FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

ONE VALLEY BANCORP OF WEST VIRGINIA INC
CIK:**351616**| IRS No.: **550609408** | State of Incorp.:**WV** | Fiscal Year End: **1231**
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SIC: **6022** State commercial banks

Business Address
ONE VALLEY SQ
SUMMERS & LEE STS PO BOX 1793
CHARLESTON WV 25326
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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended MARCH 31, 1994

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 010042

One Valley Bancorp of West Virginia, Inc.
(Exact name of registrant as specified in its charter)

West Virginia	55-0609408
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Valley Square, Charleston, West Virginia 25326
(Address of principal executive offices)
(Zip Code)

(304) 348-7000
(Registrant's telephone number, including area code)

Not applicable
(Former name, address, and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities and 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.
YES X No

The number of shares outstanding of each of the issuer's classes of common stock as of March 31, 1994 was:

Common Stock, $10.00 par value -- 17,255,688 shares

One Valley Bancorp of West Virginia, Inc.

Part I. Financial Information

Item 1. Financial Statements.

The unaudited interim consolidated financial statements of One Valley Bancorp of West Virginia, Inc. (One Valley) or (Registrant) are included on pages 3 - 8 of this report.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Rule 10-01 of Regulation S-X. 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. Operating results for the three month period ended March 31, 1994 are not necessarily indicative of the results that may be expected for the year ending December 31, 1994. For further information, refer to the consolidated financial statements and footnotes thereto included in the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis of financial condition and results of operations is included on pages 9 - 16 of this report.

<TABLE>
ONE VALLEY BANCORP OF WEST VIRGINIA, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(unaudited in thousands)
<CAPTION>

<S>	March 31 1994 <C>	December 31 1993 <C>	March 31 1993 <C>
Assets			
Cash and Due From Banks	$133,732	$141,195	$135,825
Interest Bearing Deposits With Other Banks	3,880	8,028	6,833
Federal Funds Sold	38,359	31,145	145,427
Cash and Cash Equivalents	175,971	180,368	288,085
Securities			
Available-for-Sale, at fair value (Note B)	589,258	0	0
Held-for-Investment (Estimated Fair Value,	0	0	0
March 31, 1994 - $457,032; December 31, 1993 - $1,081,742;	0	0	0
March 31, 1993 - $1,078,683)	459,916	1,060,036	1,048,896
Loans			
Total Loans	2,173,686	2,169,372	1,999,455
Less: Allowance For Loan Losses	37,111	36,484	36,368
Net Loans	2,136,575	2,132,888	1,963,087
Bank Premises & Equipment - Net	82,317	80,233	80,382
Other Assets	56,274	59,350	61,698
Total Assets	$3,500,311	$3,512,875	$3,442,148
Liabilities and Shareholders' Equity			
Deposits			
Non-interest Bearing	$434,096	$412,317	$386,374
Interest Bearing	2,532,265	2,524,418	2,496,653
Total Deposits	2,966,361	2,936,735	2,883,027
Short-term Borrowings			
Federal Funds Purchased	9,306	14,012	21,564
Repurchase Agreements and Other Borrowings	163,206	204,408	175,759
Total Short-term Borrowings	172,512	218,420	197,323
Long-term Borrowings	18,883	22,788	40,051
Other Liabilities	30,351	29,749	34,100
Total Liabilities	3,188,107	3,207,692	3,154,501
Shareholders' Equity:			
Preferred Stock-$10 par value; 1,000,000 shares authorized but none issued	0	0	0
Common Stock-$10 par value; 40,000,000 shares authorized, Issued 17,525,688 shares at March 31, 1994; 17,516,795 shares at December 31, 1993; 17,506,045 shares at March 31, 1993	175,257	175,168	175,060
Capital Surplus	25,880	25,830	25,804
Retained Earnings	114,350	107,314	89,912
Unrealized (Losses) on Securities Available-for-Sale, net of deferred taxes; (Note B)	(154)	0	0
Treasury Stock - 270,000 shares at March 31, 1994, December 31, 1993 and March 31, 1993; at cost	(3,129)	(3,129)	(3,129)
Total Shareholders' Equity	312,204	305,183	287,647
Total Liabilities and Shareholders' Equity	$3,500,311	$3,512,875	$3,442,148

