FCBC 10-K 12/31/1997

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Section 1: 10-K

First Community Bancshares, Inc.

P.O. Box 5909
Princeton, West Virginia 24740

March 31, 1998

Securities and Exchange Commission
Washington, DC 20549

Gentlemen:

Pursuant to the requirements of the Securities Exchange Act of 1934, we are transmitting herewith the attached Form 10-K.

Additionally, there have been no changes in the accounting principles or practices used or in the method of applying any such principles or practices to the financial information included in the Form 10-K or its supporting schedules.

Sincerely,

First Community Bancshares, Inc.

Kenneth P. Mulkey
Controller

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K
[X] Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934 (Fee Required)

For the Fiscal Year Ended

December 31, 1997

or
[ ] Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
(Fee Required)

For the transition period from ---------------- Commission File Number 0-19297

First Community Bancshares, Inc.
(Exact name of Registrant as specified in its charter)

Nevada
55-0694814
(State or other jurisdiction (IRS Employer Identification No.)
of incorporation or organization)

1001 Mercer Street, Princeton, West Virginia
24740-5909
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: (304) 487-9000

Securities registered pursuant to Section 12(b) of the Act:
Title of each class Name of each exchange on which registered
NONE
NONE

Securities registered pursuant to Section 12(g) of the Act:
Common stock, par value $1 per share

(Title of Class)

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. Yes X No
__

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information

statement incorporated by reference in Part III of this Form 10-K or any
amendment to this Form 10-K.   X

State the aggregate market value of the voting stock held by non-affiliates
of the Registrant as of March 27,1998.

$207,192,369 based on the sales price at that date
Common Stock, $1 par value

Indicate the number of shares outstanding of each of the issuer's classes of
common stock as of March 27, 1998.

Common Stock, $1 par value- 5,650,932

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the First Community Bancshares, Inc. 1997 Annual Report to
Security Holders are incorporated by reference in Part I and II hereof.

Portions of the First Community Bancshares, Inc. 1997 Annual Proxy Statement
are incorporated by reference in Part III.

Form 10-K Information

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1997 Form 10-K Annual Report

Table 1

Part I

Item 1. Business

First Community Bancshares, Inc., formerly FCFT, Inc., (Registrant) was incorporated in November 1989, under the laws of the State of Delaware to serve as the holding company for and to facilitate the merger of First Community Bancshares, Inc. (FCBI) and Flat Top Bankshares, Inc. (Flat Top). FCFT, Inc. was a Delaware bank holding company with one wholly-owned subsidiary, First Community Bank, Inc. (FCB), a state-chartered West Virginia bank headquartered in Princeton, West Virginia. Flat Top was a West Virginia bank holding company headquartered in Bluefield, West Virginia, with two wholly-owned subsidiaries, The Flat Top National Bank of Bluefield (FTNB), a National Association, and Peoples Bank of Bluewell (PBB), a state-chartered West Virginia bank. After the mergers, FCFT, Inc. operated as the surviving holding company for the three constituent banks described above as well as First Federal Savings Bank (FFSB) which was acquired in November 1990. On December 30, 1994, FFSB was merged into FCB. Subsequently on January 4, 1995, FTNB and PBB were also merged into FCB. On September 30, 1997 the Company, formerly known as FCFT, Inc., merged with and into First Community Bancshares, Inc. (FCBI), a Nevada corporation, formed to facilitate the change of the Company's state of domicile from Delaware to Nevada and to effect the change in name.

On December 29, 1995, FCFT, Inc. reorganized its existing bank subsidiary, First Community Bank, Inc., Princeton, West Virginia, by splitting it into two separate banks. This was accomplished by chartering a second, affiliated, Federal Deposit Insurance Corporation (FDIC) insured state commercial bank formed through the acquisition of assets and assumption of the liabilities of six of First Community Bank, Inc.'s operating divisions and branches located within Mercer County, West Virginia. This new bank, First Community Bank of Mercer County, Inc., headquartered in Princeton, West Virginia, consists of six divisions with offices in Princeton, Bluefield, and Bluewell, as well as the Credit Card Division, Trust Division, and Corporate/Administrative Division. The main office of the reorganized First Community Bank, Inc., was relocated to Buckhannon, West Virginia.

At the close of business on July 3, 1996, FCFT, Inc. acquired Citizens Bank of Tazewell (Citizens), headquartered in Tazewell, Virginia. Pursuant to the Agreement and Plan of merger, FCFT exchanged 3.51 shares of its common stock for each share of Citizen's common stock. Accordingly, 263,159 shares of FCFT, Inc. common stock were issued to holders of Citizens common stock. The merger was accounted for under the pooling of interests method. Accordingly, all financial reporting periods presented have been restated to properly reflect this business combination. Subsequent to the merger, Citizens operates as a wholly-owned subsidiary of FCFT, Inc. On June 2, 1997, the corporate name of Citizens was changed to First Community Bank of Southwest Virginia, Inc.

At the close of business on September 26, 1996, First Community Bank, Inc. acquired the Grafton and Rowlesburg, West Virginia branches of Huntington National Bank West Virginia. The acquisition of these branches added approximately $21 million in deposits. The intangible value of this transaction totaled approximately $1 million which is being amortized over a 15 year period. This acquisition was accounted for under the purchase method of accounting. Accordingly, the consolidated results in periods after September 26, 1996 include the operations of the Grafton and Rowlesburg branches only from the date of acquisition.

On April 9, 1997, FCFT, Inc. acquired 100% of the common stock of Blue Ridge Bank (Blue Ridge), headquartered in Sparta, North Carolina. Blue Ridge is a $105 million state-chartered bank with offices located in Sparta, Elkin, Hays and Taylorsville, North Carolina. Pursuant to the Agreement and Plan of merger, FCBI exchanged cash of $19.50 for each of Blue Ridge's 1,212,148 common shares. In conjunction with the acquisition, Blue Ridge cancelled outstanding stock options through the payment of $727,948 representing the difference between $19.50 and the respective option prices. Total consideration including the payment for cancellation of the options was $24.7 million and resulted in an intangible asset of approximately $13.2 million which is being amortized over a 15 year period. The acquisition was partially funded with loan proceeds of $11.5 million which the Company borrowed from an outside source. The loan agreement has certain covenants that may restrict the payment of dividends to stockholders in the event of default along with other customary borrowing provisions. The acquisition was accounted for under the purchase method of accounting. Accordingly, results of operations of Blue Ridge are included in consolidated results of FCBI from the date of acquisition. Subsequent to the merger, Blue Ridge operates as a wholly-owned subsidiary of FCBI.

First Community Bank of Southwest Virginia, the Virginia subsidiary of First Community Bancshares, Inc., opened a branch in Wytheville, Virginia, located at 910 E. Main Street on August 1, 1997.

Currently, the Registrant is a multi-bank holding company and the banking operations are expected to remain the principal business and major source of revenue. The Registrant provides a mechanism for ownership of the subsidiaries banking operations, provides capital funds as required and serves as a conduit for distribution of dividends to stockholders. The Registrant also considers and evaluates options for growth and expansion of the existing subsidiaries' banking operations.

The Registrant currently derives substantially all of its revenues from dividends paid by the subsidiary banks. Dividend payments by the banks are determined in relation to earnings, asset growth and capital position and are subject to certain restrictions by regulatory agencies as described more fully under Supervision and Regulation of this item.

First Community Bank of Mercer County, Inc.

First Community Bank of Mercer County, Inc. (FCB, Mercer) is a state chartered bank organized under the banking laws of the State of West Virginia. FCB, Mercer engages in general commercial and retail banking business in Mercer County, West Virginia. It provides safe deposit services and makes all types of loans, including commercial, mortgage and personal loans. FCB, Mercer also provides trust services and its deposits are insured by the FDIC. FCB, Mercer is a member of the Federal Reserve System.

First Community Bank, Inc.

First Community Bank, Inc. (FCB, Inc.) is a state chartered bank organized under the banking laws of the State of West Virginia. FCB, Inc. engages in general commercial and retail banking business in Upshur, Wyoming, Taylor, Nicholas, Preston, and Webster Counties, West Virginia. It provides safe deposit services and makes all types of loans, including commercial, mortgage and personal loans. FCB, Inc. deposits are insured by the FDIC. FCB, Inc. is a member of the Federal Reserve System.

First Community Bank of Southwest Virginia, Inc.

First Community Bank of Southwest Virginia, Inc., (FCB-SWV, Inc.), formerly Citizens Bank of Tazewell, Inc. is a state chartered bank organized under the banking laws of the State of Virginia. FCB-SWV, Inc. engages in general commercial and retail banking business in Southwestern Virginia. It provides safe deposit services and makes all types of loans including commercial, mortgage and personal loans. FCB-SWV, Inc. deposits are insured by the FDIC. FCB-SWV, Inc. is a member of the Federal Reserve System.

Blue Ridge Bank

Blue Ridge Bank (Blue Ridge) is a state chartered bank organized under the laws of the state of North Carolina. Blue Ridge engages in general commercial and retail banking business in North Central North Carolina. It provides safe deposit services and makes all types of loans including commercial, mortgage and personal loans. Blue Ridge deposits are insured by the FDIC. Blue Ridge is a member of the Federal Reserve System.

Lending Activities

The Company's banking subsidiaries generate revenues primarily through the investment of borrowed and deposited funds in earning assets. These assets are comprised of securities available for sale, investment securities, short-term investment vehicles and loans to businesses and individuals. Average loans represent approximately 71% of average earning assets and present a greater level of credit risk to the Company when contrasted with investment securities.

The principal lending activities of the banks are concentrated primarily within the market areas immediately surrounding its banking operations. These are areas with which bank personnel are most acquainted and are within reasonable distances of the banks which allows for timely communications with customers as well as periodic inspections of collateral.

Loan portfolios total $671.8 million at December 31, 1997 and are comprised of commercial, real estate and consumer loans including credit cards and home equity loans. Commercial and commercial real estate loans comprise 42.5% of the total loan portfolio. Commercial loans include loans to small to mid-size industrial and commercial and service companies which include but are not limited to, coal mining companies, manufacturers, automobile dealers, and retail and wholesale merchants. Collateral securing these loans include equipment, machinery, inventory, receivables, vehicles and commercial real estate. Commercial loans are considered to contain a higher level of risk than other loan types although care is taken to minimize these risks. Underwriting standards require a comprehensive review and independent evaluation of virtually all commercial loans by Credit Administration and Discount Committees prior to approval with updates to these credit reviews performed periodically on a quarterly or annual basis depending on the size of the loan relationship.

Real estate mortgage loans comprise 35% of the total loan portfolio. Mortgage loans to consumers are secured primarily by first lien deeds of trust. These loans generally do not exceed an 80% loan to value ratio at the loan origination date and are considered to contain normal risk. Loans in the real estate mortgage category have historically yielded the lowest loss ratio of all loan types.

Consumer loans comprise 22% of the total loan portfolio. Collateral for these loans include automobiles, boats, recreational vehicles, and other personal property. Personal loans, home equity loans and unsecured credit card receivables are also included as consumer loans. Historically, losses on these types of loans have been minimal; however, indirect lending through various automobile dealerships in 1996 and 1997 led to a significant increase in consumer loan chargeoffs in 1997.

The average yield on a tax equivalent basis on all loans in 1997 was 9.77% and average loans expressed as a percentage of average deposits were 81% in 1997. This percentage represents an average level of outstanding loans when compared with historical loan to deposit ratios of 84% in 1996 and 79% in 1995.

Employees

The Registrant and its subsidiaries had 514 employees at December 31, 1997. Management considers employee relations to be excellent.

Competition

The Company's subsidiaries have been able to compete effectively with other financial institutions in their respective market areas. The subsidiaries emphasize customer service in an effort to establish long-term customer relationships and build customer loyalty. The subsidiaries of the Company have consolidated services such as data processing, accounting, loan review and compliance, and internal audit services to enhance the ability to compete effectively in its respective markets.

Principal competition for the banking subsidiaries is provided by other local and regional commercial banking companies as well as Thrift institutions and Credit unions. Other non-bank organizations including regional and national mortgage origination firms and manufacturer captive credit corporations also provide competition for residential real estate loans and consumer loans.

Supervision and Regulation

The Registrant is a bank holding company within the meaning of the Bank Holding Act of 1956 (Act), as amended, and is registered as such with the Board of Governors of the Federal Reserve System. The Registrant is required to file with the Board of Governors quarterly reports of the Registrant and the subsidiary and such other information as the Board of Governors may require. The Federal Reserve makes periodic examinations of the Registrant typically on an annual basis. The Act requires every bank holding company to obtain prior approval of the Board of Governors before acquiring substantially all the assets or direct or indirect ownership or control of more than 5% of the voting shares of any bank which is not already majority-owned. The Act also prohibits a bank holding company, with certain exceptions, from engaging in, or acquiring direct or indirect control of more than 5% of the voting shares of any company engaged in non-banking activities.

Bank holding companies and their subsidiary banks are also subject to the provisions of the Community Reinvestment Act of 1977 ("CRA"). Under the CRA, the Federal Reserve Board is required, in connection with its examination of a bank, to assess such bank's record in meeting the credit needs of the communities served by that bank, including low and moderate income neighborhoods. Further, such assessment is also required of any bank holding company which has applied to (i) charter a National bank, (ii) obtain deposit insurance coverage for a newly chartered institution, (iii) establish a new branch office that will accept deposits, (iv) relocate an office, or (v) merge or consolidate with, or acquire the assets or assume the liabilities of a federally-regulated financial institution. In the case of a banking holding company applying for approval to acquire a bank or other bank holding company, the Federal Reserve Board will assess the record of each subsidiary of the applicant bank holding company, and such records may be the basis for denying the application or imposing conditions in connection with approval of the application. On July 1, 1995, the federal bank regulators amended the CRA regulations to simplify enforcement of the CRA by substituting the prior twelve assessment categories with three performance categories for use in calculating CRA ratings. The federal bank regulators will evaluate banks under the lending, investment, and service tests. The effective date for compliance with the amended CRA depends on the size of the institution, but no later than July 1, 1997. Additional data collection and reporting requirements have been imposed on larger institutions.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") was enacted by Congress on August 9, 1989. Among the more significant consequences of FIRREA with respect to bank holding companies is the impact of the "cross-guarantee" provision and the significantly expanded enforcement powers of bank regulatory agencies. Under the cross-guarantee provision, if one depository institution subsidiary of a multi-unit holding company fails or requires FDIC assistance, the FDIC may assess a commonly controlled depository institution for the estimated losses suffered by the FDIC. While the FDIC's claim is junior to the claims of non-affiliated depositors, holders of secured liabilities, general creditors, and subordinated creditors, it is superior to the claims of shareholders.
Among the significantly expanded enforcement powers of the bank regulatory agencies are the powers to (i) obtain cease and desist orders, (ii) remove officers and directors, (iii) approve new directors and senior executive officers of certain depository institutions, and (iv) assess criminal and civil money penalties for violations of law, regulations. or conditions imposed by, or agreements with, regulatory agencies.

In September 1994, the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 was passed. This legislation significantly changes the laws governing interstate banking. Beginning on September 29, 1995, bank holding companies may acquire banks located in any state, despite former prohibitive state statutes, subject to certain conditions. Beginning on June 1, 1997, banks may merge or consolidate on an interstate basis. States may elect to "opt-out" of this provision by expressly prohibiting interstate bank mergers. This Act also permits banks to branch into other states on a de novo basis provided that the state has enacted a law that permits de novo interstate branch banking.

The banking subsidiaries of the Registrant are subject to certain restrictions by regulatory bodies which limit the amounts and the manner in which it may loan funds to the Registrant. The banks are further subject to restrictions on the amount of dividends that can be paid to the Registrant in any one calendar year without prior approval by primary regulators. Payment of dividends by the subsidiary banks to the Registrant cannot exceed net profits, as defined, for the current year combined with net profits for the two preceding years. In addition, any distribution which might reduce the bank's equity capital to unsafe levels or which, in the opinion of regulatory agencies, is not in the best interests of the public, could be prohibited. (For additional information concerning these restrictions, see Note 14 of the Notes to Consolidated Financial Statements incorporated by reference in Part II of this report.)

Governmental Monetary Policies and Economic Controls

The earnings of the Registrant and its subsidiaries are affected by the monetary policies of the Federal Reserve System. An important function of the Federal Reserve System is to regulate the National supply of credit in order to deal with economic conditions. The instruments employed by the Federal Reserve are open market operations of U.S. Government securities, changes in the discount rate on member bank borrowings, changes in Federal Funds rates and changes in reserve requirements. These policies influence, in various ways, the level of the company's investments, loans and deposits and rates earned on its earning assets and interest rates paid on liabilities.

