FORM 10 - QSB

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

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

For Quarter Ended September 30, 1996

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 incorporation or organization)	(IRS Employer Identification No.)

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

(304) 538-2353
(Registrant'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 registrant's classes of common stock, as of the latest practicable date.

378,510 common shares were outstanding as of November 12, 1996.

Transitional Small Business Disclosure Format (check one): Yes No X

SOUTH BRANCH VALLEY BANCORP, INC. AND SUBSIDIARY

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SOUTH BRANCH VALLEY BANCORP, INC., AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 1996 (Unaudited)	December 31, 1995 *
Cash and due from banks	$2,790,957	$2,191,647
Interest bearing deposits with other banks	1,653,000	2,134,919
Federal funds sold	805,825	2,161,745
Securities available for sale	30,806,727	31,480,580
Loans, net	79,582,795	70,598,398
Bank premises and equipment, net	3,118,623	3,180,351
Accrued interest receivable	933,488	983,841
Other assets	295,548	386,377
Total Assets	$119,986,963	$113,117,858
LIABILITIES		
Non-interest bearing deposits	$8,938,172	$7,832,774
Interest bearing deposits	94,486,675	92,213,562
Total deposits	103,424,847	100,046,336
Securities sold w/agreement to repurchase	1,862,466	--
Long-term borrowings	1,706,595	750,000
Other liabilities	937,704	992,862
Total Liabilities	107,931,612	101,789,198
SHAREHOLDERS' EQUITY		
Common stock, $2.50 par value, authorized 600,000 shares, issued 382,625 shares	956,562	956,562
Surplus	685,534	685,534
Net unrealized gain (loss) on securities	182,978	340,650
Retained earnings	10,397,247	9,512,884
Less cost of shares acquired for the treasury 1996, 4,115; and 1995, 4,115	(166,970)	(166,970)
Total Shareholders' Equity	12,055,351	11,328,660
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$119,986,963	$113,117,858

December 31, 1995 financial information has been extracted from audited financial statements.

See Notes to Condensed Consolidated Financial Statements

SOUTH BRANCH VALLEY BANCORP, INC., AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Three Months and Nine Months ended September 30, 1996 and 1995

(Unaudited)

	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
Interest income:				
Interest and fees on loans	$1,912,956	$1,688,555	$5,546,873	$4,841,827
Interest on securities:				
Taxable	466,236	457,647	1,419,388	1,316,430
Tax-exempt	70,454	40,948	179,672	118,539
Interest on federal funds sold	5,293	8,368	41,084	40,308
Total interest income	2,454,939	2,195,518	7,187,017	6,317,104
Interest expense:				
Interest on deposits	1,158,061	1,044,353	3,458,129	2,910,256
Interest on federal funds purchased and securities sold under repo agmt	23,470	1,737	25,066	2,875
Interest on other borrowings	32,810	7,115	79,695	34,479
Total interest expense	1,214,341	1,053,205	3,562,890	2,947,610
Net interest income	1,240,598	1,142,313	3,624,127	3,369,494
Provision for loan losses	15,000	5,000	40,000	55,000
Net interest income after provision for loan losses	1,225,598	1,137,313	3,584,127	3,314,494
Non-interest income:				
Insurance commissions	30,741	31,543	79,465	78,808
Trust department income	501	---	493	508
Service fee income	58,490	53,430	167,635	156,648
Securities gains (losses)	(3,912)	(17,292)	30,000	(19,147)
Other income	17,326	11,083	43,394	34,854
Total other income	103,146	78,764	320,987	251,671
Non-interest expense:				
Salaries and employee benefits	428,579	382,356	1,294,552	1,164,266
Net occupancy expense of premises	46,458	30,077	147,045	87,750
Equipment expense	47,198	39,359	147,240	120,681
FDIC insurance premiums	500	(5,692)	2,000	91,269
Other expenses	243,340	211,177	775,449	654,721
Total other expense	766,075	657,277	2,366,286	2,118,687
Income before income tax expense	562,669	558,800	1,538,828	1,447,478
Income tax expense	181,825	186,203	510,630	508,417
Net Income	$380,844	$372,597	$1,028,198	$939,061
Earnings per common share (Note 2)	$1.01	$0.98	$2.72	$2.48
Dividends per common share	$---	$---	$0.38	$0.33