</TABLE>

<TABLE>
ONE VALLEY BANCORP OF WEST VIRGINIA, INC. AND SUBSIDIARIES
Consolidated Statements of Income
(unaudited in thousands, except per share data)
<CAPTION>

	For The Three Months Ended March 31	
<S>	1994 <C>	1993 <C>
Interest Income		
Interest and Fees on Loans		
Taxable	$44,371	$43,983
Tax-Exempt	572	467

Total	44,943	44,450
Interest on Investment Securities		
Taxable	12,683	14,344
Tax-Exempt	2,156	1,471
Total	14,839	15,815
Other Interest Income	344	960
Total Interest Income	60,126	61,225
Interest Expense		
Deposits	20,717	23,633
Short-term Borrowings	1,389	1,537
Long-term Borrowings	245	585
Total Interest Expense	22,351	25,755
Net Interest Income	37,775	35,470
Provision For Loan Losses	1,179	1,551
Net Interest Income After Provision For Loan Losses	36,596	33,919
Other Income		
Trust Department Income	2,012	1,745
Service Charges on Deposit Accounts	2,609	2,586
Real Estate Loan Processing & Servicing Fees	1,418	2,146
Other Service Charges and Fees	1,150	660
Other Operating Income	1,710	2,591
Securities Transactions	197	0
Total Other Income	9,096	9,728
Other Expenses		
Salaries and Employee Benefits	15,928	15,617
Occupancy Expense - Net	1,561	1,427
Equipment Expenses	2,058	2,640
Federal Deposit Insurance	1,661	1,630
Outside Data Processing	908	472
Other Operating Expenses	7,488	7,544
Total Other Expenses	29,604	29,330
Income Before Taxes	16,088	14,317
Applicable Income Taxes	5,257	4,479
Net Income	$10,831	$9,838
Net Income Per Common Share	$0.63	$0.57
Based on Average Shares Outstanding of	17,250	17,228

</TABLE>

<TABLE>
ONE VALLEY BANCORP OF WEST VIRGINIA, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(unaudited in thousands)
<CAPTION>

<S>	Common Stock <C>	Capital Surplus <C>	Retained Earnings <C>	Treasury Stock <C>	Unrealized Gain (Loss) on Securities Available for Sale <C>
Balance December 31, 1993	$175,168	$25,830	$107,314	($3,129)	$0
Effect of adopting FAS 115	0	0	0	0	4,765
Three Months Ended March 31, 1994					
Net Income	0	0	10,831	0	0
Cash Dividends ($.22 per share)	0	0	(3,795)	0	0
Change in Fair Value of Securities Available for Sale, net of deferred taxes	0	0	0	0	(4,919)
Stock Options Exercised	89	50	0	0	0
Balance March 31, 1994	$175,257	$25,880	$114,350	($3,129)	($154)
Balance December 31, 1992	$174,935	$25,352	$83,380	($3,129)	$0
Three Months Ended March 31, 1993					
Net Income	0	0	9,838	0	0
Cash Dividends ($.20 per share)	0	0	(3,306)	0	0
Stock Options Exercised	125	452	0	0	0

Balance March 31, 1993	$175,060	$25,804	$89,912	($3,129)	$0

</TABLE>

<TABLE>
ONE VALLEY BANCORP OF WEST VIRGINIA, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(unaudited in thousands)
<CAPTION>

