	$23,309	18.4%	$10,126	8.0%	$12,658	10.0%
SBVNB	13,510	14.0%	7,721	8.0%	9,652	10.0%
CSB	8,976	30.5%	2,356	8.0%	2,945	10.0%
SVNB	*	*	*	*	*	*
Tier I Capital (to risk weighted assets)						
South Branch	21,937	17.3%	5,063	4.0%	7,595	6.0%
SBVNB	12,468	12.9%	3,861	4.0%	5,791	6.0%
CSB	8,646	29.4%	1,178	4.0%	1,767	6.0%
SVNB	*	*	*	*	*	*
Tier I Capital (to average assets)						
South Branch	21,937	11.5%	5,702	3.0%	9,504	5.0%
SBVNB	12,468	8.7%	4,289	3.0%	7,148	5.0%
CSB	8,646	17.7%	1,464	3.0%	2,441	5.0%
SVNB	*	*	*	*	*	*

* - No data presented relative to SVNB as of December 31, 1998, as this subsidiary was capitalized by South Branch in April 1999.

Note 10. Pending Merger

On July 16, 1999, the Company entered into an Agreement and Plan of Merger ("Agreement") to affiliate with Potomac Valley Bank ("Potomac") in Petersburg, West Virginia. Under the terms of the Agreement South Branch and Potomac propose a merger whereby the shareholders of Potomac would exchange all of their outstanding shares of common stock for shares of South Branch common stock at a book-for-book exchange based on the respective book values of South Branch and Potomac as of the closing date. At September 30, 1999, the exchange ratio would have been 3.31 shares of South Branch common stock for each share of Potomac's 90,000 outstanding shares of common stock. The terms of the Agreement also include, among others, that the merger is subject to South Branch changing its name to Summit Financial Group, Inc. and approval of the transaction by all applicable regulatory authorities and the shareholders of South Branch and Potomac. It is expected that the transaction will be accounted for using the pooling of interests method of accounting. As of September 30, 1999, Potomac's assets, loans, deposits and shareholders' equity totaled $92,343,000, $52,368,000, $79,660,000 and $12,233,000, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

The following is a discussion and analysis focused on significant changes in the financial condition and results of operations of South Branch Valley Bancorp, Inc. ("Company" or "South Branch") and its wholly owned subsidiaries, South Branch Valley National Bank ("SBVNB"), Capital State Bank, Inc. ("Capital State"), and Shenandoah Valley National Bank ("SVNB") for the periods indicated. This discussion and analysis should be read in conjunction with the Company's 1998 audited consolidated financial statements and Annual Report on Form 10-KSB. This discussion may also contain forward-looking statements based on management's expectations, and actual results may differ materially.

ACQUISITIONS AND NEW SUBSIDIARY

On May 14, 1999, SVNB, a newly organized bank subsidiary of South Branch, was granted its charter by the Office of the Comptroller of the Currency. This entity was initially capitalized with $4 million, funded by a special dividend in the amount of $3 million from the Company's subsidiary bank, SBVNB, and from a $1 million term loan from Potomac Valley Bank. SVNB opened for business on May 17, 1999.

On December 23, 1998, Capital State entered into an agreement to purchase three branch banking facilities located in Greenbrier County, West Virginia. The transaction was completed on April 22, 1999, and includes the branches' facilities and associated loan and deposit accounts. Total deposits assumed approximated $47.4 million and total loans acquired approximated $8.9 million as of the transaction's closing. This transaction was accounted for using the purchase method of accounting and accordingly, the balances and results of operations of the branches are included in the consolidated financial statements of South Branch only from the date of purchase.

At the close of business March 31, 1998, South Branch acquired 60% of the outstanding common stock of Capital State, a Charleston, West Virginia state chartered bank with total assets approximating $44 million at the time of acquisition, in exchange for 183,465 shares of South Branch's common stock. South Branch had previously acquired 40% of Capital State's outstanding common stock during 1997. This acquisition was accounted for using the purchase method of accounting, and accordingly, the assets and liabilities and results of operations of Capital State are reflected in the Company's consolidated financial statements beginning April 1, 1998.