I. Distribution of Assets, Liabilities and Stockholders' Equity, Interest Rates and Interest Differential

A. & B. Average Balance Sheets--Net Interest Income Analysis

Table 2

(Amounts in Thousands, except %)

	1997 Average Balance	1997 Interest (1)	1997 Yield/Rate (1)	1996 Average Balance	1996 Interest (1)	1996 Yield/Rate (1)	1995 Average Balance	1995 Interest (1)	1995 Yield/Rate (1)
Earning Assets:									
Loans (2)									
Taxable	$601,492	$ 58,676	9.76%	$507,554	$49,443	9.74%	$428,242	$41,451	9.68%
Tax-Exempt	15,993	1,657	10.36%	15,401	1,708	11.09%	16,755	1,866	11.14%
Total	617,485	60,333	9.77%	522,955	51,151	9.78%	444,997	43,317	9.73%
Reserve for Possible Loan Losses	(9770)			(8,797)			(8,238)		
Net Total	607,715	60,333	9.93%	514,158	51,151	9.95%	436,759	43,317	9.92%
Securities Available For Sale:									
Taxable	122,326	8,226	6.72%	104,112	6,690	6.43%	92,550	5,925	6.40%
Tax-Exempt	17,162	1,388	8.09%	15,472	1,333	8.61%	156	12	7.69%
Total	139,488	9,614	6.89%	119,584	8,023	6.71%	92,706	5,937	6.40%
Investment Securities:									
Taxable	45,581	2,820	6.19%	65,857	4,233	6.43%	112,021	7,043	6.29%
Tax-Exempt	59,547	4,830	8.11%	47,026	3,776	8.03%	55,216	4,659	8.44%
Total	105,128	7,650	7.28%	112,883	8,009	7.09%	167,237	11,702	7.00%
Interest-Bearing Deposits	418	44	10.53%	750	28	3.73%	388	22	5.67%
Federal Funds Sold	17,127	949	5.54%	2,188	117	5.35%	4,473	263	5.88%
Total Earning Assets	869,876	78,590	9.03%	749,563	67,328	8.98%	701,563	61,241	8.73%
Other Assets	79,604			54,758			52,114		
Total	$949,480			$804,321					

$753,677

Interest-Bearing Liabilities:									
Demand Deposits	$111,177	3,064	2.76%	$ 92,857	2,519	2.71%	$ 98,405	2,656	2.70%
Savings Deposits	141,827	4,350	3.07%	134,178	4,150	3.09%	140,810	4,352	3.09%
Time Deposits	406,208	21,359	5.26%	313,899	16,501	5.26%	290,725	13,913	4.79%
Short-Term Borrowings	59,462	2,623	4.41%	64,933	2,886	4.44%	45,868	1,945	4.24%
Long-Term Borrowings	22,654	1,494	6.59%	15,130	877	5.80%	10,401	616	5.92%
Total Interest-Bearing Liabilities	741,328	32,890	4.43%	620,997	26,933	4.34%	586,209	23,482	4.01%
Demand Deposits	100,158			84,265			80,447		
Other Liabilities	13,955			13,465			10,761		
Stockholders' Equity	94,039			85,594			76,260		
Total	$949,480			$804,321			$753,677		
Net Interest Income		$45,700			$ 40,395			$37,759	
Net Interest Rate Spread (3)			4.60%			4.64%			4.72%
Net Interest Margin (4)			5.25%			5.39%			5.38%

(1) Fully Taxable Equivalent-Using the Federal statutory rate of 35% as applied to non-taxable loans and securities in periods in which related tax benefits arise.
(2) Non-accrual loans are included in average balances outstanding but with no related interest income.
(3) Represents the difference between the yield on earning assets and cost of funds.
(4) Represents tax equivalent net interest income divided by average interest earning assets.

Table 3

C. Rate and Volume Analysis of Interest (1)

(Amounts in Thousands)

	1997 Compared to 1996 Increase/(Decrease) due to			1996 Compared to 1995 Increase/(Decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
Interest Earned On:						
Loans	$9,228	$(46)	$9,182	$7,574	$260	$7,834
Investment securities available for sale	1,353	238	1,591	2,062	24	2,086
Investment securities held to maturity	(245)	(114)	(359)	(3,630)	(63)	(3,693)
Interest bearing deposits with other banks	(17)	33	16	15	(9)	6
Federal funds sold	828	4	832	(124)	(22)	(146)
Total interest earning assets	11,147	115	11,262	5,897	190	6,087
Interest Paid On:						
Demand deposits	504	41	545	(150)	13	(137)
Savings deposits	235	(35)	200	(205)	3	(202)
Time deposits	4,854	4	4,858	1,158	1,430	2,588
Short-term borrowings	(241)	(22)	(263)	843	98	941
Long-term debt	483	134	617	274	(13)	261
Total interest bearing liabilities	5,835	122	5,957	1,920	1,531	3,451
Change in net interest income	$5,312	$(7)	$5,305	$3,977	$(1,341)	$2,636

(1) Fully Taxable Equivalent-using the federal statutory rate of 35% as applied to non-taxable loans and securities in periods in which related tax benefits arise.

The preceding table sets forth a summary of the changes in interest earned and paid resulting from changes in volume of earning assets and paying liabilities and changes in rates thereon. For purposes of this analysis, the change in interest due to both rate and volume has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts.

Table 4

II. Investment Portfolio

A. Amortized Cost of Investment Securities Held to Maturity:

(Amounts in Thousands)	December 31 1997	1996	1995
U.S. Treasury securities	$ 4,098	$ 8,247	$ 16,563
U.S. Government agencies and corporations	26,377	43,494	59,792
States and political subdivisions	77,641	47,532	47,975
Other securities	1,058	1,055	1,055
	$109,174	$100,328	$ 125,385

Table 5

Market Value of Investment Securities Available for Sale:

(Amounts in Thousands)	December 31 1997	1996	1995
U.S. Treasury securities	$ -	$ 1,005	$ 1,217
U.S. Government agencies and corporations	132,746	110,967	100,184
States and political subdivisions	22,576	16,037	16,345
Other securities	6,473	8,104	3,447
	$161,795	$ 136,113	$121,193

B. Maturity and Yields

The required information is incorporated by reference to pages 34 through 36 of the 1997 Annual Report.

C. There are no issues included in obligations of states and political subdivisions or other securities which exceed ten percent of stockholders' equity.

III. Loan Portfolio

Table 6

A. Loan Summary

(Amounts in Thousands)	December 31 1997	1996	1995	1994	1993
Commercial, Financial and Agricultural	$ 82,445	$ 79,278	$ 71,441	$ 61,691	$ 58,060
Real Estate- Commercial	202,625	166,787	152,579	129,672	121,599
Real Estate- Construction	9,612	10,589	5,608	2,406	2,783
Real Estate- Residential	227,465	171,455	155,282	143,350	133,477
Consumer	151,429	120,720	100,843	84,453	81,035
Other	1,185	552	519	501	738
Total	674,761	549,381	486,272	422,073	397,692
Less : Unearned Income	2,944	1,678	1,121	883	888
	671,817	547,703	485,151	421,190	396,804
Less: Reserve for Possible Loan Losses	11,406	8,987	8,321	8,479	9,568
Net Loans	$660,411	$ 538,716	$ 476,830	$ 412,711	$ 387,236

B. Maturities and Rate Sensitivity of Loan Portfolio at December 31, 1997:

Table 7

Remaining Maturities
(Amounts in Thousands)

	One Year and Less	Over One Year to Five Years	Over Five Years	Total	Percent
Commercial, Financial and Agricultural	$ 41,436	$ 32,301	$ 8,708	$ 82,445	12.27%
Real Estate- Commercial	51,261	85,976			

65,388 202,625 30.16%

Real Estate- Construction 5,912
3,038 662 9,612 1.43%

Real Estate- Mortgage 31,553 114,948
80,964 227,465 33.86%

Consumer 38,277 103,101 7,107
148,485 22.10%

Other 896 268
21 1,185 .18%
$169,335 $339,632 $162,850
$671,817 100.00%
======= ======== ========
======== =======
Rate Sensitivity:
Pre-determined Rate $ 82,711 $288,076 $ 102,703
$473,490 70.48%
Floating or Adjustable Rate 86,624
51,556 60,147 198,327 29.52%
$169,335 $339,632 $162,850
$671,817 100.00%
=======
======== ======= ======= =======
25.21% 50.55% 24.24%
100.00%
======= ======== ======= =======

C. Risk Elements. The required information for risk elements in included
below and incorporated by reference to
pages 20 through 22 of the 1997 Annual Report.

Table 8

Nonperforming Assets:

December 31
(Amounts in Thousands) 1997 1996 1995 1994
1993

Non-accruing Loans $9,988 $5,476 $4,371
$6,909 $11,269
Loans Past Due Over 90
Days 4,391 780 673
968 1,393
Restructured Loans Per-
forming in Accordance
With Modified Terms 534 401 440
640 1,400
Gross Interest Income Which
Would Have Been Recorded
Under Original Terms of
Non-Accruing and Re-

Structured Loans	667				
Actual Interest Income During the Period	191				
Commitments to Lend Additional Funds on Non-Performing Assets	-	-	-	-	-

Management believes that the extent of problem loans at December 31, 1997 is disclosed as non-performing assets or delinquent loans in the preceding charts. However, there can be no assurance that future circumstances, such as further erosion of economic conditions and the related potential effect that such erosion may have on certain borrowers' ability to continue to meet payment obligations, will not lead to an increase in problem loan totals. Management believes that the non-performing asset carrying values will be substantially recoverable, taking into consideration the adequacy of the applicable collateral and, in certain cases, partial write-downs which have been taken and allowances that have been established.

It is the Registrant's policy to discontinue the accrual of interest on loans based on their payment status and evaluation of the related collateral and the financial strength of the borrower. The accrual of interest is normally discontinued when a loan becomes 90 days past due as to principal or interest.

At December 31, 1997, and at the present time, the Company does not have any concentrations of loans to borrowers engaged in similar activities exceeding 10% of total loans, net of unearned income.

Presently, the Company has no significant concentrations of credit risk other than geographic concentrations. Most loans in the current portfolio are made and collateralized in West Virginia. Although portions of the West Virginia economy are closely related to coal and timber, they are supplemented by service industries. The current economy of the Company's market is relatively stable and is not seen as highly subject to volatile economic change.

The following table presents the Company's investment in loans considered to be impaired (in thousands):

Table 9

	December 31	
	1997	1996
Commercial, financial and agricultural	$6,800	$3,377
Real estate-mortgage	708	149
Total investment in loans considered to be impaired	$7,508	$3,526

The Company has not presented impaired loan information for periods prior to the effective date of FAS 114, "Accounting by Creditors for the Impairment of a Loan", as amended, which was effective in 1995. Under SFAS No. 114, the allowance for possible loan losses related to loans that are identified for evaluation in accordance with SFAS No. 114 is based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans.

IV. Summary of Loan Loss Experience

Table 10

A. 1. Summary of Loan Loss Experience:

Years Ended December 31

(Amounts in Thousands, Except Percent Data)	1997	1996	1995	1994	1993
Balance of reserve at beginning of period	$8,987	$8,321	$8,479	$9,568	$7,803
Reserve of subsidiaries at date of acquisition	1,981	-	-	-	1,387
Charge-offs:					
Commercial, financial and agricultural	2,052	369	1,875	2,237	815
Real estate- residential	385	275	109	163	289
Installment	2,761	1,537	899	963	1,137
Total Charge-offs	5,198	2,181	2,883	3,363	2,241
Recoveries:					

Commercial, financial and agricultural	130	249	126	83	311
Real estate-residential	31	26	35	7	83
Installment	512	299	329	420	338
Total Recoveries	673	574	490	510	732
Net charge-offs	4,525	1,607	2,393	2,853	1,509
Provision charged to operations	4,963	2,273	2,235	1,764	1,887
Balance of reserve at end of period	$11,406	$8,987	$8,321	$8,479	$9,568
Ratio of net charge-offs to average loans outstanding	.73%	.31%	.54%	.70%	.38%
Ratio of reserve to total loans outstanding	1.70%	1.64%	1.72%	2.01%	2.41%

A. 2. The required information is incorporated by reference to page 21 of the 1997 Annual Report.

Table 11

B. Allocation of Reserve for Possible Loan Losses:
(Amounts in Thousands, Except Percent Data)
December 31

	1997		1996		1995		1994		1993	
Commercial, Financial and Agricultural	$4,795	42%	$3,167	45%	$3,465	46%	$3,327	45%	$4,671	45%
Real Estate- Mortgage	2,819	35%	1,956	33%	1,751	33%	747	35%	828	34%
Consumer	1,979	23%	1,567	22%	1,280	21%	1,099	20%	1,587	21%
Unallocated	1,813	N/A	2,297	N/A	1,825	N/A	3,306	N/A	2,482	N/A
Total	$11,406	100%	$8,987	100%	$8,321	100%	$8,479	100%	$9,568	100%

The percentages in the table above represent the percent of loans in each category of total loans.

V. Deposits

A. The required information for average deposits and rates paid by type is on page 9 of this report.

B. Not applicable.

C. Not applicable.

D. The required information is incorporated by reference to page 39 of the 1997 Annual Report and as follows:

Table 12

Maturities of Time Deposits of $100,000 or more

(Amounts in Thousands)

	1997
Three months or less	$ 49,168
Over Three to Six Months	20,082
Over Six to Twelve Months	23,423
Over Twelve Months	24,678
Total	$117,351

E. Not applicable.

VI. Return on Equity and Assets

A. The required information is incorporated by reference to page 15 of the 1997 Annual Report.

VII. Short-Term Borrowings

A. Securities Sold Under Agreements to Repurchase and Other Short-Term Borrowings:

The Company uses various short-term funding sources including term repurchase agreements, customer repurchase agreements and Federal funds purchased. The Company's short-term borrowings and rates paid are summarized as follows

Table 13

(Amounts in Thousands, Except Percent Data):

	1997		1996		1995	
	Amount	Rate	Amount	Rate	Amount	Rate
At year-end	$55,056	4.28%	$53,031	4.02%	$50,205	4.16%
Average during year	59,462	4.41%	64,933	4.44%	45,868	4.24%
Maximum month-end balance	63,782		54,833		61,068	

B. Long-Term Advances From the Federal Home Loan Bank (FHLB) and Long-Term Debt

Two subsidiaries of the Company are members of the FHLB and as such have the ability to obtain advances from the FHLB. At December 31, 1997 and 1996, the Company had long-term advances from the FHLB (original maturities in excess of one year) of $15 million with a weighted average rate of 5.83%. The advances from the FHLB are secured by certain qualifying first mortgage loans, stock in the FHLB, mortgage-backed securities and certain investment securities.

Item 2. Properties

FIRST COMMUNITY BANK OF MERCER COUNTY, INC.

The offices of the Registrant are located within First Community Bank of Mercer County, Inc. at 1001 Mercer Street, Princeton, West Virginia. Principal properties owned by the subsidiary banks consist of modern single purpose facilities described as follows:

Princeton- Two-story, 30,000 square foot banking offices with detached drive-up/walk-in facility in Princeton, West Virginia, completed in 1976; Pine Plaza branch office with drive-up located in Princeton, West Virginia, constructed in 1986 on leased land with initial lease term plus renewal options totaling twenty years; moveable, modular branch office with drive-up/walk-in located in Matoaka, West Virginia, constructed in 1983 on leased land; two-story, 6,000 square foot banking office with drive-up located in Green Valley, West Virginia, constructed in 1978, 10 automated teller machines located throughout Mercer County.

Bluefield- Three-story, 37,000 square foot banking offices located on Federal Street with detached drive-up facility, completed in 1972 and walk-up automated teller machine located on premises; one off-site automated teller machine on leased land in Bluefield Plaza.

Bluewell- Two-story, 8,200 square foot banking offices with drive-up facility located in Bluewell, West Virginia completed in 1965; one drive-up automated teller machine located on premises.

Green Valley- Branch office leased in Mercer Mall; one walk-up automated teller machine located on premises.

FIRST COMMUNITY BANK, INC.

Wyoming County- Two-story banking offices located in Pineville, West Virginia, acquired in 1961; two-story banking offices with drive-up located in Oceana, West Virginia, constructed in 1984; branch office with drive-up located in Mullens, West Virginia, constructed in 1984; moveable, modular branch office with drive-up/walk-in located in Pineville, West Virginia, constructed in 1984; three automated teller machines.

Upshur County- Three-story banking offices with an off-premise drive-up/walk-in facility located in Buckhannon, West Virginia, acquired in 1937; branch office with drive-up located in Tennerton, West Virginia, constructed in 1980; two automated teller machines.

Taylor County- Two-story banking offices with an attached drive-up/walk-in facility located in Grafton, West Virginia, constructed in 1966; one automated teller machine; one-story, 1,200 square foot banking offices with an attached drive-up facility, located in the Blueville area of Grafton, West Virginia, constructed in 1968.

Nicholas County- Two story banking offices and office addition with drive-up located in Richwood, West Virginia; off-premises facility with drive-up located in Richwood, West Virginia, constructed in 1977 on leased land; one and one-half story branch office with drive-up located in Summersville, West Virginia, constructed in 1984; one and one-half story branch office with drive-up located in Craigsville, West Virginia, constructed in 1984; three automated teller machines.

Webster County- Branch office with drive-up located in Cowen, West Virginia, constructed in 1988.

Preston County- One-story, 4,000 square foot banking offices with an attached drive-up facility located in Rowlesburg, West Virginia, constructed in the early 1920's and remodeled in 1981.

Logan County- Two and one-half story banking facility with attached two-lane drive-up located in Man, West Virginia, constructed in 1976 with additional levels added in 1981; separate mini-bank facility with four drive-thru lanes; banking sales center located inside Wal-Mart Supercenter in Logan, West Virginia; one automated teller machine.

FIRST COMMUNITY BANK OF SOUTHWEST VIRGINIA, INC.

Tazewell County- Bi-level , 6,500 square foot banking offices with attached drive-up facility located in Tazewell, Virginia, constructed in 1978, remodeled in 1981 and 1995; one-story, 2,500 square foot banking offices with an attached drive-up facility, located in Richlands, Virginia, constructed in 1989 and remodeled in 1995.

Dickenson County- Two story bank building with attached drive-up constructed in 1973 located in Clintwood, Virginia.

Wythe County- One story bank building with attached two-lane drive-up located in Fort Chiswell, Virginia, constructed in 1962, additions in 1984 and completely remodeled in 1994; a leased one story banking facility with walk-up automated teller machine, two-lane drive-up remodeled in 1997, located in Wytheville, Virginia.