	For The Three Months Ended March 31 1994	1993
<S>	<C>	<C>
Operating Activities		
Net Income	$10,831	$9,838
Adjustments To Reconcile Net Income To Net Cash Provided by Operating Activities:		
Provision For Loan Losses	1,179	1,551
Depreciation	1,742	1,936
Amortization and Accretion	951	2,219
Securities Gains	(197)	0
Increase (Decrease) Due to Changes In:		
Accrued Interest Receivable	(345)	695
Accrued Interest Payable	(228)	407
Other Assets and Other Liabilities	5,000	900
Net Cash Provided by Operating Activities	18,933	17,546
Investing Activities		
Proceeds From Sale of Securities Available for Sale	36,497	0
Proceeds From Sale of Investment Securities	0	78
Proceeds From Maturities of Securities Available for Sale	106,584	0
Proceeds From Maturities of Securities Held to Maturity	22,758	87,305
Purchases of Securities Available for Sale	(101,567)	0
Purchases of Securities Held to Maturity	(55,021)	(109,904)
Net (Increase) Decrease In Loans	(4,912)	1,111
Purchases of Premises and Equipment	(3,826)	(1,048)
Net Cash Provided by (Used in) Investing Activities	513	(22,458)
Financing Activities		
Net Change in Interest Bearing and Non-interest Bearing Deposits	29,626	1,453
Net (Decrease) Increase in Federal Funds Purchased	(4,706)	3,846
Net (Decrease) in Other Short-term Borrowings	(41,202)	(10,843)
Proceeds From Long-term Borrowings	1,099	12,038
Repayment of Long-term Debt	(5,004)	(2,205)
Proceeds From Issuance of Common Stock	139	577
Dividends Paid	(3,795)	(3,306)
Net Cash (Used in) Provided by Financing Activities	(23,843)	1,560
(Decrease) in Cash and Cash Equivalents	(4,397)	(3,352)
Cash And Cash Equivalents at Beginning of Year	180,368	291,437
Cash and Cash Equivalents, March 31	$175,971	$288,085

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Basis of Presentation

The accounting and reporting policies of One Valley conform to generally accepted accounting principles and practices in the banking industry. All significant intercompany accounts and transactions have been eliminated in consolidation. The interim financial information included in this report is unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the results of the interim periods have been made. These notes are presented in conjunction with the Notes to Consolidated Financial Statements included in the Annual Report of One Valley.

Note B - Accounting Change

Effective January 1, 1994, One Valley adopted the provisions of FASB Statement 115, "Accounting for Certain Investments in Debt and Equity Securities." In accordance with the provisions of the Statement, One Valley reevaluated its classification of securities and assigned a portion of its securities investment as available-for-sale. Securities designated available-for-sale are presented at fair value. The corresponding unrealized gain or loss on these securities due to any difference between historical cost and current fair value is presented as a component of Shareholders' Equity, net of deferred taxes. Securities designated as available-for-sale at December 31, 1993 approximated $632,380. The effect of adopting this Statement was to increase the opening balance of shareholders' equity at January 1, 1994 by $4,765, which was the net unrealized gain on securities available-for-sale of $7,942, net of $3,177 in deferred income taxes. At March 31, 1994, securities available-for-sale had a historical cost of $589,516, with a net unrealized loss of approximately $258, which decreased shareholders' equity by $154, net of $104 in deferred income taxes.

The amortized cost and estimated fair values of securities available-for-sale are summarized as follows:
<TABLE>
<CAPTION>

<S>	Amortized Cost <C>	Gross Unrealized Gains <C>	Gross Unrealized Losses <C>	Estimated Fair Value <C>
March 31, 1994				
U.S. Treasury securities and obligations of government agencies corporations	$543,981	$1,947	$(1,928)	$544,000
Mortgage backed securities	43,879	67	(412)	43,534
Other securities	1,656	68	(0)	1,742
Total securities available-for-sale	$589,516	$2,082	$(2,340)	$589,258

</TABLE>
Note B - Accounting Change (continued)

The amortized cost and estimated fair values of securities held-to-maturity are summarized as follows:
<TABLE>
<CAPTION>

