

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, 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) (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 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 October 31, 1995.

Transitional Small Business Disclosure Format (check one):

Yes No

SOUTH BRANCH VALLEY BANCORP, INC. AND SUBSIDIARY

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

	September 30, 1995 (Unaudited)	December 31, 1994 *
ASSETS		
Cash and due from banks	\$2,121,023	\$2,152,919
Interest bearing deposits with other banks	2,224,863	1,733,700
Federal funds sold	184,047	---
Securities available for sale	25,918,489	23,388,488
Securities held to maturity (estimated fair value 1995 \$3,456,390; 1994 \$3,414,764)	3,418,790	3,165,939
Loans, net	67,186,639	63,224,441
Bank premises and equipment, net	2,434,837	1,587,965
Accrued interest receivable	999,142	883,058
Other assets	231,098	497,810
	-----	-----
Total Assets	\$104,718,928	\$96,634,320
	=====	=====
LIABILITIES		
Non-interest bearing deposits	\$7,659,258	\$8,047,012
Interest bearing deposits	84,432,515	76,930,853
	-----	-----
Total deposits	92,091,773	84,977,865
Short-term borrowings	1,000,000	1,700,000
Other liabilities	761,469	578,315
	-----	-----
Total Liabilities	93,853,242	87,256,180
	-----	-----
Commitments and contingencies (Note 4)		
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	126,293	(547,100)
Retained earnings	9,264,267	8,450,114
Less cost of shares acquired for the treasury 1995, 4,115; and 1994 4,115	(166,970)	(166,970)
	-----	-----
Total Shareholders' Equity	10,865,686	9,378,140
	-----	-----
Total Liabilities and Shareholders' Equity	\$104,718,928	\$96,634,320
	=====	=====

* December 31, 1994 financial information has been extracted from audited financial statements.

See Notes to Consolidated Financial Statements

SOUTH BRANCH VALLEY BANCORP, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months and Nine Months ended September 30, 1995 and 1994
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 1995	September 30, 1994	September 30, 1995	September 30, 1994
Interest income:				
Interest and fees on loans	\$1,688,555	\$1,495,557	\$4,841,827	\$4,294,262
Interest on securities:				
Taxable	457,647	436,115	1,316,430	1,318,850
Tax-exempt	40,948	36,566	118,539	117,247
Interest on federal funds sold	8,368	10,211	40,308	36,867
Total interest income	2,195,518	1,978,449	6,317,104	5,767,226
Interest expense:				
Interest on deposits	1,044,353	823,114	2,910,256	2,388,980
Interest on borrowed funds	8,852	---	37,354	588
Total interest expense	1,053,205	823,114	2,947,610	2,389,568
Net interest income	1,142,313	1,155,335	3,369,494	3,377,658
Provision for loan losses	5,000	30,000	55,000	120,000
Net interest income after provision for loan losses	1,137,313	1,125,335	3,314,494	3,257,658
Non-interest income:				
Insurance commissions	31,543	42,264	78,808	74,327
Trust department income	--	--	508	12,208
Service fee income	53,430	55,521	156,648	158,289
Securities gains (losses)	(17,292)	(2,362)	(19,147)	2,154
Other income	11,083	4,915	34,854	27,772
Total other income	78,764	100,338	251,671	274,750
Non-interest expense:				
Salaries and employee benefits	382,356	367,194	1,164,266	1,108,958
Net occupancy expense of premises	30,077	28,438	87,750	88,636
Equipment expense	39,359	34,728	120,681	120,267
FDIC insurance premiums	(5,692)	48,069	91,269	156,572
Other expenses	211,177	224,448	654,721	665,552
Total other expense	657,277	702,877	2,118,687	2,139,985
Income before income tax expense	558,800	522,796	1,447,478	1,392,423
Income tax expense	186,203	191,457	508,417	457,745
Net income	\$372,597	\$331,339	\$939,061	\$934,678
Earnings per common share (Note 2)	\$0.98	\$0.87	\$2.48	\$2.45
Dividends per common share	\$---	\$---	\$0.33	\$0.30