Wise County- One story bank building with attached two-lane drive-up located in Pound, Virginia.

BLUE RIDGE BANK

Alleghany County- One story 17,980 square foot bank building constructed in 1987 located in Sparta, North Carolina.

Alexander County- 4,000 square foot one story banking facility situated on approximately three acres in Taylorsville, North Carolina; with a walk-up automated teller machine.

Wilkes County- One story, 1,500 square foot banking facility purchased by the bank in 1995, located in Hays, North Carolina.

Surry County- One story, 4,000 square foot banking facility purchased by the bank in 1995, located in Elkin, North Carolina; with a walk-up automated teller machine.

Item 3. Legal Proceedings

The Registrant and its subsidiaries (the Company) are plaintiffs and defendants in lawsuits arising out of the normal course of business, in which claims for monetary damages are asserted. Management, after consulting with legal counsel handling the respective matters, is of the opinion that the ultimate outcome of such pending actions will not have a material effect upon the consolidated results of operations or financial condition of the Registrant. Following is a summary of significant proceedings along with recent developments, where applicable.

The Company's most significant matter of litigation styled Civil Action No. 92-CV-1696-K Four Winds Development, Inc., W. Stephen Melcher, and E. T. Boggess, Plaintiffs vs. First Community Bank - Princeton and Dave Shields Company, Inc., Defendants was settled in the first quarter of 1997 through a compromise which resulted in payments by the Company to various plaintiffs aggregating $733,000 and with a net cost to the Company of $468,000 after contribution by insurance providers and co-defendants. This settlement concluded three separate but related Civil Actions involving the above referenced commercial loan customers, a related bankruptcy and a mechanics' lien action. The first quarter settlement in 1997 resulted in a recovery of litigation reserves of approximately $700,000. Reserves had been established in previous years in anticipation of execution of a verdict judgment under the above referenced Civil Action. Settlement of the verdict was accomplished in 1997 at a lesser sum and with co-defendants and insurance carriers assuming a portion of the settlement amount as described above.

Included in the settlement described in the preceding paragraph was the settlement of a second Civil Action No. 89-C-1156-F styled Commercial Bank of Bluefield (Commercial), Plaintiff vs. Allied Refrigeration, Inc., Defendant and Third Party Plaintiff vs. Dan Shortridge, Four Winds Development, Inc., W. Stephen Melcher, E. T. Boggess, Robert W. Culler and First Community Bank, Third Party Defendants. This action was settled in connection with the above referenced joint settlement agreement in consideration of the forgiveness of a $200,000 loan by First Party Plaintiff, Commercial Bank of Bluefield, and the payment of $228,000 to Defendant Allied Refrigeration, Inc. The cash payment to Allied is included in the settlement total referenced in the preceding paragraph.

The third related action styled Allied Refrigeration vs. Westwood Associates, et al, Adversary Proceeding No. 7-93-00037, which was settled as part of the above referenced joint settlement agreement, was the assertion of a mechanics' lien in relation to the development of a long-term care facility in Bluefield, Virginia. The mechanics' lien action, brought by Allied Refrigeration, Inc., was also dismissed as part of the joint settlement agreement.

In August 1997, the Company was named as a defendant in a suit styled Ann Tierney Smith, as Executrix of the Estate of Katharine B. Tierney, Ann Barclay Smith and Laurence E. Tierney Smith, Plaintiffs vs. FCFT, Inc., First Community Bank, Inc., Gentry, Locke, Rakes & Moore, and W. William

Gust, Defendants, Civil Action No. 97-CV-408-K, seeking to overturn the establishment of a private foundation for which the Company's Trust and Financial Services Division serves as Trustee. The suit filed by heirs of the Foundation donor, seeks a total of $6 million in compensatory and punitive damages as well as the termination of the Foundation. The Company and Trustee believe the creation and the operation of the Foundation represent the intent and will of the donor and intend to defend the suit and the continuation of the Foundation's purpose. Both management and the Company's legal counsel are of the opinion that this suit is without merit and will be successfully defended with no material adverse impact on the Company's financial condition or results of operations.

Civil Action No. 82-C-610, styled Rhondal L. Toler, et al, vs. Castle Rock Bank of Pineville, filed on December 2, 1982 in the Circuit Court of Wyoming County, West Virginia, was reported in the 1996 Annual Report on Form 10-K. In this action, which Rhondal L. and Annette Toler and Vern and Henrietta Ellison, Plaintiffs, claimed that former representatives of a subsidiary of the Registrant misrepresented the condition of a company at the time the Plaintiffs borrowed money to purchase the company. The Company filed an answer denying all pertinent allegations made by the Plaintiffs and additionally filed a counterclaim seeking $322,000 plus costs. This case was dismissed in 1996 due to its prolonged existence on the Court docket and the Plaintiff's failure to prosecute. The Plaintiff has filed a motion to reinstate this matter and the Company has filed a counter motion objecting to the reinstatement. Ruling on these issues has not been made as of the date of this report.

Additionally, the Company is also subject to certain asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution to these claims and unasserted potential claims will not have a material adverse affect on the Company's financial position or results of operations and, due to the relative amount of claims where damage is sought and based upon the Company's evaluation, these matters have not been included in this report.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 1997

Part II.

Item 5. Market for Registrant's Common Equity and Related Matters

Market Price of Common Stock

The common stock of First Community Bancshares, Inc. is traded over-the-counter and is quoted on the NASDAQ (Level III) Electronic Billboard. The following table shows the approximate high and low bids as known to the Company or reported by local brokers for each quarter in 1996 and 1997. Management has been advised that such quotations primarily represent actual transactions. Also, presented below is the book value and cash dividends paid per share as of and for each quarter of 1996 and 1997. The number of common stockholders of record on December 31, 1997 was 2,142 and outstanding shares totaled 5,650,932.

Table 14

1996	Bid High	Bid Low	Book Value Per Share	Cash Dividends Per Share
First Quarter	$27.20	$23.60	$14.70	$.22
Second Quarter	26.40	25.60	15.02	.24
Third Quarter	25.80	24.80	15.50	.28
Fourth Quarter	28.80	25.80	15.81	.40
			$1.14	
			====	

Table 15

1997				
First Quarter	$29.60	$27.20	$16.04	$.28
Second Quarter	33.00	28.25	16.62	.31
Third Quarter	36.13	31.75	16.98	.31
Fourth Quarter	40.00	32.75	17.32	.40

$1.30
====

The holders of shares of common stock of the Company are entitled to such dividends as the Board of Directors, in its discretion, may declare out of funds legally available thereof.

The Company has historically paid dividends on a quarterly basis and currently intends to continue to pay such dividends in the foreseeable future. However, there can be no assurance that dividends will be paid in the future. The declaration and payment of future dividends will depend upon, among other things, the Company's earnings and financial condition, the general economic and regulatory climate.

The Company's ability to pay dividends to its shareholders depends to a large extent upon the dividends the Company receives from its subsidiaries. Dividends paid by its banking subsidiaries are subject to restrictions under various Federal banking laws. In addition, the banking subsidiaries must maintain certain capital levels which may restrict their ability to pay dividends to the Company. As of December 31, 1997, the net profits available for distribution to the shareholders as dividends without regulatory approval were approximately $1.8 million; however the regulators of the banking subsidiaries could administratively impose stricter limits on the ability of the banking subsidiaries to distribute net profits to the Company.

Item 6. Selected Financial Data

The required information is incorporated by reference to page 15 of the 1997 Annual Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The required information is incorporated by reference to pages 13 through 24 of the 1997 Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk (IRR) and Asset/Liability Management

The Bank's profitability is dependent to a large extent upon its net interest income (NII), which is the difference between its interest income on interest-earning assets, such as loans and securities, and its interest expense on interest-bearing liabilities, such as deposits and borrowings. The Bank, like other financial institutions, is subject to interest rate risk to the degree that its interest-earning assets reprice differently than its interest-bearing liabilities. The Bank manages its mix of assets and liabilities with the goals of limiting its exposure to interest rate risk, ensuring adequate liquidity, and coordinating its sources and uses of funds. Specific strategies for management of IRR have included shortening the amortized maturity of fixed-rate loans and increasing the volume of adjustable rate loans to reduce the average maturity of the Bank's interest-earning assets.

The bank seeks to control its IRR exposure to insulate net interest income and net earnings from fluctuations in the general level of interest rates. To measure its exposure to IRR, the bank performs quarterly simulations of NII using financial models which project NII through a range of possible interest rate environments including rising, declining, most likely and flat rate scenarios. The results of these simulations indicate the existence and severity of IRR in each of those rate environments based upon the current balance sheet position and assumptions as to changes in the volume and mix of interest-earning assets and interest-paying liabilities and management's estimate of yields attained in those future rate environments and rates which will be paid on various deposit instruments and borrowings.

The following table summarizes the impact on tax equivalent NII and the Market Value of Equity (MVE) of immediate and sustained rate shocks in the interest rate environment of plus and minus 100, 200, 300 and 400 basis points from the flat rate simulation.

Table 16

Change in Interest Rates (Basis Points)	Tax Equivalent Net Interest Income	%	Market Value of Equity	%
400	32,290.6	-25.5	90,873.7	-7.6
300	35,086.1	-19.1	92,359.7	-6.1
200	37,862.7	-12.7	94,062.0	-4.4
100	40,620.2	-6.3	96,045.5	-2.4
-0-	43,358.8	0	98,390.1	0
-100	46,079.4	6.3	101,192.9	2.8
-200	48,781.8	12.5	104,572.5	6.3
-300	51,466.0	18.7	108,701.2	10.5
-400	54,132.2	24.8	113,982.1	15.8

The preceding table which illustrates the prospective effects of hypothetical interest rate changes is based upon numerous assumptions, including relative and estimated levels of key interest rate factors. Management feels that this type of modeling technique, although useful, does not take into account strategies which management would undertake in response to a sudden and sustained rate shock as depicted. Additionally, management does not believe that a rate shock of the magnitude described is likely in the forecast period presented.

Item 8. Financial Statements and Supplementary Data

The required information is incorporated by reference to pages 26 through 51 of the 1997 Annual Report and as follows:

First Community Bancshares, Inc.
Quarterly Earnings Summary (Unaudited)
Quarterly earnings for the years ended December 31, 1997 and 1996 are as follows (in thousands):

Table 17

				1997
	March 31	June 30	Sept30	Dec 31
Interest Income	$16,546	$18,934	$19,512	$20,842
Interest Expense	6,942	7,946	8,609	9,393
Net interest income	9,604	10,988	10,903	11,449
Provision for possible loan losses	630	1,087	736	2,510
Net interest income after provision				

for possible loan losses	8,974	9,901	10,167	8,939
Other income	1,824	2,163	2,123	2,551
Other expenses	5,441	5,975	7,305	5,951
Income before income taxes	5,357	6,089	4,985	5,539
Income taxes	1,660	1,950	1,598	1,668
Net income	$3,697	$4,139	$3,387	$3,871
Per share:				
Basic earnings	$ 0.65	$ 0.73	$ 0.60	$ 0.69
Dividends	$ 0.28	$ 0.31	$ 0.31	$ 0.40
Weighted average shares outstanding	5,650	5,650	5,650	5,651

Table 18

				1996
	March 31	June 30	Sept 30	Dec 31
Interest Income	$15,475	$16,115	$16,593	$16,758
Interest Expense	6,403	6,660	6,918	6,952
Net interest income	9,072	9,455	9,675	9,806
Provision for possible loan losses	455	581	621	616
Net interest income after provision for possible loan losses	8,617	8,874	9,054	9,190
Other income	1,576	2,110	1,835	3,549
Other expenses	5,385	5,375	5,518	8,080
Income before income taxes	4,808	5,609	5,371	4,659
Income taxes	1,398	1,718	1,720	1,694
Net income	$ 3,410	$ 3,891	$ 3,651	$ 2,965
Per share:				
Basic earnings	$ 0.61	$ 0.69	$ 0.65	$ 0.53
Dividends	$ 0.23	$ 0.23	$ 0.28	$ 0.40
Weighted average shares outstanding	5,590	5,639	5,617	5,594

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Part III

Item 10. Directors and Executive Officers of the Registrant

The required information concerning directors has been omitted in accordance with General Instruction G. Such information regarding directors appears on pages 3, 4, 5, and 6 of the Proxy Statement relating to the 1998 Annual Meeting of Stockholders and is incorporated herein by reference.

A portion of the information relating to executive officers has been omitted in accordance with General Instruction G. Such information regarding executive officers appears on pages 6, 7, and 8 of the Proxy Statement relating to the 1998 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 11. Executive Compensation

The required information concerning management remuneration has been omitted in accordance with General Instruction G. Such information appearing on pages 7, 8, 9, and 10 of the Proxy Statement relating to the 1998 Annual Meeting of Stockholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The required information concerning security ownership of certain beneficial owners and management has been omitted in accordance with General Instruction G. Such information appearing on page 6 of the Proxy Statement relating to the 1998 Annual Meeting of Stockholders is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The required information concerning certain relationships and related transactions have been omitted in accordance with General Instruction G. Such information appearing on pages 5 and 6 of the Proxy Statement relating to the 1998 Annual Meeting of Stockholders is incorporated herein by reference.

Part IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements

The Consolidated Financial Statements of First Community Bancshares, Inc. and subsidiaries together with the independent Auditors' Report dated January 30, 1998 are incorporated by reference to pages 26 through 50 of the 1997 Annual Report which is included herein as Exhibit 13.

(2) Financial Statement Schedules

All applicable financial statement schedules required by Regulation S-X are included in the Notes to Consolidated Financial Statements.

(b) A report on Form 8-K regarding the Company's merger with the new Nevada corporation to change its state of domicile and its corporate name was filed on November 3, 1997 and incorporated by reference to Form 10-Q for the period ending September 30, 1997.

(c) Exhibits:

(3) Articles of Incorporation and Bylaws

The Registrant's Articles of Incorporation and By-laws are included as exhibits (3)(i) and (3)(ii), respectively.

(11) Statement Regarding Computation of Per Share Earnings

The statement regarding computation of per share earnings is included as Note 10 of the Notes to Consolidated Financial Statements in the 1997 Annual Report to Stockholders and is incorporated herein by reference.

(13) Annual Report to Security Holders

(21) Subsidiaries of Registrant:

First Community Bank, Inc. (a West Virginia Corporation)
First Community Bank of Mercer County, Inc. (a West Virginia Corporation)
First Community Bank of Southwest Virginia, Inc. (a Virginia Corporation)
Blue Ridge Bank, Inc. (a North Carolina Corporation)

(23) Independent Auditors' Consent

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

BY: /s/
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this
report has been signed below by the following persons on behalf of the
Registrant and in the capacities and on the dates indicated.

BY: /s/
Principal Accounting Officer

Table 19

Signature
Title
Date

/s/__________________________________ Director
3/31/98
(Sam Clark)

/s/__________________________________ Director
3/31/98
(Allen T. Hamner)

/s/ __________________________________
President, Chief Executive Officer
3/31/98
(James L. Harrison, Sr.) and Director (Principal Executive
Officer)

/s/__________________________________ Director
3/31/98
(B.W. Harvey)

/s/__________________________________ Director
3/31/98
(I. Norris Kantor)

/s/__________________________________ Vice
President, Chief Financial
3/31/98
(John M. Mendez) Officer and Director
(Principal
Financial Officer)

/s/__________________________________ Director
3/31/98

(A. A. Modena)

/s/________________________________ Director
3/31/98
(Robert E. Perkinson, Jr.)

/s/________________________________ Chairman of the Board and Director
3/31/98
(William P. Stafford)

/s/________________________________ Director
3/31/98
(William P. Stafford, II)

/s/________________________________ Director
3/31/98
(W. W. Tinder, Jr.)

/s/________________________________ Director
3/31/98
(Harold M. Wood)

Exhibit 3i.

ARTICLES

OF

INCORPORATION

OF

FIRST COMMUNITY BANCSHARES, INC.

FIRST: The name of this corporation is First Community Bancshares, Inc.

SECOND: The registered agent for the corporation is CSC Services of Nevada, Inc. , whose street address and mailing address are 502 East John Street, Carson City, NV 89706.

THIRD: The purpose or purposes for which this corporation is organized are as follows:

To own, buy, acquire, sell, exchange, assign, lease and deal in and with real and personal property and any interest or right therein;

To own, buy, acquire, sell, exchange, assign, pledge and deal with voting stock, non-voting stock, notes, bonds, evidences of indebtedness and rights and options in and to other corporate and non-corporate entities, and to pay therefor in whole or in part in cash or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such stocks, bonds, debentures, notes, evidences of indebtedness or other securities, contracts, or obligations, to receive, collect, and dispose of the interest, dividends and income arising from such property, and to possess and exercise in respect thereof, all the rights, powers and privileges of ownership, including all voting powers on any stocks so owned.

To borrower money without limit as to amount; and

To engage in any lawful act or activity for which corporations may be organized under the laws of the State of Nevada.

FOURTH: The total number of shares of stock which the corporation shall have authority to issue is Ten Million (10,000,000) shares of Common Stock, all of a par value of One Dollar ($1.00) each, and One Million (1,000,000) shares of

preferred stock, whose par or face value, voting powers, designations, preferences, interest rate, limitations, restrictions and relative rights shall be determined from time to time by resolution of the Board of Directors of the corporation.