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended
September 30, 1996 and 1995 (Unaudited)

	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$1,028,198	$939,061
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	167,528	111,275
Provision for loan losses	40,000	55,000
Securities (gains) losses	(30,000)	19,147
Provision for deferred income tax expense	3,682	21,648
(Increase) decrease in accrued income receivable	50,353	(116,084)
Amortization of security premiums and (accretion of discounts), net	42,472	73,115
(Increase) decrease in other assets	74,465	(89,031)
Increase in other liabilities	43,547	104,092
(Gain) on sale of other assets	(6,318)	--
Net cash provided by operating activities	1,413,927	1,118,223
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of securities held to maturity	--	100,000
Purchases of securities held to maturity	--	(615,567)
Proceeds from sales of securities available for sale	6,235,258	2,030,688
Proceeds from maturities of securities available for sale	3,425,000	2,075,000
Purchases of securities available for sale	(9,708,744)	(5,724,686)
Principal payments received on securities held to maturity	--	254,883
Principal payments received on securities available for sale	453,490	99,518
(Increase) decrease in Federal funds sold, net	1,355,920	(184,047)
Principal collected on (loans to customers), net	(9,024,397)	(4,025,598)
(Purchase of) proceeds from interest bearing deposits with other banks	481,919	(491,163)
Purchase of Bank premises and equipment	(105,800)	(958,147)
Proceeds sales of other assets	19,000	--
Net cash provided by (used in) investing activities	(6,868,354)	(7,439,119)

Continued
See Notes to Condensed Consolidated Financial Statements

SOUTH BRANCH VALLEY BANCORP, INC., AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
For the Nine Months Ended September 30, 1996 and 1995
(Unaudited)

	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand deposits, NOW and savings accounts	1,214,514	3,123,228
Proceeds from sales of time deposits, net	2,163,998	3,990,680
Increase in securities sold with agreement to repurchase	1,862,465	--
Net increase (decrease) in other borrowings	956,595	(700,000)
Dividends Paid	(143,835)	(124,908)
Net cash provided by (used in) financing activities	6,053,737	6,289,000
Increase (decrease) in cash and due from banks	599,310	(31,896)
Cash and due from banks:		
Beginning	2,191,647	2,152,919
Ending	$2,790,957	$2,121,023
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest paid to depositors	$3,412,237	$2,824,075
Income taxes	$435,313	$559,222
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Other real estate acquired in settlement of loans	$0	$8,400

See Notes to Condensed Consolidated Financial Statements

SOUTH BRANCH VALLEY BANCORP, INC., AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Nine Months ended September 30, 1996 and 1995
(Unaudited)

	Three Months Ended	
	September 30, 1996	September 30, 1995
Balance, beginning of period	$11,300,153	$10,512,831
Net income	380,844	372,597
Change in net unrealized gain (loss) on securities available for sale	374,354	(19,742)
Balance, September 30	$12,055,351	$10,865,686

	Nine Months Ended	
	September 30, 1996	September 30, 1995
Balance, beginning of period	$11,328,660	$9,378,140
Net income	1,028,198	939,061
Cash dividends declared	(143,834)	(124,908)
Change in net unrealized gain (loss) on securities available for sale	(157,673)	673,393
Balance, September 30	$12,055,351	$10,865,686

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods.

The presentation of financial statements in conformity with generally accepted accounting procedures requires management to make estimates and assumptions that effect the reported amount 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 the estimates.

The results of operations for the nine month period ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year. The Condensed Consolidated Financial Statements and notes included herein should be read in conjunction with the Company's 1995 audited financial statements and Form 10-K.