See Notes to Consolidated Financial Statements

SOUTH BRANCH VALLEY BANCORP, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 1995 and 1994
(Unaudited)

	Nine Months Ended	
	September 30, 1995	September 30, 1994
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$939,061	\$934,678
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	111,275	96,484
Provision for loan losses	55,000	120,000
Securities (gains) losses	19,147	(2,154)
(Gain) on sale of other assets	--	(6,064)
Provision for deferred income tax expense(benefit)	21,648	(30,164)
(Increase) in accrued income receivable	(116,084)	(80,606)
Amortization of security premiums and (accretion of discounts), net	73,115	97,327
(Increase) in other assets	(89,031)	(2,807)
Increase in other liabilities	104,092	59,199
	-----	-----
Net cash provided by operating activities	1,118,223	1,185,893
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of securities held to maturity	100,000	300,000
Purchases of securities held to maturity	(615,567)	--
Proceeds from sales of securities available for sale	2,030,688	2,010,156
Proceeds from maturities of securities available for sale	2,075,000	2,375,000
Purchases of securities available for sale	(5,724,686)	(5,861,242)
Principal payments received on securities held to maturity	254,883	825,066
Principal payments received on securities available for sale	99,518	97,482
(Increase) decrease in Federal funds sold, net	(184,047)	525,000
Principal collected on (loans to customers), net	(4,025,598)	(4,188,287)
(Purchase of) proceeds from interest bearing deposits with other banks	(491,163)	575,851
Purchase of Bank premises and equipment	(958,147)	(310,927)
Proceeds from the sale of other assets	--	69,500
	-----	-----
Net cash provided by (used in) investing activities	(7,439,119)	(3,582,401)
	-----	-----

Continued

See Notes to Consolidated Financial Statements

SOUTH BRANCH VALLEY BANCORP, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
For the Nine Months Ended September 30, 1995 and 1994

	Nine Months Ended	
	September 30, 1995	September 30, 1994
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand deposits, NOW and savings accounts	3,123,228	4,045,029
Proceeds from sales of (payments for matured) time deposits, net	3,990,680	(1,776,654)
Net (decrease) in short-term borrowings	(700,000)	--
Dividends paid	(124,908)	(114,788)
Purchase of treasury stock	--	(166,970)
Net cash provided by (used in) financing activities	6,289,000	1,986,617
Increase (decrease) in cash and due from banks	(31,896)	(409,891)
Cash and due from banks:		
Beginning	2,152,919	2,609,124
Ending	\$2,121,023	\$2,199,233
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest paid to depositors	\$2,824,075	\$2,384,423
Income taxes	\$559,222	\$408,411
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Other real estate acquired in settlement of loans	\$8,400	\$38,800

See Notes to Consolidated Financial Statements

SOUTH BRANCH VALLEY BANCORP, INC., AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Three Months and Nine Months ended September 30, 1995 and 1994
(Unaudited)

	Three Months Ended	
	September 30, 1995	September 30, 1994
Balance, beginning of period	\$10,512,831	\$9,432,817
Net income	372,597	331,339
Purchase of treasury stock	---	(166,970)
Change in net unrealized gain (loss) on securities	(19,742)	(165,781)
Balance, September 30	\$10,865,686	\$9,431,405
	=====	=====
	Nine Months Ended	
	September 30, 1995	September 30, 1994
Balance, beginning of period	\$9,378,140	\$9,079,746
Net income	939,061	934,678
Cash dividends declared	(124,908)	(114,788)
Net unrealized gain (loss) on securities available for sale upon adoption of SFAS No. 115	---	431,220
Change in net unrealized gain (loss) on securities	673,393	(732,481)
Purchase of treasury stock	---	(166,970)
Balance, September 30	\$10,865,686	\$9,431,405
	=====	=====

See Notes to 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 results of operations for the nine month period ended September 30, 1995 are not necessarily indicative of the results to be expected for the full year.