<S>	Amortized Cost <C>	Gross Unrealized Gains <C>	Gross Unrealized Losses <C>	Estimated Fair Value <C>
March 31, 1994				
U.S. Treasury securities and obligations of government agencies corporations	$125,662	$1,493	$ (821)	$126,334
Obligations of states and political subdivisions	178,434	1,157	(4,732)	$174,859
Mortgage backed securities	142,444	599	(718)	142,325
Other securities	13,376	141	(3)	13,514
Total securities held to maturity	$459,916	$3,390	$(6,274)	$457,032
December 31, 1993				
U.S. Treasury securities and obligations of government agencies corporations	$ 709,229	$12,330	$ (526)	$ 721,033
Obligations of states and political subdivisions	137,654	5,864	(650)	142,868
Mortgage backed securities	197,444	5,104	(731)	201,817
Other securities	15,709	319	(4)	16,024
Total securities held to maturity	$1,060,036	$23,617	$(1,911)	$1,081,742
March 31, 1993				
U.S. Treasury securities and obligations of government agencies corporations	$ 742,683	$18,875	$ (81)	$ 761,477
Obligations of states and political subdivisions	85,742	5,111	(22)	90,831
Mortgage backed securities	200,201	6,103	(550)	205,754
Other securities	20,270	352	(1)	20,621
Total securities held to maturity	$1,048,896	$30,441	$(654)	$1,078,683

</tTABLE>

Note C - Mergers

At the close of business on January 28, 1994, One Valley acquired all of the outstanding stock of Mountaineer Bankshares of W.Va., Inc. in exchange for 4,350,000 shares of One Valley common stock. This combination was accounted for as a pooling-of-interest. Accordingly, all prior period financial information has been restated to reflect the merger of the two companies as though they had always been combined.

One Valley Bancorp of West Virginia, Inc.

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

March 31, 1994

INTRODUCTION AND SUMMARY

Net income for the first quarter of 1994 totaled $10.8 million, an increase of 10.1% over the $9.8 million earned in the same quarter of 1993. On a per share basis, net income of $0.63 for the first quarter of 1994 increased 10.5% over the $0.57 earned during the same period in 1993. The improvement in earnings during the quarter can be attributed, in large part, to an increase in net interest income and a decrease in the provision for loan losses.

Return on average assets (ROA) measures how effectively One Valley utilizes its assets to produce net income. ROA was 1.24% in the first three months of 1994, a significant increase over the 1.16% earned during the first three months of 1993. Return on average equity (ROE) also increased, from 13.76% for the first three months of 1993 to 14.00% earned over the first three months of 1994.

The following discussion is an analysis of the financial condition and results of operations of One Valley for the first three months of 1994. This discussion should be read in conjunction with the 1993 Annual Report to Shareholders and the other financial information included in this report.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income for the three months ended March 31, 1994 was $39.2 million on a fully tax-equivalent basis, a 7.5% increase from the $36.5 million earned during the same period in 1993. This increase is largely due to an increase in earning assets greater than the increase in interest bearing liabilities during the first quarter comparision. Average earning assets increased by 3.9% in the first three months of 1994 over the same period in 1993, while average interest bearing liabilities increased by 1.7% in the same comparison. Both total interest income and total interest expense decreased from the prior year due to the decline in the interest rate environment, however, the net margin increased.

As the interest rate environment declined over the past months, the rate of decline in the yield on earning assets was slightly less than the decline in costs of interest bearing liabilities. As shown in the consolidated average balance sheets (page 16), the yield on earning assets, declined 38 basis points to 7.68% in the first three months of 1994 from 8.06% in the first three months of 1993. During the same period, the cost of interest bearing liabilities declined 57 basis points to 3.30% from last year's 3.87% level. Due to the higher volume of earning assets, the net interest margin increased to 4.88% during the first three months of 1994, compared to 4.71% during the first three months of 1993. At March 31, 1994, One Valley's asset/liability structure was slightly asset sensitive in the six month time frame. Thus, an increase in market interest rates should increase One Valley's net interest margin.

