FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. 0000814178-95-000009

FILER

FIRST NATIONAL BANKSHARES CORP

CIK:**814178**| IRS No.: **621306172** | State of Incorp.:**WV** | Fiscal Year End: **1231**
Type: **10-Q/A** | Act: **34** | File No.: **033-14252** | Film No.: **95548207**
SIC: **6021** National commercial banks

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RONCEVERTE WV 24970
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1995

or

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

For the transition period from to

Commission File Number: 33-14252

FIRST NATIONAL BANKSHARES CORPORATION
(Exact name of registrant as specified in its charter)

West Virginia	62-1306172
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

One Cedar Street, Ronceverte, West Virginia	24970
(Address of principal executive offices)	(Zip Code)

(304) 647-4500
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

The number of shares outstanding of the issuer's classes of common stock as of March 16, 1995:

Common Stock, $5 par value -- 192,500 shares

THIS REPORT CONTAINS 21 PAGES

FIRST NATIONAL BANKSHARES CORPORATION

FORM 10-Q
For the Quarterly Period Ended March 31, 1995

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PART I.FINANCIAL INFORMATION

PART I. FINANCIAL INFORMATION

FIRST NATIONAL BANKSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)

<TABLE>
<CAPTION>

	March 31, 1995 (Unaudited)	December 31, 1994 *
ASSETS		
<S>	<C>	<C>
Cash and due from banks	$1,959	$3,721
Federal funds sold	2,296	1,720
Securities available for sale (Note 2)	19,162	23,281
Securities held to maturity (estimated fair value $ 9,319 and $ 7,158, respectively) (Note 2)	9,488	7,521
Loans, net (Notes 3 and 4)	39,789	38,766
Bank premises and equipment	1,071	1,035
Accrued interest receivable	556	796
Other assets	971	898
Total assets	$75,292	$77,738
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non interest bearing	$9,201	$9,209
Interest bearing	57,655	60,477
Total deposits	66,856	69,686
Other liabilities	788	741
Total liabilities	67,644	70,427
Commitments and Contingencies		
Shareholders' equity		
Common stock, $5.00 par value, authorized 500,000 shares, issued 192,500 shares	963	963
Capital surplus	1,000	1,000
Retained earnings	5,942	5,873

Net unrealized (loss) on securities	(257)	(525)
Total shareholders' equity	7,648	7,311
Total liabilities and shareholders' equity	$75,292	$77,738

<FN>

* - The December 31, 1994 consolidated balance sheet has been extracted from audited financial data.

See Notes to Consolidated Financial Statements
</TABLE>

FIRST NATIONAL BANKSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands of dollars, except per share data)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1995	1994
<S>	<C>	<C>
Interest Income		
Interest and fees on loans	$905	$972
Interest and dividends on securities:		
Taxable	368	356
Tax-exempt	62	62
Interest on Federal funds sold	37	17
Total interest income	1,372	1,407
Interest expense on deposits	508	543
Net interest income	864	864
Provision for loan losses	-	98
Net interest income after provision for loan losses	864	766
Other income		
Service fees	47	48
Insurance commissions	3	7
Securities gains	-	1
Other income	44	16
Total other income	94	72
Other expense		
Salaries and employee benefits	348	363
Net occupancy expense	56	43
Equipment rental, depreciation and maintenance	35	50
Other	346	281
Total other expenses	785	737
Income before income taxes	173	101
Income tax expense	46	26
Net income	$127	$75
Earnings per common share (Note 5)	$.66	$.39
Dividends declared per common share	$.30	$-

<FN>

See Notes to Consolidated Financial Statements
</TABLE>

FIRST NATIONAL BANKSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands of dollars)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1994
<S>	<C>	<C>
Balance, beginning of period	$7,311	$7,487
Net income	127	75
Cash dividends declared	(58)	-
Net unrealized gain on securities available for sale upon adoption of SFAS No. 115	-	311
Change in net unrealized (gain) on securities available for sale	268	(273)
Balance, end of period	$7,648	$7,600