FIFTH: The name and post office address of the incorporator is as follows:

NAME	POST OFFICE ADDRESS
Eugene E. Derryberry	P.O. Box 40013 Roanoke, VA 24038

SIXTH: The members of the corporation's governing board shall be styled as directors. The initial directors of the corporation shall consist of 12 persons, divided into the aforesaid classes as follows:

Class A

Allen T. Hamner 3 Lincoln Way
Buckhannon, WV 26201

B.W. Harvey c/o Acme Markets

P.O. Box 1457
Bluefield, WV 24701

John M. Mendez #6 Sandrine Pointe
Princeton, WV 24740

Harold Wood Box 97
Flat Top, WV 25841

Class B

Sam Clark State Farm Insurance
Box 700
Oceana, WV 24870

Robert E. Perkinson, Jr. MAPCO Coal, Inc.
P.O. Box 1349
Bluefield, VA 24605

William P. Stafford Princeton Machinery Service
HC 71, Box 6
Princeton, WV 24740

W.W. Tinder, Jr. Tinder Enterprises
P.O. Box 980
Bluefield, WV 24701

Class C

James L. Harrison, Sr. P.O. Box 5462
Princeton, WV 24740

I. Norris Kantor Katz, Kantor & Perkins
P.O. Box 727
Bluefield, WV 24701

A.A. Modena 4 Windsor Circle Drive
Bluefield, VA 24605

William P. Stafford, II Brewster, Morhous & Cameron
P.O. Box 529
Bluefield, WV 24701

The number of directors of the corporation, not less than 12, shall be fixed in accordance with the Bylaws. Directors shall be divided into three classes (A, B and C). The initial term of office for directors in Classes A, B and C shall expire at the Annual Meeting of Stockholders in 1998, 1999 and 2000, respectively. At each Annual Meeting of Stockholders, directors for the class whose term then expires shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after election, and shall continue to hold office until their respective successors are elected and qualify. In the event of any increase or decrease in the number of directors fixed by the Bylaws, all classes of directors shall be increased or decreased as equally as possible. No person who has attained the age of 70 years shall be elected or appointed as a director of this corporation; provided, however, that every person, otherwise eligible, who was serving as a director of the corporation on December 31, 1990, shall continue to be eligible for re-election as a director of the corporation regardless of age.

All vacancies on the Board of Directors, including those resulting from an increase in the authorized number of directors, shall be filled by the affirmative vote of a majority of the directors then in office, whether or not a quorum. Each director so chosen shall hold office until the expiration of the term of the class to which his position has been assigned. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director. No director may be removed from office except for cause relating to the proper performance of this duties as a director and then only by the affirmative vote of the holders of more than two-thirds of the stock of the

corporation then outstanding and entitled to vote thereon (without voting by class) at a meeting duly called for that purpose.

The affirmative vote of the holders of more than twothirds of the stock of the corporation then outstanding and entitled to vote thereon (without voting by class) shall be required to amend or repeal this Article or adopt any provision inconsistent herewith.

SEVENTH:

Section 1. The corporation shall not be governed by the provisions of

Nevada Revised Statutes 78.411 to 78.444, inclusive. The provisions of this Article shall govern in lieu thereof. For the purposes of this Article:

(A) The Term "Business Combination" means any of the following transactions:

(I) Any merger or consolidation of the corporation or any Subsidiary with or into any Interested Stockholder, or

(ii) Any sale, lease, exchange, transfer, or other disposition (in one transaction or a series of related transactions) to or with any Interested Stockholder of any assets of the corporation or any Subsidiary when such assets have an aggregate fair market value of $5,000,000 or more; or

(iii) The issuance or transfer to any Interested Stockholder by the corporation or any Subsidiary (in one transaction or a series of transactions) of any equity securities of the corporation or any Subsidiary where any such equity securities have -an aggregate fair market value of $5,000,000 or more; or

(iv) The adoption of any plan or proposal for the liquidation or dissolution of the corporation; or

(v) Any agreement, contract, or other arrangement providing for any of the transactions described in this definition of a Business Combination".

(B) A "Person" means any individual, firm, corporation, or other entity.

(C) "Interested Stockholder" means (i) any person (other than the corporation, a Subsidiary of the corporation, or any profitsharing, employee stock ownership or employee benefit plan of the corporation or a Subsidiary of the corporation, or any trustee of a fiduciary with respect to any such plan acting in such capacity) that is the direct or indirect beneficial owner (as defined in Rule 13d-3 and Rule 13d-5 under the Securities Exchange Act of 1934 (111934 Act") as in effect on January 1, 1990) of 15 percent (15%) or more of the outstanding capital stock of the corporation entitled to vote for the Election of Directors, and (ii) any Affiliate or Associate of any such person, includingany corporation which after the transaction in question would be an Interested Stockholder.

(D) "Affiliate,, and "Associate" shall have the respective meanings given those terms in Rule 12b-2 of the General Rules and Regulations under the 1934 Act, as in effect on January 1, 1990.

(E) "Subsidiary" means any business entity, fifty percent (50%) or more of which is directly or indirectly owned by the corporation.

(F)"Continuing Director" means any member of the Board of Directors of the corporation who is neither an Interested Stockholder nor affiliated with, proposed or nominated by, or controlled by an Interested Stockholder.

Section 2. If the provisions of Section 3 of this Article have not been satisfied, any Business Combination shall require the affirmative vote, in person or by proxy, of the holders of more than eight-five percent (85%) of the stock, or the maximum allowed by law, if less, of the corporation then outstanding and entitled to vote (without voting by class). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that some lesser percentage may be specified, by law or in any agreement of the corporation with any national securities exchange or otherwise.

Section 3. Any Business Combination shall require only such affirmative vote by the holders of all classes of the capital stock of the corporation ("Holders") as is required by applicable law and any other provision of the Certificate of Incorporation of the corporation, exclusive of Section 2 of this Article, if the conditions of either Subparagraph (A) or (B) are met;

(A) The Business Combination has been approved by a vote of a majority of all the directors, and by a vote of a majority of all the Continuing Directors; or

(B) All of the following conditions have been satisfied:

(1) The Holders shall receive an aggregate amount of (i) cash and (ii) fair market value (as of the date of the consummation of the Business Combination) of consideration other than cash, at least equal to the greater of (i) the highest per share price (including any brokerage commissions, transfer taxes, and fees) paid by the Interested Stockholder for any shares of such class or series of stock acquired by the Interested Stockholder, or (ii) in the case of preferred stock, the highest preferential amount per share applicable to such stock; and

(2) The consideration to be received by Holders of any class or series of outstanding common or preferred stock shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class or series of stock. If the Interested Stockholder has paid for shares of any class or series of stock with varying forms of consideration, the form of consideration given for such class or series of stock in the Business Combination shall be either cash or the form used to acquire the largest number of shares of such class or series of stock previously acquired by the Interested Stockholder; and

(3) A proxy statement complying with the requirements of the 1934 Act and the rules and regulations thereunder (or any subsequent provisions replacing the 1934 Act and such rules and regulations) shall be mailed to the stockholders of the corporation at least 30 days prior to the holding of any meeting of stockholders of the corporation to vote upon the Business Combination (whether or not such proxy or information

statement is required

pursuant to the 1934 Act or any subsequent provisions) which shall contain in the forepart thereof in a prominent place any recommendations as to the advisability (or inadvisability) of the Business Combination which the Continuing Directors may choose to state and, if deemed advisable by a majority of the Continuing Directors, an opinion of a reputable investment banking firm as to the fairness (or lack of fairness) of the terms of such Business Combination from the point of view of the Holders of any class of voting stock of the corporation other than the Interested Stockholder (such investment banking firm to be selected by a majority of the Continuing Directors, to be furnished with all information it reasonably requests, and to be paid by the corporation a reasonable fee for its services upon receipt by the corporation of such opinion).

Section 4. A majority of the Continuing Directors shall have the power to make all determinations with respect to this Article including without limitation determining the transactions that are Business Combinations, the persons who are Interested Stockholders, the time at which an Interested Stockholder became an Interested Stockholder, the fair market value of any assets, securities, or other property, and whether a person is an Affiliate or Associate of another; and any such determinations of such Continuing Directors shall be conclusive and binding.

Section 5. Nothing contained in this Article shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

Section 6. Notwithstanding any other provisions of the Certificate of Incorporation or of the Bylaws of the corporation (and in addition to any other vote that may be required by law or of the Bylaws of the corporation), the affirmative vote of the Holders or more than 85% of the stock of the corporation then outstanding and entitled to vote (without voting by class) shall be required in order to amend or repeal this Article or adopt any provision inconsistent herewith.

EIGHTH: (a) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of

the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys, fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to be the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

(b) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including amounts paid in settlement and attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been finally adjudged to be liable to the corporation unless and only to the extent that an appropriate court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses as the court shall deem proper.

(c) Any indemnification under subsections (a) and (b) of this Article (unless ordered by the court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b) of this Article. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum constituting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

(d) Expenses incurred by an officer or director in defending a civil or criminal action, suit or proceeding shall be paid by the corporation as incurred and in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation as authorized in this section. Such expense incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

(e) The corporation may (but need not) purchase and maintain insurance on behalf of any personal who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or expenses incurred by him in any such capacity, or arising out of this status as such, whether or not the corporation would have the power to indemnify him against such liability under this section.

(f) No director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director; (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions which involve intentional misconduct, fraud or a knowing violation of law; (iii) for the payment of any distribution in violation of Nevada Revised Statute 78.300; or (iv) for any transaction from which the director derived an improper personal benefit.

Date: July 24, 1997
Eugene E. Derryberry
Incorporator

Commonwealth of Virginia)
City of Roanoke)

Subscribed and sworn to before me in my jurisdiction aforesaid this 25th day of July, 1997.

/s/ Leigh S. Holland
Notary Public

my commission expires: 9-30-98

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Exhibit 3ii.

BYLAWS OF

FIRST COMMUNITY BANCSHARES, INC.

1. Annual Meeting of Stockholders.

The regular Annual Meeting of the Stockholders of the

Corporation for the election of directors and the conducting of such other business as may be appropriate shall be held during April of each year, on such date and at such time and place as may be fixed by the Board of Directors. Notice of such meeting, stating the purpose thereof, shall be mailed to all stockholders not less than ten (10) days nor more than sixty (60) days prior to the date thereof.

The stockholders shall meet annually on the day appointed and shall elect a Chairman and Secretary of the meeting. The Chairman, Chief Executive Officer or other Executive Officers of the Holding Corporation shall then submit to the stockholders a clear and concise statement of the financial condition of the Corporation for the preceding year and a review of the business of the Corporation.

A record of the Stockholders, Meeting, giving the number of shares represented by proxy and in person, shall be made and entered in the records of the meeting in the minute book of the Corporation. The stockholders shall proceed to the election of directors and to the transaction of any other business that may properly come before the meeting as prescribed by Nevada law. The record of the meeting shall show the number of shares voting for, voting against or abstaining on each resolution, or voting for, voting against, or withholding authority on each candidate for director. Proxies shall be dated, and shall be filed with the records of the meeting.

Any nominations to the Board of Directors other than those made by or on behalf of the existing management of the Corporation shall be made in writing and shall be delivered or mailed to the Secretary of the Corporation not less than thirty (30) days prior to any meeting of the stockholders calling for the election of directors, provided, however, that if less than thirty (30) days notice of the meeting is given to stockholders, such notice of nomination shall be mailed or delivered to the Secretary of the Corporation no later than the close of business on the seventh day following the day on which the notice of the meeting was mailed. The Chairman of the meeting may disregard nominations not made in accordance herewith, and direct the vote tellers to disregard all votes cast for such nominee.

The Chairman of the meeting shall notify the directors of their election, and the directors shall immediately following the regular Annual Meeting of the Stockholders organize and elect the officers for the current year.

A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at meetings of the stockholders.

At each election for directors every stockholder entitled to vote at such election shall have one vote for each share of stock held.

The directors so elected shall serve pursuant to the provisions of Article Sixth of the Articles of Incorporation or until their successors are elected and qualify, subject to the further provisions of these Bylaws.

Special meetings of the stockholders may be held at any time on call of the Board of Directors. Notice of such meeting, stating the purpose or purposes, shall be given to all stockholder by mail to their last known address, mailed not less than ten (10) days nor more than sixty (60) days prior to such meeting unless otherwise required by law.

If for any cause the annual election of directors is not held pursuant to these Bylaws, the directors in office shall order an election to be held on some other day, of which special notice shall be given in accordance with the requirements of law, and the meeting conducted according to the provisions of Section 1 of these Bylaws.

The proceedings of all regular and special meetings of the Board of Directors and of the stockholders and reports of the committees or directors, shall be recorded in the minute book; and the minutes of each meeting shall be signed by the Chairman or the President and attested by the

Secretary of the Corporation.

2. Directors.

The members of the Board of Directors shall be stockholders, and every such director shall own in his own right shares of stock of the Corporation of the aggregate par value of not less than One Hundred Dollars ($100.00). The initial Board of Directors shall consist of twelve (12) directors, classified in accordance with the Articles of Incorporation; and thereafter the number of directors of the Corporation shall be not less than 12 and not more than 20, as shall be fixed from time-to-time by resolution of the Board of Directors. Directors shall serve until their successors shall have been elected and qualified in conformity with the provisions of

Article Sixth of the Articles of Incorporation and the provisions of these Bylaws.

All vacancies on the Board of Directors, including those resulting from an increase in the authorized number of directors, shall be filled by the affirmative vote of a majority of the directors then in office, whether or not a quorum. Each director so chosen shall hold office until the expiration of the term of the director, if any, whom he or she has been chosen to succeed, or if none, until the expiration of the term assigned. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Directors shall hold regular meetings and shall meet at least once each quarter. The Board of Directors shall have the power to do, or cause to be done, all things that are proper to be done by the Corporation. The directors shall be authorized to appoint a director in lieu of the President to serve as Chairman of the Board, shall define the duties of the Chief Executive Officer of the Corporation, fix the compensation of such officer and may employ and dismiss any officer of the Corporation.

A majority of the Board of Directors shall be necessary to constitute a quorum for the transaction of business, except that those present may adjourn until a quorum is obtained and except as otherwise provided by these Bylaws and by law.

Special meetings of the directors may be called by the Chairman of the Board, by the President or by any four directors.

3. Officers.

The officers of the Corporation shall be a Chairman of the Board, President and Chief Executive Officer, one or more Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Secretary, and such other officers, including Assistant Vice Presidents, as may be from time to time required for the prompt and orderly transaction of its business, to be elected or appointed by the Board of Directors, by whom their several duties shall be prescribed. At the option of the Board of Directors, any combination of the foregoing offices may be held by the same person.

The Chairman of the Board and the President shall be directors. They shall hold office for the current year for which the Board of Directors was elected, unless either shall resign, become disqualified, or be removed. Any vacancy occurring in the office of the Chairman or the President shall be filled by the Board of Directors. All other officers shall be appointed by the Board of Directors to hold their respective offices at the will and pleasure of the Board of Directors.

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The appropriate executive and subordinate officers of the Corporation shall be responsible for any such sums of money, property and valuables of every description which may be entrusted to their care or which may from time to time come into their care by virtue of their respective offices and shall give such bond as shall be required by law and by the Board of Directors, in principal amount and with security to be approved by the Board of Directors, conditioned on the faithful discharge of their respective duties and their faithful and honest application and accounting for all sums of money and other property that may come into their care.

In the absence of the President and Chief Executive Officer, the Executive Vice President, or in his or her absence, a Senior Vice President shall perform all acts and duties pertinent to the offices of the President and Chief Executive Officer, except such acts and duties as the President and Chief Executive Officer only are authorized by law to perform.

There shall be appointed a Secretary of the Corporation, who shall be responsible for the minute book of the Corporation, in which shall be maintained and preserved the Articles of Incorporation, the Bylaws, the returns of elections, the proceedings of regular and special meetings of the Board of Directors, of the stockholders and of all committees established by the Board of Directors.

4. Seal.

The following is an impression of the seal adopted by the Board of Directors of the Corporation:

5. Conveyance of Real Estate.

All transfers and conveyances of real estate shall be made by the Corporation pursuant to resolution of the Board of Directors and shall be signed by the President, Chief Executive Officer, Vice President or such other officer as may be hereafter authorized.

6. Executive Committee.

The Board may appoint an Executive Committee consisting of the Chairman of the Board, the President, the Chief Executive Officer and such other members of the Board of Directors as shall be appointed, which committee shall have full power and authority to

do or cause to be done all things which may be done by the

Board of Directors, except as otherwise prohibited by law. The proceedings of such committee shall be signed by the Chairman or the President, and recorded in the minute book of the Corporation.

7. Other Committees.

The Board of Directors may establish from time to time such other committees from its members, or otherwise, as are deemed appropriate for the operation and performance of its duties and responsibilities. Committees shall be formed by proper resolutions of the Board of Directors setting forth the duties, responsibilities and operations of such committees. The resolutions of the Board of Directors shall set forth the manner in which the committees are to be formed, the number of persons constituting the committee and such other matters as are deemed proper by the Board of Directors.

The Audit Committee shall consist of three members of the Board of Directors who are not employees of the Corporation, who shall be appointed by and serve at the pleasure of the Board of Directors. The Audit Committee shall meet with the Corporation's independent auditors at least annually and shall be responsible for reviewing the financial records and reports of the Corporation and its subsidiaries, and reporting to the Board of Directors thereon.

All committees established by the Board of Directors may by proper authority of the Board of Directors be permitted to employ personnel to assist in the performance of its duties, and the members of the committee may have compensation fixed for them by the Board of Directors.

8. Transfer of Stock.

The stock of this Corporation shall be assignable and transferable only on the books of the Corporation, subject to the provisions of the laws of the State of Nevada. A transfer book shall be maintained in which all assignments and transfers of stock shall be recorded.