Credit Experience

The provision for loan losses was $1.2 million for the three months ended March 31, 1994, a 24% decline from the $1.6 million provision during the first three months of 1993. The decline in the provision for loan losses is primarily due to the continued improvement in the quality of the loan portfolio. As a percentage of average total loans, the provision for loan losses through the first three months of 1994 was 0.22% annualized compared to 0.31% in the first three months of 1993. Net charge-offs as a percentage of average total loans in the first three months of 1994 also decreased to 0.10% on an annualized basis, down from an annualized 0.17% during the first three months of 1993.

Total non-performing assets at March 31, 1994 were 0.53% of period-end loans, a decrease from the 0.58% at year-end 1993 and a further decline from the 1.06% at March 31, 1993. Loans past due over 90 days have also declined. At March 31, 1994, loans past due over 90 days were 0.13% of outstanding loans, a decrease from the 0.15% at year-end 1993 and 0.17% at March 31, 1993. The dollar amounts of both non-performing assets and loans past due over 90 days have also declined proportionately from levels recorded at year-end 1993 and one year ago, as reflected in the analysis on page 15.

With the improved credit quality of the loan portfolio, the allowance for loan losses has decreased in relationship to the loan portfolio. At March 31, 1994, the allowance was 1.71% of outstanding loans, compared to 1.82% one year ago and 1.68% at year-end 1993.

In May 1993, the FASB issued Statement 114, Accounting for the Impairment of a Loan, to be adopted for years beginning after December 15, 1994. Due to rules already established by bank regulatory authorities, management believes that it substantially complies with the material provisions of Statement 114. Accordingly, the adoption of this Statement is not anticipated to have a material effect on One Valley's financial statements.

Non-Interest Income and Expense

Total non-interest income was $9.1 million through the first three months of 1994, down 6.5% from the $9.7 million earned during the same period in 1993. Trust income increased by 15.3%, or $0.2 million, over the first three months of last year primarily due to an increase in the number of trust accounts and growth in the size of existing trust accounts. Service charges on deposit accounts increased by 0.9% in the first three month comparisons due to increases in the customer base. Other service charges and fees increased by $0.5 million due to increases in investment fees and other commissions One Valley has earned on new products and services offered. These increases were more than offset by declines in mortgage loan processing and service fees and other operating income. As interest rates declined in 1993, mortgages serviced by One Valley for others have refinanced or paid-off, thus reducing One Valley's servicing fee revenue. Furthermore, recent increases in interest rates have also reduced the fees from the origination and sale of loans in the secondary market. With the decline in the mortgage loan servicing portfolio, it is anticipated that throughout the remainder of 1994 servicing fee revenue will be significantly lower than the prior year. Other operating income decreased by $0.9 million due to decreases in checkbook sales and other income related to the acquired Atlantic loan portfolio. Income from security transactions increased by $0.2 million in the first quarter of 1994 due to a change in investment strategies corresponding to the adoption of FAS 115.

Total non-interest expense was $29.6 million during the three months ended March 31, 1994, up 0.9% over the same period in 1993. Staff costs rose 2.0% in 1994 when compared to 1993, reflecting salary and benefit increases. Occupancy expense increased by 9.4% in the first quarter of 1994 due to increases in utility costs and real estate taxes. Equipment expenses decreased by $0.6 million due to the outsourcing of data processing services from an inhouse system. This decline is partially offset by a $0.4 million increase in outside data processing costs. FDIC insurance increased by 1.9% due to deposit growth. Other operating expenses remained relatively flat in 1994 when compared to the first quarter of 1993.

The net overhead ratio (non-interest expense less non-interest income excluding security transactions divided by average earning assets) is a measure of the company's ability to control costs and equalizes the comparison of differently sized operations. As this ratio decreases, more of the net interest margin earned flows to net income. One Valley's net overhead ratio for the first three months of 1994 was 2.56%, down from 2.68% during all of 1993 but up from the 2.51% during the first three months of 1993. The increase in the first quarter of 1994 when compared to the first quarter of 1993 is largely due to the declines in non-interest income discussed above.