Note 2. Earnings Per Share

Earnings per common share are computed based upon the weighted average shares outstanding. The weighted average shares outstanding for the nine month period ending September 30, 1995 were 378,510 and were 382,010 for the same period of 1994. The weighted average shares outstanding for the three month period ending September 30, 1995 were 378,510 and were 380,780 for the same period of 1994.

Note 3. Adoption of New Accounting Pronouncement

Effective January 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS No. 114). Under SFAS No. 114, certain impaired loans 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 adoption of SFAS No. 114 did not materially impact the Company's financial condition or results of operations.

Note 4. Acquisition of Bank Branch

On July 18, 1995, the Company preliminarily agreed to purchase certain assets and assume certain liabilities of a branch banking facility located in Petersburg, West Virginia presently owned by another unaffiliated bank holding company. The acquisition of this branch is not expected to materially impact the company's financial condition and results of its operations. As of this writing, management expects to finalize the transaction to purchase the Petersburg branch office on November 15, 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, 1995. 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 1995 was \$373,000, a 12.7% increase from the third quarter earnings of 1994 which totaled \$331,000. This translated to \$.98 earned per share during the third quarter of 1995 compared to \$.87 during the third quarter of 1994.

Net income for the nine months ended September 30, 1995 totaled \$939,000, which is a \$4,000 or .4% increase from the \$935,000 earned in the first nine months of 1994. Annualized return on average assets for 1995 was 1.25% as compared to 1.30% at September 30, 1994. Earnings per share increased from \$2.45 for the first nine months of 1994 to \$2.48 for the first nine months of 1995.

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 1995 and 1994. The amounts of tax equivalent adjustments were \$28,000 in 1995 and \$36,000 in 1994. For the nine months ended September 30, 1995, the Company's net interest income, as adjusted, decreased \$16,000 or .5% to \$3,397,000 as compared with \$3,413,000 for the nine months ended September 30, 1994. Correspondingly, the Company's net interest yield on earning assets decreased 28 basis points from 4.98% at September 30, 1994 to 4.70% for the nine months ended September 30, 1995. 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 and increase in rates on deposits. Pressures on the net interest yield remain a concern. 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, 1995			September 30, 1994		
	AVERAGE BALANCES	EARNINGS/ EXPENSE	YIELD/ RATE	AVERAGE BALANCES	EARNINGS/ EXPENSE	YIELD/ RATE
ASSETS						
Interest earning assets						
Loans, net of unearned						
interest	\$64,993	\$4,842	9.93%	\$60,189	\$4,294	9.51%
Securities						
Taxable	25,745	1,216	6.30%	25,657	1,220	6.34%
Tax-exempt	2,756	147	7.11%	2,378	153	8.58%
Interest bearing deposits with other banks						
Federal funds sold	1,943	100	6.86%	1,902	99	6.94%
	842	40	6.33%	1,278	37	3.86%

Total interest earning assets	96,279	6,345	8.79%	91,404	5,803	8.46%
Noninterest earning assets						
	3,928			4,251		

Total assets	\$100,207			\$95,655		
=====						
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Interest bearing liabilities						
Interest bearing						
demand deposits	\$17,267	\$465	3.59%	\$15,274	\$319	2.78%
Regular savings	13,123	330	3.35%	13,835	322	3.10%
Time savings	50,531	2,116	5.58%	48,618	1,748	4.79%
Short-term borrowings	915	37	5.39%	8	1	4.25%

	81,836	2,948	4.80%	77,735	2,390	4.10%
Noninterest bearing liabilities						
Demand deposits	7,649			7,939		
Other liabilities	660			581		

Total liabilities	90,145			86,255		
Shareholders' equity						
	10,062			9,400		

Total liabilities and shareholders' equity	\$100,207			\$95,655		
=====						
NET INTEREST EARNINGS		\$3,397		\$3,413		
		=====		=====		
NET INTEREST YIELD ON EARNING ASSETS			4.70%	4.98%		
			=====	=====		

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 \$55,000 compared to \$120,000 for the nine months ended September 30, 1994. At September 30, 1995 the reserve for loan losses totaled \$860,000 or 1.3% of net loans compared to \$1,023,000 or 1.6% of net loans at December 31, 1994.