Transfers of stock need not be suspended for the declaration of dividends in cash or stock, nor in case of a new stock issue. In all cases stock of the stockholder of record as of the date fixed by the Board of Directors shall be entitled to such dividends, and the right, if any, to subscribe to a new issue.

Certificates of stock shall be signed by such officers as designated by the Board of Directors by resolution. The certificates shall state upon the face thereof, that the stock is transferable only upon the books of the Corporation and when stock is transferred, the certificates thereof shall be returned to the

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Corporation, cancelled, preserved and new certificates issued. No certificates for fractional shares shall be issued.

9. Checks and Drafts.

All checks and drafts of the Corporation shall be signed by an officer or officers of the Corporation designated by the Board of Directors.

10. Amendment of Bylaws.

These Bylaws may be amended at any time by vote of a majority of the Board of Directors at a meeting called for that purpose upon notice thereof given in the call for the meeting.

The attached Bylaws were approved at a regular meeting of the Board of Directors of First Community Bancshares, Inc. held on the day of   , 1997.

ATTEST:

Secretary

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Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos.

33-72616 on Form S-8 and 333-2996 on Form S-4 of First Community Bancshares, Inc. of our report dated January 30, 1998, incorporated by reference in this Annual Report on Form 10-K of First Community Bancshares, Inc. for the year ended December 31, 1997.

Deloitte & Touche
Pittsburgh, PA
March 31, 1998

Section 2: EX-27 (ARTICLE 9 FDS FOR 10-K)

Table 1

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Section 3: EX-13

Financial highlights

Table 1

(Amounts in Thousands, Except Percent and Per Share Data)

Earnings and Dividends

	1997	1996	1995
Net income	$15,094	$13,917	$12,789
Basic earnings per share	2.67	2.48	2.28
Cash dividends per share	1.30	1.14	.99
Return on average equity	16.05%	16.26%	16.77%
Return on average assets	1.59%	1.73%	1.70%

Table 2

Balance Sheet Data At Year-End

	1997	1996	1995
Total assets	$1,042,349	$837,642	$780,280
Earning assets	955,337	775,244	723,616
Deposits	853,507	643,497	622,723
Securities sold under agreements to repurchase	52,351	53,031	50,205
Stockholders' equity	97,887	89,303	80,438

Table 3

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Message to Stockholders

TO OUR STOCKHOLDERS:

Record setting earnings, exciting increases in stockholder value, significant growth in total resources and equity, and a change of identity highlight 1997.

Your Board of Directors, management and members of the staff proudly present to you this report on the performance of First Community Bancshares, Inc. for 1997, and a review of other activities of your Company during the year.

Effective September 30, 1997, the name of your Company was changed to First Community Bancshares, Inc. to mirror the identity of our banks in West Virginia and Virginia.

Concurrent with the September 30th name change, we completed the change of corporate domicile from Delaware to Nevada. While FCFT has served us well and represented the coming together of two of southern West Virginia's premier banks, use of a unified identity for your Company and its member banks in the future is not only much more effective but it is also more cost efficient.

The strong performance of your Company in 1997 is reflected best by the significant increase in the market value of your stock which ended the year at an average of bid and ask prices of $38.06 per share. On March 31, 1997, we enjoyed a five-for-four stock split in the form of a 25% stock dividend; therefore, all per share data of previous periods referred to herein has been adjust-

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ed accordingly. First Community's year-end stock price represents a multiple on earnings of 14.3X and 220% of year-end book value compared with 11.1X earnings and 175% of book value reported at the end of 1996. Dividends of $1.30 per share for 1997 represent a cash yield on beginning market value of 4.7%, substantially in line with many other financial instruments which, unlike our stock, do not possess potential for future appreciation. This potential was strongly recognized in 1997 as the market value of your stock increased 37.9% over year-end 1996. which. when combined with 1997's dividends, provided a total return to shareholders of 42.6%.

Record earnings for 1997 of $15.094 million represent an 8.46% increase over the $13.917 million reported for 1996. It is our belief that net income performance is not only an evaluation of how well your Company performed during the past year, but also a strong indication of its future potential.

Net income performance may be expressed better as earnings per share which were $2.67 in 1997 as compared with $2.48 in 1996, a 7.66% increase. Dividends per share also grew in 1997, increasing 14.04% to $1.30 compared with $1.14 paid in 1996. Since our Company's inception in 1990, net income has more than tripled representing an average increase of 28.68% per year. Strong net income performance enhances shareholder value through increases in book value and dividends, providing the Company with the resiliency need-ed to respond to economic downturns and the resources needed to sup-port new activities and projects which are required for maintaining excellence in the banking industry today.

The ability to use capital and assets to produce net income is indicated by Return on Average Equity and Return on Average Assets. Return on Average Equity, which is generally thought of as a measure of the stewardship of your investment in the Company, decreased slightly to 16.05% from 16.26% in 1996, marking the fourth consecutive year in which Return on Equity exceeded 16% and continuing our leadership role amongst similarly-sized bank holding companies in West Virginia. Our capacity to produce earnings per share and dividends has exceeded our plan but not as greatly as has our accumulation of equity, which results in lower returns on equity but greater capital strength. Return on Average Assets, which measures the effective use of assets to produce net income, decreased to 1.59% from 1.73% reported in 1996. Decreases in Return on Average Assets were planned as a result of significant growth through acquisitions completed in 1997 and should continue to decline somewhat in 1998 as we fully integrate these new locations into the Company.

Total resources of First Community increased 24.4%, surpassing the $1 billion threshold and setting a new record of $1.04 billion at the end of 1997. As significant as the growth in total resources was the 22.7% increase in total outstanding loans to $672 million compared with $548 million reported at the end of 1996. With the growth in loans however, came a disappointing increase in non-performing loans which ended 1997 at $14.4 million or 2.17% of total loans and other real estate owned. One relationship of approximately $4.8 million, or 33.3% of this total, was converted to non-accrual status in the fourth quarter of 1997 as the contract for the customer's main line of production was not renewed, causing cash flow to be inadequate to service the debt. This problem asset is expected to be resolved in the second quarter of 1998 and a special provision for loan losses of $1.5 million recorded in December should provide adequate reserves to absorb losses incurred in liquidation of the related collateral.

Our Trust and Financial Services Division, with total resources of $466 million at cost and market value of $655 million, provides quality trust services to customers throughout our service regions, adding value to many existing banking relationships and creating avenues for obtaining new relationships. Included in these services are agency accounts, trusts, estate management and settlement, as well as custodial services. The Trust and Financial Services Division allows us to provide a more complete range of financial services for customers whose needs exceed what is offered by many of our peer institutions.

During 1997, our focus on improving the quality of customer service increased in both dimension and intensity, from the manner in which a telephone is answered to the speed with which we are able to respond to a loan request. Programs of customer surveys, focus groups, professional shops and service sensitivity training are all receiving increased emphasis.

Other initiatives are in place for 1998 and beyond to ensure that our customers receive the best financial services offered today. Quality service is critical to our success in the future.

On April 9,1997, your Company's affiliation with Blue Ridge Bank of Sparta, North Carolina, was completed extending First

Community into its third state and enhancing the geographic diversity of your Company. Blue Ridge is a $125 million bank with offices in Sparta, Elkin, Hays, and Taylorsville, North Carolina. On July 24,1997, First Community finalized its acquisition of three branches in Southwest Virginia with total deposits of approximately $45 million. Two branches, located in Pound and Fort Chiswell, Virginia, were purchased from Premier Bank-Central. N.A. and Premier Bank-South. N.A.. respectively. with the third branch, located in Clintwood, Virginia, being purchased from First Virginia Banks-Mountain Empire. In addition to the three branches purchased in southwest Virginia, your Company opened a branch in Wytheville, Virginia, on August 1, 1997. This branch serves as a neighbor to our Fort Chiswell location, as well as a natural link to our southern West Virginia locations.

On September 25,1997, First Community completed its acquisition of the Man, West Virginia branch of the Huntington National Bank with total assets of approximately $54 million. In addition to the Man branch which is located in Logan County, on October 29,1997, First Community opened its first in-store location in the Wal-Mart Supercenter in Logan, West Virginia. This location is referred to as a banking sales center because of the aggressive sales approach required to make an in-store location profitable. The addition of 10 new banking locations and one new state to our Company in 1997 will greatly improve convenience for our customers and add to stockholder value in the future.

24-hour access to customer information through telephone banking, XPress PC Banking for both retail and commercial customers, and check imaging highlight the technological advancements of your Company in 1997. In April, customers were able to obtain current balances of all deposit and loan accounts, review cleared checks, receive loan payment information and transfer funds with our 24-hour access telephone banking service. In October, we instituted the most advanced check processing technology available today. Check imaging increases operational efficiency and expedites research efforts while adding to overall customer satisfaction by giving customers a condensed, more useful statement making reconcilement and storage much easier. Some customers began receiving these statements in February 1998 with everyone receiving them by the second quarter of 1998.

In January 1998, customers began transacting banking business at home via their own personal computers. Customers can use XPress PC Banking for convenient on-line reconcilement or simply keep tabs on loan and deposit balances and transfer funds as needed. Commercial customers can use Xpress PC Banking to access Corporate Cash Management giving them the ability to accept and receive electronic payments, direct deposit their payroll and enjoy the built-in financial tools which help plan for and track expenses while monitoring income.

The success that your Company has enjoyed in 1997 and since its inception is the result of the efforts of many individuals who, working together as a team, share a common vision for your Company and continue moving toward that vision with unwavering commitment. With the pace at which change is affecting the banking industry, we are excited to report how positively our employees both accept change and then make the customer's transition as smooth as possible. To these individuals we owe our thanks. We also say thank you to the many members of the Board of Directors who continue to offer support, guidance and encouragement whether they serve as a member of the Board of Directors of the Company, one of its subsidiaries or as members of Advisory Boards. The names of these individuals are listed in the back of this Annual Report and we hope you, as stockholders of the Company, will share with them your appreciation for a job well done. To you, the members of our family of stockholders and customers, we continue to offer our appreciation for your support and loyalty and hope that you share in our feelings of Corporate pride.

With the year's performance establishing new record levels yet again, 1998 comes filled with many new challenges to be faced and expectations to be

realized. Our role as employees is to add value to

the Company; our role as

a company is to add value to the lives of our

customers; and our role as an

investment is to add value in terms of growth and

returns for you, our owners.

We hope you share in our excitement about First

Community, its performance

and its future. Our report to you on the activities

of your Company for

1997 is most respectfully presented in the pages which

follow.

Sincerely,

James L. Harrison, Sr.

President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND

ANALYSIS

Table 4

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

Introduction

First Community Bancshares, Inc. ("the Company" or "First Community") is a multi-state, multi-bank holding company headquartered in Princeton, West Virginia. With total resources of $1.0 billion at year-end 1997, First Community provides financial and trust services to individuals and commercial customers through 33 full-service banking locations in West Virginia, Virginia and North Carolina.
During 1997, the Company acquired the Blue Ridge Bank, headquartered in Sparta, North Carolina. This transaction, which was accounted for as a purchase transaction, was completed on April 9, 1997, through the exchange of cash totaling $23.6 million for 100% of the outstanding common stock of Blue Ridge.

In July and September 1997, the Company acquired additional branches in Virginia and West Virginia which added approximately $95 million in additional resources. The completion of the acquisition of Blue Ridge and the branch acquisitions, all in 1997, resulted in significant growth in total resources of the Company between 1996 and 1997 and have a material impact on the following discussion of financial condition and results of operations for First Community in 1997 and in comparison with the preceding fiscal years.

The Company's common stock was split five shares for four on March 31, 1997. All share and per share data in this report have been retroactively adjusted to reflect this stock split.

Summary Financial Results

In fiscal 1997, the Company again achieved record levels of financial performance along with significant balance sheet growth of 24% which pushed total resources over the $1 billion level at the close of the third quarter 1997.
Net income for 1997 of $15.1 million represents an 8.5% increase over the corresponding period in 1996 and continues a thirteen year trend of increases in net income. Record earnings in 1997 produced basic earnings per share of $2.67, representing a 7.7% increase over the preceding year. This continues the positive trend in basic earnings per share which have increased from $2.28 in 1995 to $2.48 in 1996 and, ultimately, to $2.67 for the current fiscal year.
The Company's key profitability ratios of Return on Average Assets (ROA) and Return on Average Equity (ROE) reflect the strong earnings performance of the Company and compare quite favorably with regional and national peer groups.
ROA, which measures the Company's stewardship of assets, was a strong 1.59% and reflects a slight decrease from 1.73% in 1996 and 1.70% in 1995. The reduction in 1997 reflects the Company's growth through acquisitions in 1997 and the marginal earnings impact of acquisitions net intangible amortization.
ROE was 16.05% which also compares quite favorably with industry averages but reflects a slight decrease from 16.26% in 1996 and 16.77% in 1995. This decrease in ROE is principally due to the impact of compounded earnings which have increased stockholders' equity from $80.4 million in 1995 to $89.3 million in 1996 and $97.9 million at the close of

1997.

1 4

Five-Year Selected Financial Data

Table 5

(Amounts in Thousands, Except Percent and Per Share Data)

	1997	1996	1995	1994	1993
Balance Sheet Summary (at end of period)					
Loans, net of unearned income..	$ 671,817	$547,703	$485,151	$421,189	$396,804
Reserve for possible loan losses	11,406	8,987	8,321	8,479	9,568
Securities	270,969	236,441	246,578	268,906	269,386
Total assets	1,042,349	837,642	780,280	744,713	726,438
Deposits	853,507	643,497	622,723	616,226	607,685
Long-term debt	24,330	15,000	15,000	10,000	12,000
Stockholders' Equity	97,887	89,303	80,438	70,176	67,716
Summary of Earnings					
Total interest income	75,834	64,941	58,954	$53,723	$52,883
Total interest expense	32,890	26,933	23,482	19,846	20,292
Provision for possible loan losses	4,963	2,273	2,235	1,764	1,888
Non-interest income	8,661	9,070	7,214	7,035	6,004
Non-interest expense	24,672	24,358	22,694	23,238	22,681
Income tax expense	6,876	6,530	4,968	4,456	4,431
Net Income	15,094	13,917	12,789	11,454	9,595
Per Share Data					
Basic Earnings	$2.67	$2.48	$2.28	$2.03	$1.70
Cash dividends	1.30	1.14	.99	.84	.63
Book value at year-end	17.32	15.81	14.38	12.47	11.98
Selected Ratios					
Return on average e assets	1.59%	1.73%	1.70%	1.55%	1.34%
Return on average equity	16.05%	16.26%	16.77%	16.33%	14.72%
Dividend payout	48.69%	45.97%	43.42%	41.38%	37.06%
Equity to year-end assets	9.39%	10.67%	10.31%	9.43%	9.32%
Risk-based capital to risk-adjusted assets	11.96%	17.02%	17.29%	17.22%	15.59%
Leverage ratio	6.96%	10.33%	9.86%	9.49%	8.98%

Common Stock and Dividends

On December 31, 1997, First Community's common stock closing price was $38.06, an increase of 37.9% from the December 31, 1996 closing price of $27.60. This strong market performance follows a moderate 4.5% increase in 1996.

The increase in the market price for the Company's common stock in 1997 parallels overall stock rice increases for other financial institution stocks in the mid-atlantic and eastern regions.

Book value per common share was $17.32 at December 31, 1997, compared with $15.81 at December 31, 1996, and $14.38 at the close of 1995. The year-end market price for First Community common stock of $38.06 represents 220% of the Company's book value as of the close of the year and reflects total market capitalization of $215 million. Utilizing the year-end market price and 1997 earnings per share, First Community common stock closed the year trading at a price/earnings multiple of 14.3 times.

Dividends for 1997 totaled $1.30 per share and compare favorably with dividends in 1996 and 1995 of $1.14 and $0.99, respectively. The 1997 dividend represents an increase of 14% in per share dividends for the year and resulted in a cash yield on the beginning of the year market price of 4.7%.

Table 6

Market Price and Dividends

1997	Bid High	LOW	Book Value Per Share	Cash Dividends Per Share
First Quarter	$29.60	$27.20	$16.04	$ .28
Second Quarter	33.00	28.25	16.62	.31
Third Quarter	36.13	31.75	16.98	.31
Fourth Quarter	40.00	32.75	17.32	.40
				$1.30

</TABLE>

Table 7

1996				
First Quarter	$27.20	$23.60	$14.70	$ .22
Second Quarter	26.40	25.60	15.02	.24
Third Quarter	25.80	24.80	15.50	.28
Fourth Quarter	28.80	25.80	15.81	.40
				$1.14

Net Interest Margin

Net interest margin measures net interest income as a percentage of average earning assets. In 1997, net interest margin dropped to 5.25% for the year from 5.39% in 1996 and 5.38% in 1995. This decrease was due in large part to a 10 basis point increase in the Company's cost of funds. The cost of funds was adversely impacted by the addition of $11.5 million in long-term debt associated with the purchase of Blue Ridge Bank in April 1997. The increase in the cost of funds associated with acquisition indebtedness reduced net interest margin by approximately 8 basis points and represents a cost of growth through acquisition. Despite the 1997 decrease, margins for both 1996 and 1997 represent a superior return when measured against peer financial institutions.

Net Interest Income

The fundamental source of the Company's earnings, net interest income, is defined as the difference between income on earning assets and the cost of funds supporting those assets. Significant categories of earning assets are loans and securities while deposits and short-term borrowings represent the major portion of interest-bearing liabilities. The level of net interest income is impacted primarily by variations in the volume and mix of these assets and liabilities, as well as changes in the level of interest rates.