Note 2. Earnings Per Share

Earnings per common share are computed based upon the weighted average shares outstanding. The weighted average shares outstanding were 378,510 at September 30, 1996 and 1995.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION AND SUMMARY

The following is Management's discussion and analysis of the financial condition and financial results of operations for South Branch Valley Bancorp, Inc. and its wholly owned subsidiary, South Branch Valley National Bank, as of September 30, 1996. Since the primary business activities of South Branch Valley Bancorp, Inc. are conducted through the Bank, this discussion focuses primarily on the financial condition and operations of the Bank.

Net income for the third quarter of 1996 was $381,000, a 2.1% increase from the third quarter earnings of 1995 which totaled $373,000. This translated to $1.01 earned per share during the third quarter of 1996 compared to $.98 during the third quarter of 1995.

Net income for the nine months ended September 30, 1996 totaled $1,028,000, which is an $89,000 or 9.5% increase from the $939,000 earned in the first nine months of 1995. Annualized return on average assets for 1996 was 1.19% as compared to 1.25% at September 30, 1995. Earnings per share increased from $2.48 for the first nine months of 1995 to $2.72 for the first nine months of 1996.

RESULTS OF OPERATIONS

Net Interest Income

For purposes of this discussion, the "taxable equivalent basis" adjustment has been included in interest income to reflect the level of income had income on state and municipal obligations exempt from Federal income tax been taxable, assuming a Federal tax rate of 34% in both 1996 and 1995. The amounts of tax equivalent adjustments were $39,000 in 1996 and $28,000 in 1995.

For the nine months ended September 30, 1996, the Company's net interest income, as adjusted, increased $266,000 or 7.8% to $3,663,000 as compared with $3,397,000 for the nine months ended September 30, 1995. The Company's net interest yield on earning assets decreased 25 basis points from 4.70% at September 30, 1995 to 4.45% for the nine months ended September 30, 1996. Management feels that this decrease is due primarily to a competitive local market for loans and deposits which has caused a general lowering of rates on loans while deposit rates have remained steady. A detailed analysis of the net interest yield is shown on Table I.

South Branch Valley Bancorp, Inc. and Subsidiary

Table I - Average Distribution of Assets, Liabilities and Shareholders' Equity, Interest Earnings & Expenses, and Average Rates

(In thousands of dollars)	September 30, 1996 Average Balances	Earnings/ Expense	Yield/ Rate	September 30, 1995 Average Balances	Earnings/ Expense	Yield/ Rate
ASSETS						
Interest earning assets:						
Loans, net of unearned interest	$74,964	$5,547	9.87%	$64,993	$4,842	9.93%
Securities						
Taxable	27,293	1,320	6.45%	25,745	1,216	6.30%
Tax-exempt	4,494	219	6.50%	2,756	147	7.11%
Interest bearing deposits with other banks	1,967	99	6.71%	1,943	100	6.86%
Federal funds sold	993	41	5.51%	842	40	6.33%
Total interest earning assets	109,711	7,226	8.78%	96,279	6,345	8.79%
Noninterest earning assets	5,974			3,928		
Total assets	$115,685			$100,207		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Interest bearing liabilities:						
Interest bearing demand deposits	$19,625	$505	3.43%	$17,267	$465	3.59%
Regular savings	15,507	410	3.53%	13,123	330	3.35%
Time savings	57,480	2,543	5.90%	50,531	2,116	5.58%
Federal funds purchased and Sec sold w/agmt to repurchase	791	25	4.21%	60	3	6.67%
Other borrowings	1,790	80	5.96%	855	34	5.30%
	95,193	3,563	4.99%	81,836	2,948	4.80%
Noninterest bearing liabilities:						
Demand deposits	8,257			7,649		
Other liabilities	889			660		
Total liabilities	104,339			90,145		
Shareholders' equity	11,346			10,062		
Total liabilities and shareholders' equity	$115,685			$100,207		
NET INTEREST EARNINGS		$3,663			$3,397	
NET INTEREST YIELD ON EARNING ASSETS			4.45%			4.70%