<FN>

See Notes to Consolidated Financial Statements

</TABLE>

FIRST NATIONAL BANKSHARES CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands of dollars)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$127	$75
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	34	34
Provision for loan losses	-	98
Securities (gains)	-	(1)
Amortization of security premiums (accretion) of security discounts, net	(3)	17
Decrease in accrued interest receivable	240	273
(Increase) in other assets	(197)	(189)
Increase in other liabilities	66	57
Net cash provided by operating activities	267	364
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities held to maturity	-	266
Proceeds from maturities and calls of securities available for sale	4,500	2,000
Principal payments received on securities held to maturity	-	20
Purchases of securities held to maturity	(1,953)	(247)
Purchases of securities available for sale	-	(3,495)
Principal collected on (loans made to) customers, net	(1,023)	3,584
Purchases of bank premises and equipment	(70)	(56)
Net cash provided by (used in) investing activities	1,454	2,072

CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in demand deposits, NOW and savings accounts	(1,483)	(166)
Proceeds from sales of (payments for matured) time deposits, net	(1,347)	(581)
Dividends paid	(77)	-
Net cash provided by (used in) financing activities	(2,907)	(747)
Increase (decrease) in cash and cash equivalents	(1,186)	1,689
Cash and cash equivalents:		
Beginning	5,441	4,410
Ending	$4,255	$6,099
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest paid to depositors	$503	$546
Income taxes	$-	$29
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends declared and unpaid	$58	$-

<FN>

See Notes to Consolidated Financial Statements
</TABLE>

FIRST NATIONAL BANKSHARES CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accounting and reporting policies of First National Bankshares Corporation and Subsidiary (the "Company") conform to generally accepted accounting principles and to general policies within the financial services industry. The consolidated statements include the accounts of the Company and its wholly-owned subsidiary, The First National Bank in Ronceverte. All significant intercompany balances and transactions have been eliminated. The information contained in the consolidated financial statements is unaudited except where indicated. In the opinion of management, all adjustments for a fair presentation of the results of the interim periods have been made. All such adjustments were of a normal, recurring nature. The results of operations for the three months ended March 31, 1995 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 Company's 1994 audited financial statements and Form 10-K.

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

<TABLE>
<CAPTION>

March 31, 1995

<S>	Amortized Cost <C>	Unrealized Gains <C>	Unrealized Losses <C>	Estimated Fair Value <C>
Held to maturity:				
Taxable:				
U.S. Treasury securities	$2,968	$-	$6	$2,962
U.S. Government agencies and corporations	1,001	-	12	989
Corporate debt securities	500	-	36	464
Total taxable	4,469	-	54	4,415

Tax exempt:				
State and political subdivisions	5,019	-	115	4,904
Total	$9,488	$-	$169	$9,319

December 31, 1994	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Held to maturity:				
Taxable:				
U.S. Treasury securities	$1,000	$-	$21	$979
U.S. Government agencies and corporations	1,002	-	29	973
Corporate debt securities	500	-	51	449
Total taxable	2,502	-	101	2,401
Tax exempt:				
State and political subdivisions	5,019	8	270	4,757
Total	$7,521	$8	$371	$7,158

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1995	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Available for sale:				
Taxable:				
U.S. Treasury securities	$2,962	$-	$77	$2,885
U.S. Government agencies and corporations	16,557	-	339	16,218
Federal Reserve Bank stock	57	-	-	57
Total taxable	19,576	-	416	19,160
Tax exempt:				
Federal Reserve Bank stock	2	-	-	2
Total	$19,578	$-	$416	$19,162

December 31, 1994	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Available for sale:				
Taxable:				
U.S. Treasury securities	$3,961	$2	$145	$3,818
U.S. Government agencies and corporations	20,069	3	668	19,404
Federal Reserve Bank stock	57	-	-	57
Total taxable	24,087	5	813	23,279
Tax exempt:				
Federal Reserve Bank stock	2	-	-	2
Total	$24,089	$5	$813	$23,281