On a tax equivalent basis, net interest income increased $5.3 million or 13.1% in 1997 following a $2.6 million or 7.0% increase in 1996. Average earning assets increased 16.1% in 1997 and 6.8.5 in 1996. This increase was the primary contributor to the improving trend in net interest income and includes the impact of the Blue Ridge and branch acquisitions in 1997.

Provision for Possible Loan Losses
The provision for possible loan losses represents charges against operations to establish reserves for possible loan losses inherent in the Company's loan portfolio. The level of expense, as well as the required level of reserves, is dependent upon a number of factors including historical loss

ratios by loan type, assessment of specific credit weaknesses within the portfolio, concentrations of credit, assessment of the prevailing economic climate, and other factors which may affect the overall condition of the loan portfolio.

The provision for possible loan losses was $5.0 million in 1997, $2.3 million in 1996 and $2.2 million in 1995. The sharp increase in the provision for possible loan losses in 1997 of $2.7 million was in response to a notable increase in net chargeoffs in the Company's loan portfolio and the need for reserves to provide for possible losses associated with impaired loans (see reserve for possible loan losses on page 21 and non-performing assets on page 22).

Non-interest Income

Non-interest income consists primarily of fiduciary income on trust services and service charges on deposit accounts. Non-interest income totaled $8.7 million in 1997, a $400,000 decrease or 4.5% from the $9.1 million in 1996 and a $1.4 million or 20% improvement over the 1995 totals of $7.2 million.

Total non-interest revenues from continuing sources actually increased $1.04 million between 1996 and 1997 with this increase due largely to the acquisitions of Blue Ridge Bank in 1997, which contributed another $457,000 in other revenues and new branches which added an additional $179,000. The overall level of noninterest income did decrease, however, due to significant nonrecurring revenues discussed in the following paragraph.

Non-interest income for 1996 included a $1,450,000 curtailment gain as a result of the Company's termination of its Defined Benefit Pension Plan. Also in 1996, other income totaling $295,000 was received by the Company on life insurance proceeds of a deceased former officer. Net securities losses on the sale of securities available for sale of $128,000 were recorded during 1996 as the Company repositioned a portion of its investment portfolio for improved performance.

Included in non-interest income for 1995 was a $537,000 gain on securities sold which represented the profit on the sale of stock of another West Virginia bank holding company in which the company had taken a small equity position. Net gains (losses) from the sale of securities were $6,000, $(128,000) and $457,000 in i 997, 1996 and 1995, respectively.

Service charges on deposit accounts continued to be the largest source of non-interest income. Service charge income totaled 3.3 million in 1997, an increase of $313,000 or 10.5% over 1996. This compares with a 11.8% increase of $314,000 between 1996 and 1995. Other service charges, commissions and fees experienced a substantial increase in 1997 of $696,000 or 30.5% over 1996. This compares with a 9.1 % increase in 1996 of $190,000 over 1995 levels.

Fiduciary income in both 1997 and 1996 totaled $1.7 million, reflecting modest increases over 1995. Slower growth in trust revenues reflects lower levels of fees for estate settlement. Trust assets, however, continue to grow through new business efforts and compound earnings of existing accounts. Increases in fee revenue, however, have not kept pace, due to strong competition from brokerage firms and other financial service providers.

Non-interest Expense

Non-interest expenses consist of salaries and benefits, occupancy, equipment and other overhead incurred by the Company. Non-interest expense totaled $24.7 million in 1997, as compared with $24.4 million and $22.7 million in 1996 and 1995, respectively. The substantial increase in 1996 operating costs was entirely attributable to check collection losses sustained by the Company in the fourth quarter.

On November 18,1996, the Company detected a "payments system fraud" perpetrated by a business customer and certain of its principals, all of whom are long-term customers of a subsidiary of the Company. The transaction commonly referred to as a "kite" involved the transfer of non-existent funds between a subsidiary bank of the Company and a third party bank to cover existing overdrafts. The Company recorded the check collection losses in December of 1996 which totaled $3.4 million and are reflected in non-interest expenses as a separate item. The Company expects partial repayment from either the principals or their business interests. Partial repayment in 1997 totaled $177,000 and is reflected in other operating income.

The nominal increase in total non-interest expense between 1996 and 1997 reflects the net effect of the check collection losses in 1996 and the added operating cost of Blue Ridge Bank ($3.3 million) and new branches ($700,000) in 1997. Partially offsetting the cost of operation of new branches in 1997, was the recognition of a $439,000 credit in lieu of pension expense due to the benefit freeze and pending termination and the reversal of $700,000 in litigation reserves

established in 1995 and 1996. The Company was able to reverse the largest portion of $1.1 million in reserves which were established to provide for possible losses on litigation which was ultimately settled in the second quarter of 1997 at a total cost of approximately $460,000.

Salaries and employee benefits increased $1.8 million or 18.3% when comparing 1997 with 1996 and relate almost exclusively to the addition of Blue Ridge and five new branches in 1997. Added personnel costs for Blue Ridge and new branches totaled $1.35 million and $298,000, respectively. This increase followed a 4.6% or $464,000 reduction between 1996 and 1995. The primary contributors to the 1996 reduction were decreases in pension expense as a result of the Company's termination of its Defined Benefit Pension Plan, a $148,000 adjustment in deferred compensation associated with the death of a officer, and a $134,000 decrease in employee overtime expense.

Occupancy expense increased a modest $83,000 or 5.2% between 1997 and 1996 despite the acquisition of Blue Ridge and new branches in 1997.

The $430,000 increase (35.5%) in furniture and equipment expense in 1997 reflects not only the impact of acquisitions but also includes depreciation and maintenance associated with the implementation of new check processing technology and electronic banking services.

The Company's net overhead ratio (non-interest expense less non-interest income excluding security gains and non-recurring gains divided by average earning assets) is a measure of its ability to manage and control costs. As this ratio decreases, more of the net interest income earned flows through to net income. The net overhead ratios for 1997, 1996 and 1995 were 1.84%, 2.22% and 2.27%, respectively.

Income Tax Expense

Income tax expense totaled $6.9 million in 1997, compared with $6.5 million in 1996 and $5.0 million in 1995. The major difference between the statutory tax rate and the effective tax rate results from income which is not taxable for Federal income tax purposes. The primary nontaxable income is that of state and municipal securities and industrial revenue bonds or loans. The effective tax rate for 1997 was 31.3% as compared with 31.9% for 1996 and 27.8% in 1995. The 1996 increase in income tax expense and the effective tax rate reflects the significant increase in pre-tax income and a decline in the ratio of tax exempt income as a percentage of pre-tax income.

Investment Securities

The investment portfolio totaling $109.2 million increased $8.9 million between 1997 and 1996. This increase is partially attributable to the acquisition of the Blue Ridge Bank subsidiary and the influx of cash from branch acquisitions.

Investment securities are comprised largely of U.S. Agency obligations and state and municipal securities. U.S. Agency obligations include securities issued by various government corporations and agencies, including FHLB, FNMA, SLMA, FFCB and FHLMC.

Obligations of States and Political Subdivisions totaling $77.6 million are comprised of high grade municipal securities generally carrying AAA ratings, many of which also carry credit enhancement insurance by major insurers of investment obligations.

The average maturity of the investment portfolio increased from 6.47 years in 1996 to 9.08 years in 1997 with the tax equivalent yield increasing from 7.39% at year-end 1996 to 7.87% at the close of 1997. The increase in yield reflects the extension of the portfolio term to achieve higher yields. The extended average maturity reflects the substantial increase in longer term municipal securities purchased in 1997.

Securities Available for Sale

Securities available for sale are used as part of management's asset/liability strategy. These securities may be sold in response to changes in interest rates, changes in prepayment risk, liquidity needs and other factors. These securities are recorded at market value. At December 31, 1997, the Company had $161.8 million in securities available for sale, compared with $136.1 million at year-end 1996. The increase in this portfolio reflects the investment of liquid funds received in branch acquisition transactions during 1997.

The market value of securities available for sale exceeded book value at year-end 1997 by $2.1 million. The average yield earned on securities available for sale in 1997 was 6.99%, very near the level in 1996. The average maturity of the portfolio was 11.8 years and 11.7 years at December 31, 1997 and 1996, respectively.

Loan Portfolio

Loans, net of unearned income, totaled $671.8 million at December 31, 1997, reflecting a $124.1 million, or 22.7% increase over the 1996 year-end total of $547.7 million. Loan portfolio growth in 1997 was lead by acquisitions of $101.1 million as a result of the Blue Ridge affiliation and the purchase of four branch banks. Growth in existing portfolios was somewhat slower than previous years with a 1997 increase of $23 million versus $62.5

million in 1996.

The loans-to-deposit ratio decreased to 79% at December 31, 1997 from 85% at December 31, 1996. This decrease in the loan-to-deposit ratio results from the relatively lower loan-to-deposit ratios of the acquired operations in 1997.

The loan portfolio continues to be diversified among loan types and industry segments. Commercial and commercial real estate loans represent 42.5% of the total portfolio with residential real estate comprising 33.9% of total loans.

During 1997, residential real estate loans experienced the largest increase as a percentage of total loans and now comprise 33.9% of the portfolio.
<PAGE

Reserve for Possible Loan Losses

The reserve for possible loan losses represents reserves available to absorb loan losses and other credit-related charges. Loan losses arise primarily from the loan portfolio, but may also be derived from other sources, including commitments to extend credit, guarantees, and standby letters of credit.

The reserve for possible loan losses is increased by both charges to earnings in the form of provisions for loan losses and recoveries of prior loan charge-offs, and decreased by charged-off loans. The provision for loan losses is added to bring the reserve to a level which, in management's judgment, is considered adequate to absorb potential losses inherent in the loan portfolio. Management performs monthly assessments to determine the appropriate level of the reserve. The factors considered in this evaluation include, but are not necessarily limited to, estimated losses from loan and other credit arrangements, general economic conditions, changes in credit concentrations or pledged collateral, historical loan loss experience, and trends in portfolio volume, maturity, composition, delinquencies, and nonaccruals. While management has allocated reserves to various portfolio segments, the allowance is general in nature and is available for the entire portfolio.

The reserve for possible loan losses represented 79% of nonperforming loans at year-end 1997 versus 144% and 165% at December 1996 and 1995, respectively. When other real estate is combined with non-performing loans, reserves equal 72% of nonperforming assets at the end of 1997 versus 106% and 139% at December 31, 1996 and 1995, respectively.

The increase in the reserve for possible loan losses in 1997 was the result of acquired reserves of approximately $2.0 million with the acquisitions of the Blue Ridge Bank and new branches in Virginia and West Virginia, and a $1.5 million provision in 1997 to establish necessary valuation reserves for a group of impaired loans of a southern West Virginia furniture manufacturer which ceased operations in the fourth quarter of 1997 (see non-performing assets on page 22). Net charge-offs were $4.5 million in 1997, as compared with $1.6 million in 1996 and $2.4 million in 1995, respectively.

Net charge-offs rose in 1997 with an increase in retail loan losses associated with personal bankruptcies in the Company's Credit Card Division and losses incurred in indirect auto financing. Total charge-offs for the Credit Card Division and indirect auto financing program were approximately $955,000 and $468,000 respectively for 1997. Indirect auto lending has been curtailed and should result in an eventual reduction of losses in this category. Losses in the commercial loan categories include large single loan charge-offs of $800,000 and $250,000 on two separate commercial ventures. The $800,000 charge-off represents losses associated with new automobile floor plan arrangements. The Company has attempted to position itself for recovery by taking junior liens on commercial real estate.

Non-Performing Assets

Non-performing assets include loans on which interest accruals have been ceased, loans contractually past due 90 days or more and still accruing interest, and other real estate owned (OREO) pursuant to foreclosure proceedings. Total non-performing assets were $15.8 million at December 31,

1997. The levels of non-performing assets for the last five years are presented in the table below.

(Amounts in Thousands) December 31

Table 8

	1997	1996	1995	1994	1993
Non-accruing Loans	$ 9,988	$5,476	$4,371	$6,909	$11,269
Loans 90 Days Past Due	4,391	780	673	968	1,393
Other Real Estate Owned	1,472	2,225	929	919	1,997
	$15,851	$8,481	$5,973	$8,796	$14,659
Non-performing loans as a percentage of total loans	2.1%	1.1%	1.0%	1.9%	3.2%
Non-performing assets as a percentage of total loans and other real estate owned	2.4%	1.6%	1.2%	2.1%	3.7%
Reserve for loan losses as a percentage of non-performing loans 79.3%	143.7%	165.0%	107.6%	75.6%	
Reserve for loan losses as a percentage of non-performing assets 72.0%	106.0%	139.3%	96.4%	65.3%	

Non-performing assets increased $7.4 million between 1996 and 1997 with increases in both ninety days past due and non-accrual loans. The increase in non-accrual loans was driven by a fourth quarter transfer to nonaccrual of a $4.7 million loan relationship with a furniture manufacturing company in southern West Virginia which ceased doing business in the fourth quarter. The Company has assumed control of the real estate and personal property collateralizing the loans and plans liquidation in the first or second quarter of 1998. The largest contributor to the increase in the loans 90 days past due category is a group of commercial loans totaling $1.0 million secured by commercial real estate and guarantees by the SBA and the Rural Development Authority. These loans are considered both well secured and in the process of collection.

Deposits

Market interest rates on interest bearing deposits continued a gradual increasing trend from 1996. In 1997, the average rate paid on interest bearing liabilities was 4.44%, up from 4.34% in 1996. This increase in the Company's cost of funds is the result of strong competition among financial institutions, the bond and stock market, and other providers of non-bank financial services, coupled with a higher funds cost in acquired deposit portfolios.

Average deposits totaled $741.3 million for 1997 as compared with $625.0 million for 1996. This increase in deposits during 1997 was primarily attributable to the acquisition of Blue Ridge and new branches in both Virginia and West Virginia. The acquisition of Blue Ridge and these branches added approximately $97 million in average deposits.

The largest increase in average deposits was experienced in time deposit accounts which increased 29.4% versus an overall increase of 19%. Non-interest bearing demand deposits increased 18.9% with a 5.7% increase experienced on average savings deposits. Interest-bearing demand deposits increased 19.7%.

Short-Term Borrowings

The Company's short-term borrowings consist primarily of Federal Funds purchased and securities sold under repurchase agreements. Short-term borrowings decreased, on average, by $5.4 million or 9.1% from 1996, following a 41.6% increase between 1996 and 1995. This category of borrowings is a source of moderately priced, short term funds. Decreases in average balances in 1997 were made possible by the influx of liquidity from the Virginia and West Virginia branch acquisitions.

Other Indebtedness

Other indebtedness, which represents long-term advances from the Federal Home Loan Bank and acquisition debt increased $9.3 million due primarily to the use of an $11.5 million term note from another institution to assist in funding the Blue Ridge acquisition.

Stockholders' Equity

Risk-based capital ratios are a measure of the company's capital adequacy. At December 31, 1997, the Company's Tier 1 capital ratio was 10.70% compared with 15.77% in 1996. The reduction in the Tier 1 and total risk-based capital from 1996 and 1997 as a percentage of risk-weighted assets reflects the effect of both tangible and intangible asset increases recorded through purchase accounting in acquisitions completed in 1997. Risk-based capital ratios and the leverage ratio are used by banking regulators to measure the capital adequacy of banking institutions. Risk-based capital guidelines weight balance sheet assets and off-balance sheet commitments in determining capital adequacy. The Company's total risk-based capital-to-assets ratio was 11.96% at the close of 1997 compared with 17.02% in 1996. Both of these ratios are well above the current minimum level of 8% prescribed for bank holding companies.

The leverage ratio is the measure of total tangible equity to total assets. The Company's leverage ratio at December 31, 1997 was 6.96%, compared to 10.33% at December 31, 1996, both of which are well above the minimum 3% and the recommended 4% to 5% range prescribed by the Federal Reserve. The reduction in the leverage ratio is a result of acquisitions recorded in 1997 increased both tangible and intangible average assets.

Liquidity

Liquidity represents the Company's ability to respond to demands for funds and is usually derived from maturing investment securities, overnight investments, periodic repayment of loan principal, and from the Company's ability to generate new deposits. The Company also has the ability to attract short-term sources of funds and draw on credit lines which have been established at financial institutions to meet cash needs.

Total liquidity of $377.9 million at December 31, 1997 is comprised of the following: cash on hand and deposits with other financial institutions of $34.8 million; securities available for sale of $161.8 million; investment securities held to maturity due within a year of $14.7 million; federal funds sold of $12.4 million; and Federal Home Loan Bank credit availability of $154.2 million.

Interest Rate Sensitivity

Net interest income is subject to variation as a result of changes in interest rate environments in conjunction with unbalanced repricing opportunities in earning assets and interest-bearing liabilities. In order to mitigate the effect of changes in the general level of interest rates, the Company manages repricing opportunities and thus, its interest rate sensitivity. The Company uses an earnings simulation model to measure interest rate sensitivity. The model captures all earning assets, interest bearing liabilities and all off-balance sheet financial instruments and combines the various factors affecting rate sensitivity into an earnings outlook. Based on the latest simulation, the Company believes that it possesses only a moderate level of interest rate risk, given its current balance sheet profile.

Year 2000 Preparedness

The year 2000 will provide challenges to the world business community and these challenges will be particularly significant to those industries which are dependent upon time-sensitive data processing such as the financial services industry. Systems and equipment which cannot distinguish between 1900 and 2000 may be non-functional after the century change.