Net loan charge-offs for the first nine months of 1995 were \$188,000 as compared to \$3,000 for the first nine months of 1994. Expressed as a percentage of average loans (net of unearned interest), net charge-offs were .28% for the first nine months of 1995 compared to .005% for the comparable period of 1994. Most of the increase can be attributed to two large real estate charge-offs that totaled approximately \$124,000, one large commercial charge-off of approximately \$41,000 and a decrease of \$10,000 in recoveries.

Summary of Past Due Loans and Non-Performing Assets

	September 30		December 31
	-----		-----
	1995	1994	1994
Loans contractually past due 90 days or more and still accruing interest	\$280 ====	\$157 ====	\$585 ====
Non-performing assets:			
Non-accruing Loans	\$625	\$790	\$675
Other Real Estate Owned	40 ----	120 ----	22 ----
	\$665 ====	\$910 ====	\$697 ====

The level of non-performing assets has decreased significantly 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 11.4% from the same period last year. Loans contractually past due 90 days or more and still accruing interest have decreased approximately 52.1% or \$305,000 since December 31, 1994.

Non-interest Income

Total other income decreased approximately \$23,000 or 8.4% during the first nine months of 1995, as compared to the first nine months of 1994.

Insurance commissions increased approximately \$5,000 or 6.8%. This improvement in insurance commissions is the result of an incentive plan that was initiated during the second quarter of 1994. Management believes the Company will be able to maintain levels of insurance income similar to this throughout the remainder of 1995.

Securities gains (losses) went from a gain of \$2,000 for the first nine months of 1994 to a loss of \$19,000 for the first nine months of 1995, which reflects management's decision to sell a low yielding bond to improve the Company's interest margin.

Trust department income decreased by approximately \$11,000 or 91.7% from September 30, 1994 to September 30, 1995. This decline is primarily attributable to income realized on the initial commission of new trust deposits in 1994. Management does not expect to maintain a level of trust department income similar to that of 1994 during the next two years.

Other income increased approximately \$7,000 or 25.0% from September 30, 1994 to September 30, 1995. This increase is primarily attributable to an increase in merchant fees on credit cards and a decrease in teller shortages.

Non-interest Expense

Management's plans for controlling non-interest expense have succeeded in decreasing total other expenses \$21,000 or 1.0% for the first nine months of 1995 as compared to the first nine months of 1994. Most expenses in this category remained stable with two exceptions:

- ** FDIC premiums decreased approximately 42.0% to \$91,000 compared to \$157,000 at September 30, 1994. This was a result of a reduction in assessment rate from \$.23 to \$.04 per \$100 of deposits. This rate reduction occurred during the second quarter of 1995 and is not expected to increase in the foreseeable future.
- ** An increase of approximately \$55,000 or 5.0% in salaries and employee benefits can be attributed to a general increase in salaries.

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, 1995 the loan to deposit ratio was 73.0%. Cash and due from banks totaled \$2,121,000 or 2.0% of total assets. Additionally, securities and interest bearing deposits with other banks maturing within one year approximated \$3,970,000 or 3.8% 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 8.4% or \$8.1 million from December 31, 1994. The overall composition of the Company's assets has not changed significantly since December of 1994.

Total deposits have increased approximately 7.1 million or 8.4% since December 31, 1994. This increase was in interest bearing deposits. This growth is consistent with the Company's overall business plan.

The Company's total shareholders' equity has increased approximately \$1,488,000 or 15.9% since December 31, 1994. This increase is due to internally generated undistributed net income and to a \$673,000 increase, net of applicable income taxes, in the fair value of the Company's portfolio of securities available for sale. The Company's equity to total assets ratio was 10.4% at September 30, 1995 compared to 9.7% at December 31, 1994. The Company's subsidiary bank's risk weighted capital ratio was approximately 17.2% at September 30, 1995, 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, 1995.

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: October 31, 1995

SOUTH BRANCH VALLEY NATIONAL BANK

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DEC-31-1995

JAN-01-1995

SEP-30-1995

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