Income tax expense increased by $0.8 million, or 17.4%, for the first three months of 1994 in comparison to 1993. The increase in taxes is a result of the 12.4% growth in pretax earnings and an increase in corporate income rates enacted during the third quarter 1993. One Valley's effective income tax rate for the first three months of 1994 was 32.7% versus 31.3% for the same period last year.

FINANCIAL CONDITION

Asset Structure

Total loans continued to grow when compared to the first quarter of 1993. At March 31, 1994, total loans exceeded March 31, 1993, levels by 8.7% or $174.2 million The consolidated loan-to-deposit ratio has also increased to 73.3% at March 31, 1994, compared to 69.4% at March 31, 1993. Since year-end 1993, total loans have increased by 0.2% or $4.3 million, primarily in the real estate lending area.

Investment portfolio assets decreased $10.9 million or 1.0% from the level at year-end but remain relatively unchanged from the level one year ago. Due to strong loan demand during 1993, growth in the investment portfolio has been relatively modest as One Valley has been able to place more of its investable funds into the higher yielding loan portfolio.

Effective January 1, 1994, One Valley adopted the provisions of FASB Statement 115, "Accounting for Certain Investments in Debt and Equity Securities." In accordance with the provisions of the Statement, One Valley reevaluated its classification of securities at December 31, 1993 and assigned a portion of those securities as available-for-sale. The effect of adopting this

Statement was to increase shareholders' equity at January 1, 1994 by $4.8 million, which was the unrealized gain on securities available-for-sale of $7.9 million, net of $3.1 million in deferred income taxes. At March 31, 1994, securities available-for-sale had a historical cost of $589.5 million, with an unrealized loss of approximately $0.3 million, which decreased shareholders' equity by $0.2 million, net of $0.1 million in deferred income taxes.

At the time of purchase, management determines the appropriate classification of securities. If management has the positive intent and One Valley has the ability at the time of purchase to hold securities until maturity, they are classified as held-for-investment and carried at amortized historical cost adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income. Securities to be held for indefinite periods of time and not intended to be held to maturity or on a long-term basis are classified as available-for-sale and carried at fair value. The corresponding difference between the historical cost and the current fair value of these securities, the unrealized gain or loss, is an adjustment to shareholders' equity, net of deferred taxes. Securities available-for-sale include securities that management intends to use as part of its asset/liability management strategy and that may be sold in response to changes in interest rates, resultant prepayment risk, and other factors related to interest rate and resultant prepayment risk changes.

In order to improve its fully tax equivalent net interest income and to hedge against higher income tax rates, One Valley increased its holdings of tax-exempt securities that were offering attractive yields, in the latter part of 1993. As shown on the consolidated average balance sheet (page 16), average tax-exempt securities in the first quarter of 1994 increased by 89% over the average first quarter 1993 level. One Valley will continue to monitor its investment opportunties and may purchase additional tax-exempt securities of similar yield and quality.

Federal funds sold at March 31, 1994 were $38.4 million, up $7.2 million from year-end but down $107.1 from a year ago. The decline since March 31, 1993 was partially in response to the strong loan demand experienced in 1993. Fluctuations in federal funds sold are normal and largely due to planned changes in the company's asset/liability structure in order to maximize the return on investment in response to changes in the interest rate environment.

Liability Structure

Total deposits increased $29.6 million or 1.0% from the level at year-end and increased $83.3 million or 2.9% since March 31, 1993. Non-interest deposits have increased by 5.3% from year-end, and have increased by 12.4% since March 31, 1993. Interest bearing deposits at March 31, 1994, increased $7.8 million or 0.3% from year-end and $35.6 million or 1.4% from one year ago. Because of the low interest rate environment, deposit customers are shortening the maturities of their deposit reinvestments and seeking higher yielding non-traditional investment alternatives. One Valley continues to market alternative products to meet the changing needs of its customers in order to expand its customer base.