Refer to Note 3 of the accompanying consolidated financial statements for additional information regarding these acquisitions.

RESULTS OF OPERATIONS

Earnings Summary

South Branch reported net income of $600,000 for the three months ended September 30, 1999 compared to $505,000 for the third quarter of 1998, representing an 18.8% increase. For the nine month period ended September 30, 1999, South Branch's net income of $1,462,000, increased 12.2% from the $1,303,000 reported for the same period of 1998. The increase in earnings for both the quarterly and nine month periods resulted primarily from growth in interest earning assets and improved service fee revenues.

Basic and diluted earnings per common share were $1.01 for the quarter ended September 30, 1999, compared to the $0.85 reported for the third quarter of 1998. For the nine month period ended September 30, 1999, basic and diluted earnings per common share totaled $2.47, compared to $2.44 for the same period of 1998.

Net Interest Income

The Company's net interest income on a fully tax-equivalent basis totaled $6,655,000 for the nine month period ended September 30, 1999 compared to $5,078,000 for the same period of 1998, representing an increase of $1,577,000 or 31.1%. This increase resulted from growth in the volume of earning assets as result of the acquisitions of Capital State and the Greenbrier County branches and as a result of solid Company-wide loan growth. South Branch's net yield on interest earning assets however decreased to 3.9% for the nine month period ended September 30, 1999, compared to 4.3% for the same period in 1998. Growth in net interest income is expected to continue due to anticipated continued growth in volumes of interest earning assets, principally loans, over the near term. Conversely, the Company's net yield on earning assets is anticipated to continue to contract over the balance of 1999, primarily due to the declining yields on loans as result of generally lower interest rates and an increasingly competitive market for quality new credits.

Further analysis of the Company's yields on interest earning assets and interest bearing liabilities are presented in Table I below.

Table I - Average Balance Sheet and Net Interest Income Analysis

	September 30, 1999			September 30, 1998		
	Average Balance	Earnings/ Expense	Yield/ Rate	Average Balance	Earnings/ Expense	Yield/ Rate
Interest earning assets						
Loans, net of unearned income	$162,619	$ 10,498	8.6%	$117,225	$ 8,229	9.4%
Securities						
Taxable	47,776	2,317	6.5%	28,674	1,372	6.4%
Tax-exempt (1)	6,069	355	7.8%	6,187	363	7.8%
Federal funds sold and interest bearing deposits other banks	8,812	325	4.9%	5,128	240	6.2%
Total interest earning assets	225,276	13,495	8.0%	157,214	10,204	8.7%
Noninterest earning assets						
Cash & due from banks	4,714			3,565		
Bank premises and equipment	6,707			4,081		
Other assets	4,649			6,066		
Allowance for loan losses	(1,438)			(1,144)		
Total assets	$239,908			$169,782		
Interest bearing liabilities						
Interest bearing demand deposits	$ 37,170	$ 926	3.3%	$ 23,340	$ 588	3.4%
Savings deposits	24,854	513	2.8%	15,881	383	3.2%
Time deposits	107,057	4,254	5.3%	79,918	3,467	5.8%
Short-term borrowings	10,853	375	4.6%	5,228	183	4.7%
Long-term borrowings	19,127	772	5.4%	12,395	505	5.4%
Total interest bearing liabilities	199,061	6,840	4.6%	136,762	5,126	5.0%
Noninterest bearing liabilities and shareholders' equity						
Demand deposits	16,003			10,759		
Other liabilities	1,319			1,418		
Shareholders' equity	23,525			20,843		
Total liabilities and shareholders' equity	$239,908			$169,782		
Net interest earnings		$ 6,655			$ 5,078	
Net yield on interest earning assets			3.9%			4.3%

(1) Interest income on tax-exempt securities has been adjusted assuming an effective tax rate of 34% for both periods presented. The tax equivalent adjustment resulted in an increase in interest income of $121,000 and $123,000 for the periods ended September 30, 1999 and 1998, respectively.