The maturities, amortized cost and estimated fair values of the Company's securities at March 31, 1995 are summarized as follows (in thousands):

	Held to Maturity		Available for Sale	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due within 1 year	$2,468	$2,472	$4,503	$4,472

Due after 1 but within 5 years	3,726	3,648	15,016	14,631
Due after 5 but within 10 years	3,294	3,199	-	-
Due after 10 years	-	-	59	59
Total	$9,488	$9,319	$19,578	$19,162

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The proceeds from sales and calls and maturities of securities, including principal payments received on mortgage-backed securities and the related gross gains and losses realized for the three month periods ended March 31, 1995 and 1994 are as follows (in thousands):

<TABLE>
<CAPTION>

	Proceeds From			Gross Realized	
	Sales	Calls and Maturities	Principal Payments	Gains	Losses
<S>	<C>	<C>	<C>	<C>	<C>
Three months ended March 31, 1995:					
Securities held to maturity	$-	$-	$-	$-	$-
Securities available for sale	-	4,500	-	-	-
Total	$-	$4,500	$-	$-	$-
Three months ended March 31, 1994:					
Securities held to maturity	$-	$266	$20	$-	$-
Securities available for sale	-	2,000	-	-	-
Total	$-	$2,266	$20	$-	$-

</TABLE>

Note 3. Loans

Total loans as of March 31, 1995 and December 31, 1994 are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	March 31, 1995	December 31, 1994
<S>	<C>	<C>
Commercial, financial and agricultural	$3,183	$2,855
Real estate - construction	951	660
Real estate - mortgage	28,394	28,200
Installment loans to individuals	7,635	7,774
Other	639	387
Total loans	40,802	39,876
Less unearned income	252	257
Total loans net of unearned income	40,550	39,619
Less allowance for loan losses	761	853
Loans, net	$39,789	$38,766

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Allowance for Loan Losses and New Accounting Pronouncement

Analyses of the allowance for loan losses are presented below (in thousands) for the three month periods ended March 31, 1995 and 1994:

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1995	1994
<S>	<C>	<C>
Balance, beginning of period	$853	$1,001

Loans charged off	(117)	(112)
Recoveries	25	18
Net losses	(92)	(94)
Provision for loan losses	0	98
Balance, end of period	$761	$1,005

</TABLE>

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 5. Earnings Per Share

Earnings per common share are computed based on the weighted-average shares outstanding. For the three month periods ended March 31, 1995 and 1994, the weighted-average common shares outstanding was 192,500.

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

The following is a discussion and analysis focused on significant changes in the financial condition and results of operations of First National Bankshares Corporation (the "Company" or "Bankshares"), and its subsidiary, The First National Bank in Ronceverte. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes accompanying this analysis.

EARNINGS SUMMARY

The Company reported net income of $127,000 for the three months ended March 31, 1995 compared to $75,000 for the quarter ended March 31, 1994, representing a 69.3% increase. The increase in earnings for the first quarter of 1995 was primarily attributable to no provision for loan losses being recorded compared to the $98,000 provision recorded for the first quarter of 1994, and due to a $22,000 (30.6%) increase in other income. These earnings improvements were partially offset by a $48,000 increase in noninterest expenses. See PROVISION FOR LOAN LOSSES and NONINTEREST EXPENSE sections which follow for further discussion.

Earning per common share were $.66 for the quarter ended March 31, 1995 compared to the $.39 reported for the first quarter of 1994. An analysis of the contribution of each major component of the statement of income to earnings per share is presented in the following chart for the three month periods ended March 31, 1995 and 1994.

<TABLE>
<CAPTION>

	Three Months Ended March 31,		
	1995	1994	Increase (Decrease)
<S>	<C>	<C>	<C>
Interest income	$7.13	$7.31	$(.18)
Interest expense	2.64	2.82	(.18)
Net interest income	4.49	4.49	-
Provision for loan losses	-	.51	(.51)
Net interest income after provision for loan losses	4.49	3.98	.51
Noninterest income	.49	.37	.12
Noninterest expense	4.08	3.82	.26
Income before income taxes	.90	.53	.37
Income tax expense	.24	.14	.10
Net income	$.66	$.39	$.27

</TABLE>

Bankshares' annualized return on average assets (ROA) for the first quarter of 1995 was .67% compared to .37% for the first quarter of 1994. Annualized return on average shareholders' equity (ROE) was 6.8% for the first quarter of 1995 compared to 3.8% in the first quarter of 1994.