Provision for Loan Losses and Loan Quality

An allowance for loan losses is maintained by the Company and is funded through the provision for loan losses as a charge to current earnings. The allowance for loan losses is reviewed by management on a quarterly basis to determine that it is maintained at levels considered necessary to cover potential losses associated with the Bank's current loan portfolio. The Company's provision for loan losses for the first nine months of this year totaled $40,000 compared to $55,000 for the nine months ended September 30, 1995. At September 30, 1996 the reserve for loan losses totaled $849,000 or 1.1% of net loans compared to $860,000 or 1.2% of net loans at December 31, 1995.

Net loan charge-offs for the first nine months of 1996 were $50,000 as compared to $188,000 for the first nine months of 1995. Expressed as a percentage of average loans (net of unearned interest), net charge-offs were .07% for the first nine months of 1996 compared to .28% for the comparable period of 1995.

Summary of Past Due Loans and Non-Performing Assets

	September 30		December 31
	1996	1995	1995
Loans contractually past due 90 days or more and still accruing interest	$238	$280	$260
Non-performing assets:			
Non-accruing Loans	$384	$625	$538
Other Real Estate Owned	30	40	40
	$414	$665	$578

The level of non-performing assets has decreased during the past year due to management's continuing efforts to improve the quality of the Company's assets. Total loans past due 90 days or more plus non-performing assets have decreased approximately 31.0% from the same period last year. Loans contractually past due 90 days or more and still accruing interest have decreased approximately 8.5% or $22,000 since December 31, 1995.

Non-interest Income

Total other income increased approximately $69,000 or 27.4% during the first nine months of 1996, as compared to the first nine months of 1995.

Service fee income increased approximately $11,000 or 7.0%. Management is presently studying ways of improving the Company's service fee income and believes the Company will be able to maintain levels of service fee income similar to third quarter level throughout the remainder of 1996. Management plans to initiate a new service fee structure for commercial accounts during the first quarter of 1997.

Securities gains (losses) increased from a loss of ($19,000) for the first nine months of 1995 to a gain of $30,000 for the first nine months of 1996. This $49,000 increase in securities gains represents a 257.9% improvement for the nine months ending September 30, 1996 as compared to the nine months ending September 30, 1995 due to sales to improve rates and GAP.

Other income increased approximately $8,000 or 22.9% from September 30, 1995 to September 30, 1996. This increase is primarily attributable to an increase in merchant fees on credit cards and profits realized on sales of other real estate owned.

Non-interest Expense

Total non-interest expense increased approximately $248,000 or 11.7% during the first nine months of 1996 as compared to the first nine months of 1995. A more detailed discussion of non-interest expense components follows:

An increase of approximately $131,000 or 11.3% in salaries and employee benefits can be attributed to a general increase in salaries and a slight increase in insurance costs. Also contributing to this increase was the purchase of the Petersburg branch in November 1995. This new branch increased our number of full time equivalent employees by 9.6% from 52 employees before the purchase to 57 employees after the purchase.

Net occupancy expense increased approximately $59,000 to $147,000 or 67.0% from September 30, 1995 to September 30, 1996. Equipment expense also increased 21.5% from approximately $121,000 for the period ending September 30,1995 to $147,000 for the period ending September 30, 1996. These increases were expected and planned for by management due to the purchase of the Petersburg branch during the fourth quarter of 1995 and the recently completed renovation and addition to the Company's home office in Moorefield.

Due to the decrease in the semi-annual rate of deposit insurance from $.115 per hundred dollars of deposits to a minimum assessment of $1,000, FDIC insurance premiums decreased approximately $89,000 for the first nine months of 1996 as compared to the first nine months of 1995.

Other expenses increased approximately $120,000 or 18.3% from $655,000 to $775,000 during the first nine months of 1996 compared to the first nine months of 1995. The major factors contributing to this increase are as follows:

** During the first nine months of 1996 the bank did a computer conversion and experienced some one time expenses. Data processing expense increased 63.6% from approximately $55,000 in 1995 to $90,000 in 1996. ATM expense increased from $14,000 to $25,000 or 78.6%. Management does not expect these large increases in expenses to continue.