Total short-term borrowings decreased $45.9 million or 21.0% from the year-end level, but only $24.8 million or 12.6% from the level at March 31, 1993, primarily due to decreases in overnight repurchase agreements. Short-term borrowings, which consist of Federal funds purchased from correspondent banks and repurchase agreements with large corporate and public entities, can fluctuate significantly depending upon the customers' cash needs and the interest rate environment.

Long-term borrowings declined $3.9 million or 17.1% since year-end 1993 and $21.2 million or 52.9% since March 31, 1993. During 1993, One Valley paid-off $10.0 million of debt incurred in the purchase of its headquarters, $1.2 million of debt incurred in the purchase of an affiliate, and another $6.1 million in Federal Home Loan Bank (FHLB) advances which were incurred to fund investments in mortgage backed securities. In 1994, One Valley paid down another $3.9 million of its FHLB borrowings. The $18.9 of long-term borrowings at March 31, 1994 was principally consist of FHLB advances used to fund investments in mortgage backed securites. Approximately, $12.0 of these advances mature in 1995, and another $5.0 million mature in 1996.

Capital Structure and Liquidity

One Valley's equity-to-asset ratio has increased since year-end. At March 31, 1994, the ratio was 8.92% compared to 8.68% at December 31, 1993, and 8.36% one year ago. Due to strong earnings the ratio has steadily increased. One Valley's cash dividend totaling $0.22 per share in the first quarter of 1994, was up 10.0% over the $0.20 per share dividend during the same period in 1993. One Valley's dividend policy coupled with the continued growth in net income, demonstrates management's commitment to a stable equity-to-asset ratio benefiting both the investor and the depositors of the local community. One Valley's risk based capital ratio at March 31, 1994 was 15.0%, well above the 8.0% required, while its Tier I capital ratio was 13.7%. One Valley's strong capital position is demonstrated further by its leverage ratio of 8.8% compared to a regulatory guidance of 4.0% to 5.0%. The capital ratios of the banking subsidiaries also remain strong and allow them to effectively serve the communities in which they are located.

The capital positions of the banks, coupled with proper asset/liability matching and the stable nature of the primarily consumer base of core deposits, results in the maintenance of a strong liquidity position. The liquidity of the parent company is dependent upon dividends from its banking subsidiaries which, although restricted by banking regulations, are adequate to meet its cash needs.

Effects of Changing Prices

The results of operations and financial condition presented in this report are based on historical cost, unadjusted for the effects of inflation. Inflation affects One Valley in two ways. One is that inflation can result in increased operating costs which must be absorbed or recovered through increased prices for services. The second effect is on the purchasing power of the corporation. Virtually all of a bank's assets and liabilities are monetary in nature. Regardless of changes in prices, most assets and liabilities of the banking subsidiaries will be converted into a fixed number of dollars. Non-earning assets, such as premises and equipment, do not comprise a major portion of One Valley's assets; therefore, most assets are subject to repricing on a more frequent basis than in other industries. One Valley's ability to offset the effects of inflation and potential reductions in future purchasing power depends primarily on its ability to maintain capital levels by adjusting prices for its services and to improve net interest income by maintaining an effective asset/liability mix.

</TABLE>
<TABLE>
ONE VALLEY BANCORP OF WEST VIRGINIA, INC. AND SUBSIDIARIES
Analysis of Loan Losses and Non-Performing Assets
(unaudited in thousands)
<CAPTION>