NET INTEREST INCOME

The most significant component of Bankshares' net earnings is net interest income, which represents the excess of interest income earned on earning assets over the interest expense paid for sources of funds. Net interest income is affected by changes in volume resulting from growth and alteration of the balance sheet's composition, as well as by fluctuations in market interest rates and maturities of sources and uses of funds.

For purposes of this discussion, net interest income is presented on a fully tax-equivalent basis to enhance the comparability of the performance of tax-exempt to fully taxable earning assets. For the period ended March 31, 1995 and 1994, the tax-equivalent adjustment was $32,000 and $32,000, respectively.

Bankshares' net interest income on a fully tax-equivalent basis totalled $896,000 for the three month period ended March 31, 1995 unchanged from $896,000 recorded during the same period of 1994. The Company's net yield on interest earning assets for the three month period ended March 31, 1995 was 4.96% compared to 4.66% for the same period in 1994, reflecting an increase of 29 basis points in the yield on earning assets (7.48% to 7.77%) which was offset by an increase of only 8 basis points in the cost of interest bearing liabilities (3.38% to 3.46%).

Further analysis of Bankshares' yields on interest earning assets and interest earning liabilities and changes in its net interest income are presented in TABLE I and TABLE II.

PROVISION FOR LOAN LOSSES AND ASSET QUALITY

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, actual loan loss experience relative to the size and characteristics of 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 recognized no provision for loan losses for the first quarter of 1995, compared to the $98,000 provision recorded in the first quarter of 1994. This reduction primarily reflects the result of management's general strengthening of the Company's loan underwriting standards, a reduction in the level of past due and nonperforming loans and a decline in the total balance of outstanding loans.

The allowance for loan losses was $761,000 at March 31, 1995, compared to $1,005,000 at March 31, 1994. The balance at March 31, 1994 includes an amount previously reserved for a specific loan of $201,000 which was charged off in the second quarter of 1994. Expressed as a percentage of loans (net of unearned income), the allowance for loan losses was 1.88% at March 31, 1995 compared to 2.16% at March 31, 1994. Loans charged off, net of recoveries of previously charged off loans, totalled $92,000 and $94,000 for the periods ended March 31, 1995 and 1994, respectively. See Note 4 of the notes to the consolidated financial statements for an analysis of the activity in the Company's allowance for loan losses for the three month periods ended March 31, 1995 and 1994.

Nonaccrual loans declined 50.5% to $569,000 as of March 31, 1995, compared to March 31, 1994. Bankshares places into nonaccrual status those loans which the full collection of principal and interest are unlikely or which are past due 90 or more days, unless the loans are adequately secured and in the process of collection. The decrease in the level of nonaccrual loans is attributed to the Company's enhanced loan collection policies and procedures implemented during 1994.

<TABLE>

<CAPTION>

TABLE I

AVERAGE BALANCE SHEET AND
NET INTEREST INCOME ANALYSIS
(In thousands of dollars)