** Associated with the acquisition of the new branch in Petersburg as of November 1995 was the creation of a new expense, amortized goodwill. This expense has totaled $28,000 thus far in 1996 and will continue at this rate through the end of 2000.

** Credit card expense increased 29.6% from $27,000 in 1995 to $35,000 in 1996. This increase is the result of a decrease in the number of banks being serviced by the Company's processor and thus increasing the share of each bank's cost.

** The bank's strong loan demand required more credit reports which increased credit reference fees from $14,000 in 1995 to $19,000 in 1996, an increase of 35.7%.

** On September 7, 1996 the bank's main office located in Moorefield experienced a flood with water approximately eleven inches deep in the entire building. Flood clean up expenses through the end of September totaled approximately $6,000. This does not include any building or furniture damage, which is in the process of being determined by the insurance company. At this time management is uncertain as to the total damages caused by the flood, but the Bank's insurance deductible appears to be the Bank's only significant exposure to loss. The Bank's flood insurance deductible is $10,000.

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 maturities of securities. The Company uses ratio analysis to monitor the changes in its sources and uses of funds so that an adequate liquidity position is maintained. At September 30, 1996 the loan to deposit ratio was 76.9% as compared to 73.0% at September 30, 1995. Cash and due from banks totaled $2,791,000 or 2.3% of total assets. Additionally, securities and interest bearing deposits with other banks maturing within one year approximated $3,878,000 or 3.2% of total assets. Management believes that the liquidity of the Company is adequate and foresees no demands or conditions that would adversely affect it.

FINANCIAL CONDITION

The Company's total assets have increased approximately 6.1% or $6.9 million from December 31, 1995. The overall composition of the Company's assets has not changed significantly since December of 1995.

Total loans have increased approximately $9.0 million or 12.7% since December 31, 1995. This has increased the loan to deposit ratio to 77.0% as compared to 71.0% as of December 1995. This increase in the loan to deposit ratio was planned for and expected by management.

Total deposits have increased approximately $3.4 million or 3.4% since December 31, 1995. Approximately $1.1 million of this increase was in noninterest bearing deposits and approximately $2.3 million was in interest bearing accounts. This growth is consistent with the Company's overall business plan.

In the Bank's never ending quest to provide better service to all of it's customer base, the Bank began a new service on June 30, 1996. This service is called securities sold under agreement to repurchase. Federal law prohibits the payment of interest on corporate demand accounts. In order to be more competitive and to better serve it's corporate customers, the Bank was pleased to be able to offer this new service to corporate customers who typically maintain deposits in excess of $250,000. The Bank has set aside a group of U. S. Agency securities for these repurchase agreements. These repurchase agreements totaled $1.9 million on September 30, 1996 with a yield of 4.13%. These Repos are reflected on the Condensed Consolidated Balance Sheet as borrowings.

The Bank increased it's long term borrowings from the Federal Home Loan Bank by approximately $957,000. This increase was used to fund some of the Bank's loan growth.

The Company's total shareholders' equity has increased approximately $726,000 or 6.4% since December 31, 1995. This increase is due to internally generated undistributed net income. The Company's equity to total assets ratio was 10.0% at September 30, 1996 and at December 31, 1995. The Company's subsidiary bank's risk weighted capital ratio was approximately 16.1% at September 30, 1996, and is well within Federal regulatory guidelines. The Company is not aware of any pending Federal regulation which would have a material negative impact on its operations at this point in time.

PART II

Item 6 - Exhibits and Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended September 30, 1996.

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 Financial Officer

By: /s/ Russell F. Ratliff, Jr.

Russell F. Ratliff, Jr.
Treasurer

Date: November 13, 1996

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SOUTH BRANCH VALLEY NATIONAL BANK

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DEC-31-1996
JAN-01-1996
SEP-30-1996
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