	For The Three Months Ended March 31 1994	1993
<S>	<C>	<C>
Allowance For Loan Losses		
Balance, Beginning of Period	$36,484	$35,680
Loan Losses	1,136	1,300
Loan Recoveries	584	437
Net Charge-offs	552	863
Provision For Loan Losses	1,179	1,551
Balance, End of Period	$37,111	$36,368
<S>	<C>	<C>
Total Loans, End of Period	$2,173,686	$1,999,455
Allowance For Loan Losses As a % of Total Loans	1.71	1.82
<S>	<C>	<C>
Non-Performing Assets at Quarter End		
Non-Accrual Loans	$9,057	$14,224
Foreclosed Properties	2,237	6,904
Restructured Loans	323	99
Total Non-Performing Assets	$11,617	$21,227
<S>	<C>	<C>
Non-Performing Assets As a % of Total Loans	0.53	1.06
Loans Past Due Over 90 Days	$2,727	$3,383
Loans Past Due Over 90 Days As a % of Total Loans	0.13	0.17

</TABLE>

<TABLE>
ONE VALLEY BANCORP OF WEST VIRGINIA, INC. AND SUBSIDIARIES
Consolidated Average Balance Sheets
(unaudited in thousands)
<CAPTION>

	Three Months Ended March 31 1994 Amount	Yield/Rate (pct.)	1993 Amount	Yield/Rate (pct.)
<S>	<C>	<C>	<C>	<C>

Assets				
Loans				
Taxable	$2,124,292	8.47	$1,963,919	9.08
Tax-Exempt	33,381	10.69	28,808	10.11
Total	2,157,673	8.51	1,992,727	9.10
Less: Allowance for Losses	36,737		35,952	
Net Loans	2,120,936	8.65	1,956,775	9.26
Securities				
Taxable	913,767	5.55	955,405	6.01
Tax-Exempt	158,206	8.39	83,757	10.81
Total	1,071,973	5.97	1,039,162	6.39
Federal Funds Sold & Other	47,621	2.93	124,392	3.13
Total Earning Assets	3,240,530	7.68	3,120,329	8.06
Other Assets	256,377		269,793	
Total Assets	$3,496,907		$3,390,122	
Liabilities And Equity				
Interest Bearing Liabilities				
Deposits	$2,522,167	3.33	$2,471,801	3.88
Short-term Borrowings	200,929	2.80	192,668	3.24
Long-term Borrowings	22,470	4.42	36,011	6.59
Total Interest Bearing Liabilities	2,745,566	3.30	2,700,480	3.87
Non-interest Bearing Deposits	409,719		376,345	
Other Liabilities	32,148		27,400	
Total Liabilities	3,187,433		3,104,225	
Shareholders' Equity	309,474		285,897	
Total Liabilities & Equity	$3,496,907		$3,390,122	
Interest Income To Earning Assets		7.68		8.06
Interest Expense To Earning Assets		2.80		3.35
Net Interest Margin		4.88		4.71

<FN> Note: Yields are computed on a fully taxable equivalent basis using the rate of 35%.

</TABLE>

One Valley Bancorp of West Virginia, Inc.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

a.) Exhibits

11. Statement of Computation of Earnings per Share - page 18 attached

b.) Reports on Form 8-K

January 28, 1994 - Merger of One Valley and Mountaineer Bankshares completed

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.

One Valley Bancorp of West Virginia, Inc.

DATE May 13, 1994

BY /S/ J. Holmes Morrison

J. Holmes Morrison
President and
Chief Executive Officer

BY /S/ Laurance G. Jones

Laurance G. Jones
Senior Vice President & Treasurer

<TABLE>

Exhibit 11

Statement Re: Computation of Earnings per Share

<CAPTION>

	For Three Months Ended March 31 1994	1993
<S>	<C>	<C>
PRIMARY:		
Average Shares Outstanding	17,250,000	17,228,000
Net effect of the assumed exercise of stock options - based on the treasury stock method	96,000	126,000
Total	17,346,000	17,354,000
Net Income	$10,831,000	$9,838,000
Per Share Amount	$0.62	$0.57
FULLY DILUTED:		
Average Shares Outstanding	17,250,000	17,228,000
Net effect of the assumed exercise of stock options - based on the treasury stock method	96,000	126,000
Total	17,346,000	17,354,000
Net Income	$10,831,000	$9,838,000
Per Share Amount	$0.62	$0.57

</TABLE>