	Three Months Ended March 31, 1995			Three Months Ended March 31, 1994		
	Average Balance	Interest(1)	Yield/ Rate	Average Balance	Interest(1)	Yield/ Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST EARNING ASSETS						
Loans	$39,527	$905	9.16%	$44,731	$972	8.69%
Securities:						
Taxable	24,923	368	5.91	25,889	356	5.50
Tax-exempt	5,019	94	7.49	4,141	94	9.08
Total securities	29,942	462	6.17	30,030	450	5.99
Federal funds sold	2,853	37	5.19	2,203	17	3.09
Total interest earning assets	72,322	1,404	7.77	76,964	1,439	7.48
NONINTEREST EARNING ASSETS						
Cash & due from banks	2,032			3,220		
Bank premises & equip	1,127			1,098		
Other assets	1,496			1,190		
Allowance for loan losses	(835)			(988)		
Total assets	$76,142			$81,484		
INTEREST BEARING LIABILITIES						
Demand deposits	$11,507	75	2.61	$11,930	85	2.85
Savings deposits	23,209	190	3.27	25,606	207	3.23
Time deposits	23,962	243	4.06	26,785	251	3.75
Total interest bearing liabilities	58,678	508	3.46	64,321	543	3.38
NONINTEREST BEARING LIABILITIES AND SHAREHOLDERS' EQUITY						
Demand deposits	9,079			8,815		
Other liabilities	885			422		
Shareholders' equity	7,500			7,926		
Total liabilities and shareholders' equity	$76,142			$81,484		
NET INTEREST EARNINGS		$896			$896	
NET YIELD ON INTEREST EARNING ASSETS			4.96%			4.66%

<FN>

(1) Calculated on a fully tax-equivalent basis using the rate of 34% for 1995 and 1994.

</TABLE>

TABLE II

CHANGES IN INTEREST INCOME AND EXPENSE
DUE TO CHANGES IN AVERAGE VOLUME AND INTEREST RATES
(In thousands of dollars)

<TABLE>
<CAPTION>

Three Months Ended
March 30, 1995 vs. March 30, 1994
Increase (Decrease)
Due to Changes in:

<S>	Volume(1) <C>	Rate(1) <C>	Total <C>
INTEREST EARNING ASSETS			
Loans	$(117)	$50	$(67)
Securities:			
Taxable	(14)	26	12
Tax-exempt (2)	18	(18)	0
Total securities	4	8	12
Federal funds sold	6	14	20
Total interest earning assets	(107)	72	(35)
INTEREST EARNING LIABILITIES			
Demand deposits	(3)	(7)	(10)
Savings deposits	(20)	3	(17)
Time deposits	(28)	20	(8)
Total interest earning liabilities	(51)	16	(35)
NET INTEREST EARNINGS	$(56)	$56	$0

<FN>

(1) The change in interest due to both rate and volume has been allocated between the factors in proportion to the relationship of the absolute dollar amounts of the change in each.

(2) Calculated on a fully tax-equivalent basis using the rate of 34%.

</TABLE>

A summary of the Company's past due loans and nonperforming assets is provided in the following table.

SUMMARY OF PAST DUE LOANS AND NONPERFORMING ASSETS
(in thousands of dollars)

<TABLE>
<CAPTION>

<S>	March 31, 1995 <C>	March 31, 1994 <C>	December 31, 1994 <C>
Loans past due 90 or more days still accruing interest	$-	$-	$-
Nonperforming assets:			
Nonaccruing loans	$569	$1,149	$933
Other real estate owned	-	48	-
Total	$569	$1,197	$933

</TABLE>

NONINTEREST INCOME

Noninterest income includes revenues from all sources other than interest income and yield related loan fees. For the three month period ended March 31, 1995, noninterest income totalled $ 94,000, representing an increase of $22,000, or 30.6% from the $72,000 recorded during the same period of 1994. This increase is attributable primarily to trust fees recognized in the first quarter of 1995 totalling $31,000 compared to $2,000 in the first quarter of 1994. As a percentage of average assets, annualized noninterest income was .49% and .35% for the three month periods ended March 31, 1995 and 1994, respectively.

Bankshares intends to continue to strive in the future to enhance its overall profitability by identifying new opportunities for earning additional noninterest income.

NONINTEREST EXPENSE

Noninterest expense comprises overhead costs which are not related to interest expense or to losses from loans or securities. As of March 31, 1995, the Company's noninterest expense totalled $785,000, representing an increase of $48,000, or 6.51% over total noninterest expense incurred for the three months ended March 31, 1994. Expressed as a percentage of average assets, annualized noninterest expense increased to 4.12% at March 31, 1995, from 3.62% at March 31, 1994. The most significant contributing factor to the rise in noninterest expense was increased other operating expenses. During the first three months of 1995, Bankshares recorded $65,000 or 23.1% more in other operating expenses compared to the same period 1994, primarily as result of the expenses incurred in connection with the settlement of certain litigation.