Credit Experience

The provision for loan losses represents charges to earnings necessary to maintain an adequate allowance for potential future loan losses. Management's determination of the appropriate level of the allowance is based on an ongoing analysis of credit quality and loss potential in the loan portfolio, change in the composition and risk characteristics of the loan portfolio, and the anticipated influence of national and local economic conditions. The adequacy of the allowance for loan losses is reviewed quarterly and adjustments are made as considered necessary.

The Company recorded a $258,000 provision for loan losses for the first nine months of 1999, compared to $195,000 for the same period in 1998. This increase reflects the acquisition of Capital State and continued growth of the loan portfolio. Net loan charge-offs for the first nine months of 1999 were $118,000 as compared to $45,000 over the same period of 1998. At September 30, 1999, the allowance for loan losses totaled $1,511,000 or 0.8% of loans, net of unearned income, compared to $1,372,000 or 1.0% of loans, net of unearned income at December 31, 1998. See Note 6 of the notes to the accompanying consolidated financial statements for an analysis of the activity in the Company's allowance for loan losses for the nine month periods ended September 30, 1999 and 1998 and for the year ended December 31, 1998.

As illustrated in Table II below, the Company's non-performing assets and loans past due 90 days or more and still accruing interest has decreased from $749,000 at December 31, 1998 to $670,000 at September 30, 1999.

Table II -
Summary of Past Due Loans and Non-Performing Assets
(in thousands of dollars)

	September 30,		December 31,
	1999	1998	1998
Loans contractually past due 90 days or more still accruing interest	$256	$327	$355
Non-performing assets:			
Non-accruing loans	296	140	297
Repossessed assets	33	-	12
Foreclosed properties	85	19	85
	$670	$486	$749
Percentage of total loans	0.4%	0.4%	0.5%

Noninterest Income and Expense

Total other income increased approximately $155,000 or 34.8% to $600,000 during the first nine months of 1999, as compared to the first nine months of 1998. The most significant item contributing to this increase was service fees on deposits, which increased $132,000 from approximately $312,000 to $444,000, or 42.3%. This resulted primarily from a change in SBVNB's deposit fee structure and improved realization of fee income at Capital State during the first three quarters of 1999. Management expects the Company will achieve similar levels of service fee income throughout the remainder of 1999.

Total noninterest expense increased approximately $1,324,000 or 40.5% to $4,596,000 during the first nine months of 1999 as compared to $3,272,000 for the first nine months of 1998. This increase resulted due to only two quarters of Capital State's noninterest expenses being included in consolidated noninterest expense for the first nine months of 1998 due to its acquisition on April 1, 1998, one time acquisition costs as well as operating costs associated with the Greenbrier County branches acquired April 22, 1999, and one time start up costs related to the organization and opening of SVNB.

FINANCIAL CONDITION

Total assets of the Company were $284,193,000 at September 30, 1999, compared to $192,999,000 at December 31, 1998, representing a 47.3% increase. Table III below serves to illustrate significant changes in the Company's financial position between December 31, 1998 and September 30, 1999.

Table III -
Summary of Significant Changes in
Company's Financial Position
(in thousands of dollars)

	Balance December 31, 1998	Increase (Decrease) Amount	Increase (Decrease) Percent	Balance September 30, 1999
Assets				
Securities available for sale	$ 31,410	$45,590	145.1%	$ 77,000
Loans, net of unearned income	144,142	35,895	24.9%	180,037
Liabilities				
Noninterest bearing deposits	$ 11,455	7,555	66.0%	$ 19,010
Interest bearing deposits	134,918	68,698	50.9%	203,616
Short-term borrowings	4,644	10,168	218.9%	14,812
Long-term borrowings	16,469	4,249	25.8%	20,718

The increase in securities available for sale resulted primarily from the purchase of U.S. government agency securities and mortgage backed securities during the first nine months of 1999. Purchases of these securities were made primarily to invest a significant portion of the $35.1 million in net funds the Company realized in conjunction with the acquisition of three branch banks in Greenbrier County, West Virginia in April 1999, and as part of South Branch's ongoing asset/liability management strategy, which strives to minimize interest rate risk while enhancing the financial position of the Company.