The Board of Directors and senior management are aware of the problem and have committed the necessary resources and assigned a Committee to assess and evaluate the potential impact of the Year 2000. The year 2000 Committee has, I) compiled a data base of all systems which could be affected, ii) created an action plan for remediation and testing iii) has assigned committee responsibility for each system. At the date of this report, renovations for most of the Company's critical systems have been completed and are ready to be tested. The Committee expects that it will have completed all Year 2000 initiatives on mission critical systems by the end of 1998.

While the final cost of the Year 2000 planning, renovation and testing is not known with any certainty, the committee has established a budget of $150,000 which it believes will satisfy the remediation and testing procedures.

Consolidated Financial Statements

Table 9

CONSOLIDATED BALANCE SHEETS

Table 10

(Amounts in Thousands, Except Share Data)

		December 31	
		1997	1996
Assets	Cash and due from banks	$34,762	$27,347
	Federal funds sold	12,406	-
	Securities available for sale (amortized cost of $159,711, 1997; $135,404,1996)	161,795	136,113
	Investment securities held to maturity:		
	U.S. Treasury securities	4,098	8,247
	U.S. Government agencies and corporations	26,377	43,494
	States and political subdivisions	77,641	47,532
	Other securities	1,058	1,055
	Total investment securities held to maturity (market value, $112,263, 1997; $101,200, 1996)	109,174	100,328
Total loans, net of unearned income		671,817	547,703
Less reserve for possible loan losses		11,406	8,987
Net loans		660,411	538,716

Premises and equipment	19,133	12,334
Other real estate owned	1,472	2,225
Interest receivable	7,688	6,341
Other assets	9,734	10,122
Intangible assets	25,774	4,116
Total Assets	$1,042,349	$837,642
Liabilities Deposits:		
Demand	$103,846	$ 89,902
Interest-bearing demand	127,541	93,303
Savings	149,407	132,590
Time	472,713	327,702
Total deposits	853,507	643,497
Interest, taxes and other liabilities	11,455	11,217
Federal funds purchased	2,705	25,468
Securities sold under agreements to repurchase	52,351	53,031
Other indebtedness	24,444	15,126
Total Liabilities	944,462	748,339
Stockholders' Equity Common stock, $1 par value in 1997 and $5 par value in 1996, 10,000,000 shares authorized; 5,755,741 shares issued in 1997 and 1996, respectively; 5,650,932 and 5,650,205 shares outstanding in 1997 and 1996, respectively	5,756	28,779
Additional paid in capital	37,587	14,564
Retained earnings	54,564	46,815
Treasury stock, at cost	(1,271)	(1,288)
Unrealized gain on securities available for sale, net of taxes	1,251	433
Total Stockholders' Equity	97,887	89,303
Total Liabilities and Stockholders' Equity	$1,042,349	$837,642

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Table 11

(Amounts in Thousands, Except Share and Per Share Data)

	Years Ended December 31		
	1997	1996	1995

Interest Income	Interest and fees on loans	$ 59,753	$50,553	42,664	
	Interest on securities available for sale		9,128	7,556	5,930
	Interest on investment securities:				
	U.S. Treasury securities	337	778	1,061	
	U.S. Government agencies and corporations	2,333	3,307	5,810	
	States and political subdivisions, tax exempt		3,205	2,520	3,094
	Other securities	85	82	111	
	Interest on federal funds sold	949	117	263	
	Interest on deposits in banks	44	28	21	
	Total interest income	75,834	64,941	58,954	
Interest Expense	Interest on deposits	28,773	23,158	20,921	
	Interest on short-term borrowings	2,623	2,898	1,945	
	Interest on debt	1,494	877	616	
Total interest expense		32,890	26,933	23,482	
Net interest income		42,944	38,008	35,472	
Provision for possible loan losses		4,963	2,273	2,235	
Net interest income after provision for possible loan losses		37,981	35,735	33,237	
Non-Interest Income	Fiduciary income	1,678	1,731	1,621	
	Service charges on deposit accounts		3,289	2,976	2,662
	Other service charges, commissions and fees	2,979	2,283	2,093	
	Net securities gains (losses)		6	(128)	457
	Other operating income	709	758	381	
	Pension curtailment gain		-	1,450	-
	Total non-interest income		8,661	9,070	7,214
Non-Interest Expense	Salaries and employee benefits	11,336	9,580	10,044	
	Occupancy expense of bank premises		1,679	1,596	1,680
	Furniture and equipment expense		1,642	1,212	1,144
	Check collection losses		-	3,365	-
	Other operating expense		10,015	8,605	9,826
	Total non-interest expense		24,672	24,358	22,694
	Income before income taxes		21,970	20,447	17,757
	Income tax expense	6,876	6,530	4,968	
	Net Income	$15,094	$13,917	12,789	
	Weighted average shares outstanding	5,650,426	5,622,679	5,610,286	
	Basic earnings per common share		2.67	2.48	2.28

See Notes to Consolidated Financial Statements.

Table 12

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

Years Ended December 31

		1997	1996	1995
Operating Activities	Cash flows from operating activities:			
	Net income	$ 15,094	$ 13,917	$ 12,789
	Adjustments to reconcile net income to net cash provided by operating activities:			
	Provision for possible loan losses	4,963	2,273	2,235
	Depreciation of premises and equipment ..	1,192	856	974
	Amortization of intangibles	647	625	789
	Net investment amortization and accretion	(332)	271	132
	Net loss (gain) on the sale of assets	(103)	12	(503)
	Decrease (increase) in interest receivable . .	(358)	285	(393)
	(Increase) decrease in other assets	1,046	(3,323)	1,120
	(Decrease) increase in other liabilities	(2,857)	(887)	2,741
	Other, net	(51)	(274)	(240)
	Net cash provided by operating activities	19,241	13,755	19,644
Investing Activities	Cash flows from investing activities:			
	Proceeds from sales of securities available for sale	18	15,868	9,134
	Proceeds from maturities of securities available for sale	24,762	14,771	23,721
	Proceeds from maturities of investment securities	26,509	27,723	52,578
	Purchase of securities available for sale	(35,090)	(45,641)	(37,999)
	Purchase of investment securities	(26,447)	(2,915)	(18,522)
	Net increase in loans made to customers	(27,014)	(64,044)	(66,122)
	Cash provided by branch acquisitions, net	39,658	18,735	-
	Purchase of premises and equipment	(2,018)	(439)	(613)
	Proceeds from sale of equipment	16	159	25
	Net cash provided by (used in) investing activities	394	(35,783)	(37,798)
Financing Activities	Cash flows from financing activities:			
	Net decrease in demand and savings deposits	(8,507)	(10,328)	(24,730)
	Net increase in time deposits	30,398	10,263	31,227
	Net (decrease) increase in short-term debt	(23,443)	28,294	11,123
	Repayment of long-term debt	(2,412)	(10)	(60)
	Proceeds from long-term borrowings	11,500	-	5,000
	Acquisition of treasury stock	-	(170)	(839)

Reissuance of treasury stock 17 1,499
-
Cash paid in lieu of fractional shares(22)
- -
Dividends paid (7,345) (6,422)(5,525)
Net cash provided by
financing activities 186 23,126 16,196

Cash and Net increase (decrease) in cash and
Cash cash equivalents 19,821 1,098 (1,958)
Equivalents Cash and cash equivalents at
beginning of year27,347 26,249 28,207
Cash and cash equivalents at end of
year $47,168$27,347 $26,249

See Notes to Consolidated Financial Statements.

Table 13

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Amounts in Thousands, Except Share and Per Share Data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unrealized gain (loss)) on securities available for sale
Balance, December 31, 1994	$28,779	$14,593	$32,056	$(I,807)	$(3,445)
Net income	-	-	12,789	-	-
Common dividends declared ($.99 per share)	-	-	(5,525)	-	-
Purchase of 34,515 treasury shares at $24.30 per share	-	-	-	(839)	-
Unrealized gain on securities available for sale, net of taxes	-	-	-	-	3,837
Balance, December 31, 1995	28,779	14,593	39,320	(2,646)	392
Net income	-	-	13,917	-	-
Common dividends declared ($1.14 per share)	-	-	(6,422)	-	-
Purchase of 6,375 treasury shares at $26.80 per share	-	-	-	(170)	-
Reissuance of 62,286 treasury shares at $24.06 per share	-	(29)	-	1,528	-
Unrealized gain on securities available for sale, net of taxes	-	-	-	-	41
Balance, December 31, 1996	28,779	14,564	46,815	(1,288)	433
Net income	-	-	15,094	-	-

Common dividends declared ($1.30 per share)	-	-	(7,345)	-	-
Change from $5 par value to $1 par value	(23,023)	23,023	-	-	-
Reissuance of 727 treasury shares at $23.70 per share	-	-	-17	-	
Unrealized gain on securities available for sale, net of taxes	-	-	-	-	818
Balance, December 31, 1997	5,756	$37,587	$54,564	$(I,271)	1@251

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies

Basis of Presentation

The accounting and reporting policies of First Community Bancshares, Inc. and subsidiaries (First Community or the Company) conform to generally accepted accounting principles and to predominant practices within the banking industry In preparing such financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates.

Assets held in an agency or fiduciary capacity are not assets of the Company and are not included in the accompanying consolidated balance sheets.

Principles of Consolidation

The consolidated financial statements of First Community include the accounts of all wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In the Parent Company financial statements, the investment in subsidiaries is stated at equity in the net assets of such subsidiaries increased by the unamortized portion of the excess of fair value over the cost of net assets acquired. where applicable.

Securities available for Sale

Securities to be held for indefinite periods of time including 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, changes in prepayment risk, or other similar factors are classified as available for sale and are recorded at market value. Unrealized appreciation or depreciation in market value above or below amortized cost is included in stockholders' equity net of income taxes. Premiums and discounts are amortized to expense or accreted to income over the lives of the securities. Gain or loss on sale is based on the specific identification method.

Investment Securities

Investments in debt securities, which management has the ability and intent to hold to maturity or on a long-term basis, are carried at cost. Premiums and discounts are amortized to expense and accreted to income over the lives of the securities. Gain or loss on the sale of investment securities, if any, is on the specific identification method. At December 31, 1997 and 1996, no securities were held for trading purposes and no trading account was maintained.

Allowance for Possible Loan Losses

The allowance for possible loan losses is available to absorb future loan charge-offs. The allowance is increased by provisions charged to operations and reduced by losses, net of recoveries. The amount charged to operations is based on several factors including (1) analytical reviews of significant commercial and commercial mortgage loans and loan loss experience in relationship to outstanding loans to determine an adequate allowance for possible loan losses required for outstanding loans (2) a continuing review of loans evaluated by the loan review process as less than satisfactory, all nonperforming loans and overall portfolio quality (3) regular examinations and appraisals of the loan portfolio conducted by federal and state supervisory authorities and (4) management's judgment with respect to current and expected economic conditions, the level of delinquencies and nonaccrual loans, trends in the volume and term of loans, anticipated impact from changes in lending policies and procedures, changes in lending management, and any concentration of credit in certain industries or geographic areas.

Statement of Financial Accounting Standards (SFAS) No. 114, "Accounting by Creditors for Impairment of a Loan", as amended, requires an allowance to be established as a component of the allowance for possible loan losses for certain loans when it is probable that all amounts due pursuant to contractual terms of the loan will not be collected and the recorded investment in the loan exceeds the fair value. Management reviews the impairment status of all loans designated as nonaccrual and loans which have been classified as "substandard" or "doubtful" by First Community's loan review process. Management does not individually evaluate certain smaller balance, homogeneous loans, such as consumer installment loans and residential mort-

gage loans, for impairment. These loans are evaluated on an aggregate basis using a formula-based approach in accordance with the Company's policy. All of the loans deemed to be impaired were evaluated using the fair value of the collateral as the measurement standard.

Under SFAS No. 114, the allowance for possible loan losses related to loans that are identified for evaluation in accordance with SFAS No. 114 is based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of both buildings and improvements as well as for equipment is computed on the straight-line method over estimated useful lives. Maintenance and repairs are charged to current operations while betterments are capitalized. Disposition gains and losses are reflected in current operations.

Long-lived assets to be held and those to be disposed of and certain intangibles are evaluated for impairment in accordance with SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-lived Assets to be Disposed of', which was adopted on January 1, 1996. The provisions of this standard establish when an impairment should be recognized and how it should be measured. The impact of opting this standard was not material to the Company's financial condition or results of operations.

Income on Loans

Accrual of interest on loans is based generally on the daily amount of principal outstanding. It is the Company's policy to discontinue the accrual of interest on loans based on their payment status and the evaluation of related collateral and the financial strength of the borrower. The accrual of interest income is normally discontinued when a loan becomes 90 days past due as to principal or interest. Management may elect to continue the accrual of interest when the loan is well secured and in process of collection. When interest accruals are discontinued, interest accrued and not collected in the current year is reversed and interest accrued and not collected from prior years is charged to the reserve for possible loan losses. Credit card loans which become 180 days past due are automatically charged to the reserve for possible loan losses.

Loan Fee Income

Loan origination fees are recorded as a reduction of direct costs associated with loan processing, including salaries, review of legal documents, obtainment of appraisals, and other direct costs. Fees in excess of those related costs are deferred and amortized over the life of the related loan. Loan commitment fees are deferred and amortized over the related commitment period.

Other Real Estate Owned

Other real estate owned and acquired through foreclosure is stated at the lower of cost or fair market value less estimated costs to sell. Loan losses arising from the acquisition of such properties are charged against the reserve for possible loan losses. Expenses incurred in connection with operating the properties, subsequent write-downs and gains or losses upon sale are included in other non-interest income and expense. General reserves for possible loss on the disposition of other real estate are established through charges against current operations.

Intangible Assets

The investment in subsidiaries and branches in excess of amounts attributable to tangible and identified intangible assets at dates of acquisition is recorded as goodwill and is being amortized to operations over a period of fifteen years using the straightline method. The unamortized balance of goodwill was $24,986,000 and $3,202,000 at December 31, 1997 and 1996, respectively. A portion of the cost of purchased subsidiaries has been allocated to values associated with the future earnings potential of acquired deposits and is being amortized over the estimated lives of the deposits which range from seven to ten years. The unamortized balance of identified intangibles was $788,000 and $914,000 at December 31, 1997 and 1996, respectively.

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Income Taxes

The Company accounts for taxes using the provisions of SFAS No. 109. "Accounting for Income Taxes," which, under the asset and liability method, provides for recognition of deferred income taxes for the tax consequences of "temporary differences" by applying enacted statutory tax rates to the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under SFAS No. 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Reclassifications

Certain amounts included in the 1996 and 1995 financial statements have been reclassified to conform with the presentation used in preparation of the 1997 financial statements.

Recent Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income," which requires businesses to disclose comprehensive income and its components in their general purpose financial statements. This statement requires the reporting of all items of comprehensive income in a financial statement that is displayed with the same prominence as other financial statements. This statement is effective for the fiscal years beginning after December 15, 1997, with reclassification of comparative financial statements and is applicable to interim periods. Management is currently in the process of evaluating the impact of this statement.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which is effective for financial statements beginning after December 15,1997. SFAS No. 131 redefines how operating segments are determined and requires disclosure of certain financial and descriptive information about a company's operating segments. Management is currently in the process of evaluating the impact of this statement.

Cash Flows

In 1997, 1996 and 1995 for purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, federal funds sold, and interest bearing balances available for immediate withdrawal. The acquisitions of Blue Ridge Bank and the branches in West Virginia and Virginia provided additional cash of approximately $63.3 million less cash paid of $23.6 million. Additionally, the net decrease in savings and demand deposits are exclusive of current year acquisitions. Interest and income taxes paid in 1997, 1996 and 1995 were as follows:

Table 14

(Amounts in Thousands)	1997	1996	1995
Interest	$ 32,726	$26,615	$22,864
Income taxes	6,433	7,911	4,390
Supplemental Schedule of Non-Cash Transactions			
Transfers from investment securities to securities available for sale	$ -	$ -	$26,578
Transfers of loans to other real estate owned	862	2,190	545
Unrealized gain on securities available for sale	(1,375)	(69)	(6,287)

Note 2. Merger and Acquisition

On July 3, 1996, First Community acquired Citizens Bank of Tazewell (Citizens), headquartered in Tazewell, Virginia. As of the merger date, Citizens had approximately $52.2 million in total assets and $46.2 million in total deposits. Pursuant to the Agreement and Plan of Merger, First Community exchanged 3.51 shares of its common stock for each share of Citizens' common stock, which totaled 263,159 shares upon consummation.

This transaction was accounted for as a pooling of interests. The pooling of interests method requires the combining of the financial information of the merging companies as though they had always been combined. Consequently, the financial position and results of operations of First Community and Citizens for 1996 and 1995 have been restated to properly reflect this combination.

On April 9,1997, the Company acquired 100% of the common stock of Blue Ridge Bank (Blue Ridge), headquartered in Sparta, North Carolina. Blue Ridge was a $105 million state-chartered bank with offices located in Sparta, Elkin, Hays and Taylorsville, North Carolina. Pursuant to the Agreement and Plan of Merger, the Company exchanged cash of $19.50 for each of Blue Ridge's 1,212,148 common shares. In conjunction with the acquisition, Blue Ridge canceled outstanding stock options through the payment of $727,948 representing the difference between $19.50 and the respective option prices. Total consideration, including the payment for cancellation of the options, was $24.4 million and resulted in an intangible asset of approximately $14.1 million which is being amortized over a 15-year period. The acquisition was partially funded with loan proceeds of $11.5 million which the Company borrowed from an outside source. The acquisition was accounted for under the purchase method of accounting. Accordingly, results of operations of Blue Ridge are included in consolidated results from the date of acquisition. Subsequent to the merger, Blue Ridge operates as a wholly-owned subsidiary of First Community.