INCOME TAXES

Bankshares' income tax expense, which includes both Federal and State income taxes, totalled $46,000 for the three month period ended March 31, 1995, reflecting a $20,000 increase when compared to the same period of 1994 principally due to a increased level of taxable earnings in 1995. Income tax expense equalled 26.6% and 25.7% of income before taxes at March 31, 1995 and 1994, respectively. For financial reporting purposes, income tax expense does not equal the Federal statutory income tax rate of 34% when applied to pretax income, primarily because of State income taxes and tax-exempt interest income included in income before income taxes.

FINANCIAL CONDITION

Bankshares' total assets were $75,292,000 at March 31, 1995, compared to $77,738,000 at December 31, 1994, representing a 3.1% decrease.

The Company's total securities portfolio decreased by $2,152,000, or 7.0% from December 31, 1994 to March 31, 1995. This decline reflects the decline in deposits discussed below. A summary of the Company's securities held to maturity and securities available for sale portfolios by type of security as of March 31, 1995 and December 31, 1994 is presented in Note 2 of the notes to the consolidated financial statements.

Loans, net of unearned income increased $931,000, or 2.3% during the first three months of 1995. A summary of Company loans as of March 31, 1995 and December 31, 1994 by category is included elsewhere herein as Note 3 of the notes to the consolidated financial statements. Management believes that recent declines in loan balances have stabilized and anticipates some moderate loan growth throughout the remainder of 1995 in response to competitive loan pricing and marketing strategies currently being implemented.

Total deposits decreased to $66,856,000, or 4.1% at March 31, 1995, from $69,686,000 at December 31, 1994. This reduction was primarily the result of a $1,347,000, or 5.4% decline in the balance of certificates of deposit and a $1,477,000, or 4.2% decline in the balance of savings accounts which likely resulted from a lowering of the interest rate paid on these deposits to bring the Company's rate more in line with that paid by other institutions in its market area. Noninterest bearing deposits have remained relatively stable in comparison to their respective balance at March 31, 1995 and December 31, 1994.

LIQUIDITY AND INTEREST RATE RISK MANAGEMENT

Liquidity reflects Bankshares' ability to ensure the availability of adequate funds to meet loan commitments and deposit withdrawals, as well as provide for other Company transactional requirements. Liquidity is provided primarily by funds invested in cash and due from banks and Federal funds sold, which measured $4,255,000 at March 31, 1995 or 21.8% less than the $5,441,000 total at December 31, 1994. The Company's liquidity position is monitored continuously to ensure that day-to-day as well as anticipated funding needs are met.

Further enhancing the Company's liquidity is the availability as of March 31, 1995 of $7,000,000 in securities maturing within one year. Also, Bankshares has classified in accordance with SFAS No. 115 securities with an estimated fair value totalling $19,162,000 as available for sale in response to an unforeseen need for liquidity.

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 Company's liquidity.

Interest rate risk represents the volatility in earnings and market values of interest earning assets and liabilities resulting from changes in market rates. The Company seeks to minimize interest rate risk through asset/liability management. Bankshares' principal asset/liability management strategy is gap management. Gap is the measure of the difference between the volume of repricing interest earning assets and interest bearing liabilities during given time periods. When the volume of repricing interest earning assets exceeds the volume of repricing interest bearing liabilities, the gap is positive -- a condition which usually is favorable during a rising rate environment. The opposite case, a negative gap, generally is favorable during a falling rate environment. When the interest rate sensitivity gap is near zero, the impact of interest rate risk is limited, for at this point changes in net interest income are minimal regardless of whether interest rates are rising or falling. An analysis of the Company's current gap position is presented in TABLE III.