Growth in both noninterest bearing and interest bearing deposits reflects the approximate $47.2 million in deposits acquired with the Greenbrier County branches and SVNB's deposit growth to $25.8 million at September 30, 1999 following the new Bank's opening in May 1999.

Growth in loans during the first nine months of 1999, occurring primarily in the commercial and real estate portfolios, was funded principally by short-and long-term borrowings from the Federal Home Loan Bank and by deposits acquired with the Greenbrier County branches.

Refer to Notes 4, 5 and 8 of the notes to the accompanying consolidated financial statements for additional information with regard to changes in the composition of the South Branch's securities, loans and deposits between September 30, 1999 and December 31, 1998.

LIQUIDITY

Liquidity reflects the Company's ability to ensure the availability of adequate funds to meet loan commitments and deposit withdrawals, as well as provide for other transactional requirements. Liquidity is provided primarily by funds invested in cash and due from banks, Federal funds sold, securities and interest bearing deposits with other banks maturing within one year, and lines of credit with the Federal Home Loan Bank which totaled approximately $52.5 million at September 30, 1999 versus $45.1 million at December 31, 1998. Further enhancing the Company's liquidity is the availability as of September 30, 1999 of additional securities totaling $77 million classified as available for sale in response to an unforeseen need for liquidity.

The Company's liquidity position is monitored continuously to ensure that day-to-day as well as anticipated funding needs are met. Management is not aware of any trends, commitments, events or uncertainties that have resulted in or are reasonably likely to result in a material change to the South Branch's liquidity.

CAPITAL RESOURCES

Maintenance of a strong capital position is a continuing goal of Company management. Through management of its capital resources, the Company seeks to provide an attractive financial return to its shareholders while retaining sufficient capital to support future growth. Shareholders' equity at September 30, 1999 totaled $24,285,000 compared to $24,145,000 at December 31, 1998.

See Note 9 of the notes to the accompanying consolidated financial statements for information regarding regulatory restrictions on the Company's and its subsidiaries' capital.

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, 1999 towards meeting the Plan's goals for both IT and Non-IT systems by phase are as follows:

Phase	Percent Complete	Completion Date
Mission Critical		
Awareness	100%	06/30/1998
Assessment	100%	09/30/1998
Renovation	100%	06/30/1999
Testing/Validation	100%	06/30/1999
Implementation	100%	06/30/1999
Non-mission Critical		
Awareness	100%	06/30/1998
Assessment	100%	09/30/1998
Renovation	100%	06/30/1999
Testing/Validation	100%	06/30/1999
Implementation	100%	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 1999 approximated $20,000, 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 $20,000.

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 has developed comprehensive 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 involve internal remediation or utilization of alternative vendors.

PART II. OTHER INFORMATION

Item 6(a). Exhibits required by Item 601 of Regulation S-B

Exhibit 11. Statement re: Computation of Earnings per Share

Exhibit 27. Financial Data Schedule - electronic filing only

Item 6(b). Reports on Form 8-K

On July 16, 1999, South Branch announced that it had entered into an Agreement and Plan of Merger with Potomac Valley Bank in Petersburg, West Virginia.

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 12, 1999

EXHIBIT 11.

Statement re: Computation of Earnings per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Numerator:				
Net income	$ 600,011	$ 504,720	$1,462,146	$1,302,772
Denominator:				
Denominator for basic earnings per share -- weighted average common shares outstanding	591,292	592,292	591,292	534,241
Effect of dilutive securities: Officers' stock option plan	-	-	43	-
Denominator for diluted earnings per share - weighted average common shares outstanding and assumed conversions	591,292	592,292	591,335	534,241
Basic earnings per share	$ 1.01	$ 0.85	$ 2.47	$ 2.44
Diluted earnings per share	$ 1.01	$ 0.85	$ 2.47	$ 2.44

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South Branch Valley Bancorp, Inc.

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