<TABLE>
<CAPTION>

TABLE III

INTEREST RATE SENSITIVITY GAPS
March 31, 1995
(In thousands of dollars)

	Repricing (1)			
	Within 6 Months	6 to 12 Months	After 12 Months	Total
<S>	<C>	<C>	<C>	<C>
INTEREST EARNING ASSETS				
Loans, net of unearned income	$15,358	$9,971	$15,221	$40,550
Securities	4,400	2,100	22,150	28,650
Federal funds sold	2,296	-	-	2,296
Total interest earning assets	22,054	12,071	37,371	71,496
INTEREST BEARING LIABILITIES				
Demand deposits	11,543	-	-	11,543
Savings deposits	22,379	-	-	22,379
Time deposits	13,918	4,231	5,584	23,733
Total interest bearing liabilities	47,840	4,231	5,584	57,655
Contractual interest sensitivity gap	(25,786)	7,840	31,787	13,841
Adjustment (2)	33,922	(33,922)	-	-
Adjusted interest sensitivity gap	$8,136	$(26,082)	$31,787	$13,841
Cumulative adjusted interest sensitivity gap	$8,136	$(17,946)	$13,841	

<FN>

(1) Repricing on a contractual basis unless otherwise noted.

(2) Adjustment to approximate the actual repricing of interest bearing demand deposits and savings accounts based upon historical experience.

</TABLE>

On a contractual repricing basis, the Company is negatively gapped by $25,786,000 over the less than six month time frame. Included within this time period are $33,922,000 in interest bearing demand deposits and savings accounts which on a contractual basis are immediately repriceable. However, based on historical experience, the repricing of these deposit balances tends to lag, at a minimum, six months behind changes in market interest rates. For this reason, TABLE III reflects an adjustment to compensate for the time lag in the repricing of these deposits. After this adjustment, the table reflects a positive gap in the less than six month time frame of $8,136,000. The Company seeks to maintain its adjusted interest sensitivity gap within the less than six month category to a relatively small balance, positive or negative, regardless of anti-cipated upward or down movements in interest rates in an effort to limit the effects of interest rate risk on Company net interest income.

CAPITAL RESOURCES

Maintenance of a strong capital position is a continuing goal of Bankshares' 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.

Total shareholders' equity at March 31, 1995 was $7,648,000 compared to $7,311,000 at December 31, 1994, representing an increase of $337,000, which is attributable to net retained earnings and to a $268,000 reduction in the net unrealized loss on securities classified as available for sale. Total shareholders' equity expressed as a percentage of total assets increased from 9.4% at December 31, 1994 to 10.2% at March 31, 1995. Cash dividends totalling $57,750, or $.30 per share were declared during the first quarter of 1995, representing 46% of the Company's year-to-date earnings for 1995.

As a Bank Holding Company, Bankshares is subject to the Federal Reserve Board's risk-based capital guidelines. Such guidelines provide for relative weighting of both on and off-balance sheet items (such as loan commitments and standby letters of credit) based on their perceived degree of risk. At March 31 1995, the Company continues to exceed each of the regulatory risk-based capital requirements as shown in the following table:

<TABLE>

RISK-BASED CAPITAL RATIOS
March 31, 1995

<S>	Actual <C>	Minimum Requirement <C>
Tier 1 risk-based capital ratio	21.19%	4.0%
Total risk-based capital ratio	19.93%	8.0%
Leverage ratio	10.37%	4.0%

</TABLE>

Improved operating results and a consistent dividend program, coupled with an effective management of credit and interest rate risk will be the key elements toward the Company continuing to maintain its present strong capital position in the future.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K
a. There are no exhibits included in this filing.
b. The Company did not file any Form 8-K, Current Reports during the quarter ended March 31, 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.

FIRST NATIONAL BANKSHARES CORPORATION

By /s/ L. Thomas Bulla
L. Thomas Bulla,
President and Chief Executive Officer

By /s/ Keith E.Morgan
Keith E. Morgan,
Secretary and Treasurer
(Chief Financial and Accounting Officer)

Date: May 09, 1995

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