On July 24, 1997, the Company expanded its Virginia operations through the acquisition of three bank branches located in Fort Chiswell, Pound, and Clintwood. The acquisition of these branches added $44 million in new deposits and assets to the existing Virginia subsidiary. The branch acquisitions were accounted for under the purchase method of accounting. Accordingly, the results of operations of the branches are included in consolidated results only from the date of acquisition. The excess purchase price of the branches, over the fair value of tangible assets acquired, totaled $4.6 million and is being amortized over a 15-year period.

At the close of business on September 26,1997, First Community Bank, Inc., a subsidiary of the Company, acquired the Man, West Virginia branch of Huntington National Bank, West Virginia. The acquisition of this branch added approximately $51 million in deposits. The intangible value of this transaction totaled approximately $4.9 million which is being amortized over a 15-year period. This acquisition was accounted for under the purchase method of accounting; therefore, the operations of the Man branch are included in consolidated results of operations only from the date of acquisition.

The following unaudited proforma financial information shows the effect of the Blue Ridge acquisition as if the transaction were consummated on the first day of each period presented.

Table 15

First Community Bancshares, Inc.
Unaudited Supplemental Proforma Financial Information
(Amounts in thousands except per share data)

	1997	1996
Net Interest Income	$43,665	$41,709
Net Income	15,078	13,958
Basic Earnings Per Common Share	2.67	2.48

Note 3. Securities Available for Sale

As of December 31, the amortized cost and market value of securities classified as available for sale are as follows:

Table 16

(Amounts in Thousands)
1997

	Amortized cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Government and agency securities	$131,892	$1,127	$(273)	$132,746
States and political subdivisions	21,668	926	(18)	22,576
Other securities	6,151	322	-	6,473
Total	$159,711	$2,375	k291)	$161,795

Table 17

1996

	Amortized cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Government and agency securities	$ 111,949	$ 733	$ (710)	$ 111,972
States and political subdivisions	15,351	724	(38)	16,037
Other securities	8,104	-	-	8,104
Total	$135,404	$1,457	$(748)	$136,113

Securities available for sale with market values of $64,454,000 and $47,092,000 at December 31, 1997 and 1996, respectively, were pledged to secure public deposits, securities sold under agreements to repurchase, short-term borrowings and for other purposes.

The amortized cost and market value of securities available for sale at December 31,1997, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. During 1997, a sale of securities available for sale resulted in a gain of $6,000. During 1996, sales of securities available for sale resulted in gains of $90,000 and losses of $225,000. During 1995, the sale of securities available for sale resulted in gains of $572,000 and losses of

$115,000. The proceeds from sales of securities available for sale are $18,000, $15,868,000 and $9,134,000 for 1997, 1996 and 1995, respectively. The basis for evaluating the gain or loss realized is the amortized cost. The following table presents maturities of investments securities available for sale by type on both an amortized cost and market value basis at December 31, 1997:

Table 18

(Amounts in Thousands) Amortized Cost	U.S. Government Agencies & Corporations	States and Political Subdivisions	Other Securities	Total	Tax Equivalent Purchase Yield
Maturity:					
Within one year	$ 9,694	$150	$ -	$9,844	4.70%
After one year through five years . .	19,877	960	-	20,837	6.11%
After five years trough ten years . .	53,624	12,718	-	66,342	7.51%
After ten years	48,697	7,840	6,151	62,688	7.09%
Total amortized cost	$131,892	$21,668	$6,151	$159,711	
Tax equivalent purchase yield	6.75%	8.76%	5.80%	6.99%	
Average maturity (in years)	12.13	10.53	10.01	11.83	

Table 19

MARKET Value				
Maturity:				
Within one year	$9,673	$150	-	$9,823
After one year through five years	19,838	985	-	20,823
After five years through ten years	54,201	13,323	-	67,524
After ten years	49,034	8,118	6,473	63,625
Total market value	$132,746	$22,576	$6,473	$161,795

Note 4. Investment Securities Held to Maturity

The amortized cost and approximate market value of investment securities as of December 31 are as follows:

Table 20

(Amounts in Thousands)

1997

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury securities	4,098	1	(8)	4,091
U.S. Government agencies and				

corporations	26,377	115	(114)	26,378
States and political subdivisions	77,641	3,081	(2)	80,720
Other securities	1,058	18	(2)	1,074
Total	$109,174	$3,215	$(126)	$112,263

Table 21

1996

	Amortized cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury securities	$8,247	$11	$ (29)	$ 8,229
U.S. Government agencies and corporations	43,494	160	(274)	43,380
States and political subdivisions	47,532	1,188	(200)	48,520
Other securities	1,055	21	(5)	1,071
Total	$ 100,328	$1,380	$(508)	$101,200

Various investment securities with an amortized cost of approximately $34,871,000 and $36,829,000, respectively, were pledged at December 31, 1997 and 1996 to secure public deposits and for other purposes required by law. There were no sales of investment securities held to maturity during 1997 or 1996. The following table presents maturities of investments by type on both an amortized cost and market value basis at December 31, 1997:

Table 22

(Amounts in Thousands)	U.S. Treasury Securities	U.S. Government Agencies & Corporations	States and Political Subdivisions	Other Securities	Total	Tax Equivalent Purchase Yield
Amortized Cost						
Maturity:						
Within one year	$ 3,998	$ 10,157	$501	$ -	$ 14,656	5.67%
After one through five years . .	100	10,998	3,782	983	15,863	6.79%
After five through ten years	-	4,593	26,799	75	31,467	8.06%
After ten years	-	629	46,559	-	47,188	8.81%
Total amortized cost	$4,098	$26,377	$77,641	$1,058	$109,174	
Tax equivalent purchase yield	5.27%	6.03%	8.64%	8.04%	7.87%	
Average maturity (in years)	.58	2.66	11.78	4.67	9.08	
Market Value						
Maturity:						
Within one year	$ 3,990	$ 10,152	$502	$ -	$ 14,644	
After one through five years	101	10,986	3,867	1,001	15,955	

After five through ten years	-	4,593	27,871	73	32,537
After ten years	-	646	48,481	-	49,127
Total market value	$4,091	$26,377	$80,721	$1,074	$112,263

Note 5. Loans

Loans consist of the following at December 31:

Table 23

(Amounts in Thousands)	1997	1996
Real estate - commercial	$ 202,625	$ 166,787
Real estate - construction	9,612	10,589
Real estate - residential	227,465	171,458
Commercial, financial and agricultural	82,445	79,278
Loans to individuals for household and other consumer expenditures	148,485	119,297
All other loans	1,185	294
Total	$671,817	$547,703

Banking subsidiaries of the Company are parties to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheet. The contractual amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is not a violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company, upon extension of credit is based on management's credit evaluation of the counterparts. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. To the extent deemed necessary, collateral of varying types and amounts is held to secure customer performance under certain of those letters of credit outstanding at December 31, 1997.

Financial instruments whose contract amounts represent credit risk at December 31, 1997 are commitments to extend credit (including availability of lines of credit and undrawn credit card availability) - $118.8 million, and standby letters of credit and financial guarantees written - $4.8 million. At December 31, 1997, neither the Company nor its subsidiaries have any amounts outstanding representing futures, forward exchange contracts or interest swaps.

In the normal course of business, the Company originates loan commitments. Loan commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral deemed necessary by the Company is based on management's credit evaluation and underwriting guidelines for the particular loan. The total commitments outstanding at December 31,1997 are summarized as follows:

Table 24

(Amounts in Thousands)
1997

	Notional Amount	Rate
Real estate - commercial (fixed)	$2,236	7.75-14.00%
Real estate - commercial (variable)	17,749	8.50-12.00
Real estate - construction (fixed)	2,641	7.99-11.25
Real estate - construction (variable)	1,606	7.30-10.50
Real estate - residential (fixed)	1,674	7.75-15.00
Real estate - residential (variable)	8,299	9.00-12.50
Commercial, financial, agricultural (fixed)	2,526	5.60-13.50
Commercial, financial, agricultural (variable)	32,28	8.50-13.50
Loans to individuals for household and other consumer expenditures (fixed)	38,484	5.00-18.00
Loans to individuals for household and other consumer expenditures (variable)	15,627	9.25-14.50
Other(fixed)	50	7.25-10.25
Other (variable)	386	10.25
Total	$123,567	

Presently, the Company has no significant concentrations of credit risk other than geographic concentrations. Most loans in the current portfolio are made and collateralized in West Virginia. Although portions of the West Virginia economy are closely related to coal and timber, they are supplemented by service industries. The current economy of the Company's market is relatively stable and is not seen as highly subject to volatile economic change. The Company's wholly owned subsidiaries, Blue Ridge Bank in North Carolina and First Community Bank of Southwest Virginia provide additional geographic diversification against concentrations of credit risk.

In the normal course of business, the banking subsidiaries of the Company have made loans to directors and executive officers of the Company and its subsidiaries. All loans and commitments made to such officers and directors and to companies in which they are officers or have significant ownership interest have been made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons. The aggregate dollar amount of such loans was $11.3 million and $9.8 million at December 31, 1997 and 1996, respectively. New loans and payments attributable to the change from 1996 to

1997 total $7.7 million and $6.2 million, respectively.

Note 6. Reserve for Possible Loan Losses

Activity in the reserve for possible loan losses was as follows:

Table 25

(Amounts in Thousands)	1997	1996	1995
Balance, January I	$8,987	$ 8,321	$ 8,479
Reserves acquired in acquisitions	1,981	-	-
Recoveries credited to reserve	673	574	490
Provision for the year charged to operations	4,963	2,273	2,235
	16,604	11,168	11,204
Loans charged-off	5,198	2,181	2,883
Total	$11,406	$8,987	$8,321

The following table presents First Community's investment in loans considered to be impaired and related information on those impaired loans (in thousands):

Table 26

	1997	1996
Recorded investment in loans considered to be impaired	$7,508	$3,500
Loans considered to be impaired that were on a nonaccrual basis	7,321	3,350
Allowance for possible loan losses related to loans considered to be impaired	1,575	529
Average recorded investment in impaired loans	5,226	3,300
Total interest income recognized on impaired loans	115	15
Interest income on impaired loans recognized on a cash basis	-	-

Note 7. Premises and Equipment

Premises and equipment are comprised of the following as of December 31:

Table 27

(Amounts in Thousands)	1997	1996
Land	$4,624	$ 3,247
Bank premises	20,197	16,256
Equipment	14,705	10,551
	39,526	30,054
Less: accumulated depreciation and amortization	20,393	17,720
Total	$19,133	$12,334

Note 8. Long-Term Debt and Advances from the Federal Home Loan Bank

Long-term debt consists of a $9.6 million dollar note to a commercial bank with principal repayments of $300,000 per quarter, through April 1, 2007. The note accrues interest at a floating and fluctuation rate of interest equal to one hundred thirty basis-points in excess of the Libor Rate. The loan agreement contains certain covenants that may restrict the payment of dividends to stockholders in the event of default along with other customary borrowing provisions.

Two of the Company's subsidiaries are members of the Federal Home Loan Bank ('FHLB') of Pittsburgh, Pennsylvania. Long-term advances from the FHLB as of December 31, 1997 and 1996 and principal payments on long-term debt as of December 31, 1997 mature as follows:

Table 28

(Amounts in Thousands)

	1997		1996	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
1998	$6,200	5.74%	$ 5,000	5.46%
1999	1,200	6.90%		
2000	1,200	6.90%		
2001	1,200	6.90%		
2002	1,200	6.90%		
2003	9,200	6.07%	8,000	5.95%
2004	1,200	6.90%		
2005	700	6.90%		
2008	2,000	6.27%	2,000	6.27%
	$24,100	6.230/0	$15,000	5.83%

The acquisition loan is secured by 1.2 million outstanding shares of common stock of Blue Ridge Bank. Advances from the FHLB are secured by stock in the FHLB of Pittsburgh, qualifying first mortgage loans, mortgage-backed securities and certain investment securities. Certain of these advances are subject to restrictions or penalties in the event of prepayment. Other various debt obligations of the Company totaled $344,000 at December 31, 1997 and $126.000 at December 31, 1996.

Note 9. Time Deposits

Time deposits include Certificates of Deposit issued in denominations of $100,000 or more which amounted to $117.4 million and $71.8 million at December 31, 1997 and 1996, respectively. Interest expense on

these
certificates was $5.5 million, $3.1 million, and $2.7 million for 1997,1996,
and 1995, respectively.

At December 31, 1997, the scheduled maturities of certificates of deposits
are as follows:

Table 29:

(Amounts in Thousands)	
1998	$ 347,136
1999	68,341
2000	29,992
2001	14,002
2002 and thereafter	13,242
	$ 472,713

Note 10. Per Share Amounts

Basic earnings per share is based upon the weighted average number of shares of common stock outstanding during the year. In February 1997, the FASB issued Statement No. 128, "Earnings Per Share." Statement No. 128 requires the presentation of basic and diluted earnings per share. The Company currently has no dilutive securities or stock arrangements. First Community has adopted Statement No. 128 effective December 31, 1997, and all prior period amounts presented have been restated to comply with Statement No. 128. The Company's common stock was split five shares for four on March 31, 1997. All share and per share data have been retroactively adjusted to reflect this stock split. The following table sets forth the net income used to determine net income per common share for the applicable years:

Table 30

(Amounts in Thousands, Except Per Share Data)	1997	1996	1995
Net income	$15,094	$13,917	$12,789
Basic earnings per common share	2.67	2.48	2.28

Note 11. Employee Benefits

Through 1995, the Company and its subsidiaries maintained three qualified employee benefit plans. On January 1, 1996 two defined contribution plans were merged into a single plan with similar provisions. In October 1996, the third of these three plans, a non-contributory defined benefit pension plan was terminated and the Company recorded a curtailment gain for the pending termination of the defined benefit pension plan of $1,450,000. Benefits under the plan were based on length of service and qualifying compensation. The Company's funding policy is to contribute pension costs accrued. Net periodic pension expense in 1997,1996, and 1995 is as follows:

Table 31

(Amounts in Thousands)

	1997	1996	1995
Service cost - benefits earned during the year	$ -	$ 326	$ 389
Interest expense on projected benefit obligation	496	607	555
Actual return on plan assets	(879)	(1390)	(2,044)
Net amortization and deferral	(56)	622	1,486
Net periodic pension (income) expense	$ (439)	$ 165	$ 386

The following table sets forth the plan's funded status and amounts recognized in the Company's consolidated balance sheets at December 31, 1997 and 1996, based upon a measurement date of December 31 for each year:

Table 32

(Amounts in Thousands)

	1997	1996
Accumulated benefit obligation	$ 7,038	$ 7,364
Vested benefit obligation	7,038	7,364
Projected benefit obligation	7,038	7,364
Plan assets at fair value	12,854	11,175
Plan assets in excess of projected benefit obligation	5,816	3,811
Unrecognized net gain	(2,638)	(1,707)
Unrecognized prior service cost	-	-
Prepaid pension expense	$3,178	$2,104

The weighted average discount rate and the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.25% and 6.0%, respectively, in both 1997 and 1996. In preparation for the termination and liquidation of the plan, assets have been substantially liquidated and invested primarily in money market funds. The Company expects to complete payment of substantially all obligations of the plan in the first quarter of 1998.

Employee Stock Ownership Plan

The Company maintains an Employee Stock Ownership Plan. Coverage under the plan is provided to all employees meeting minimum eligibility requirements. Annual contributions to the plan are made at the discretion of the Board of Directors, and are allocated to plan participants on the basis of relative compensation. Substantially all plan assets are invested in common stock of the Company. Total expense recognized by the Company related to the Employee Stock Ownership Plan was $767,000, $454,000, and $335,000 in 1997,1996 and 1995, respectively.

Employee Savings Plan
The Company provided a 401 (k) Savings Plan that was available to substantially all employees meeting minimum eligibility requirements. This plan was merged with the Employee Stock Ownership Plan on January 1, 1996 creating a KSOP. The cost of Company contributions under the Savings Plan was $116,000, $59,000, and $46,000 in 1997,1996 and 1995, respectively. The Company's matching contributions are at the discretion of the board up to 50% of elective deferrals of no more than 6% of compensation.

Employee Welfare Plan
The Company provides various medical, dental, life, accidental death and dismemberment and long term disability insurance benefits to all full-time employees who elect coverage under this program (basic life, accidental death and dismemberment, and long term disability coverage is automatic). The cost of coverage under the medical insurance program is shared by the Company and employees with the Company bearing the cost of the employee portion and with dependent coverages paid by the employee

The Company adopted SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" as of January 1, 1993. The adoption of Statement 106 resulted in the recognition of a postretirement benefit obligation at the date of adoption (transition obligation). The Company elected to recognize the obligation over the average remaining life expectancy of the participants. The transition obligation totaled $634,000 and is being recognized over 17 years. This obligation only applies to a selected group of retirees as retiree benefits were phased out through 1993.
The net periodic postretirement benefit cost is expected to be approximately $72,000 on an annual basis, consisting of the interest cost of the accumulated benefit obligation and amortization of the benefit obligation. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation as of January 1, 1993 was 10% for 1993, decreasing each successive year until it reaches 6% in the year 2000. The weighted average discount rates were 6.75% and 7.25% in 1997 and 1996, respectively.

Deferred Compensation Plan

A subsidiary of the Company has deferred compensation agreements with certain current and former officers providing for benefit payments over various periods commencing upon retirement or death. The balance sheet liability at December 31, 1997 was approximately $1,033,000. The expenses associated with this plan for 1997, 1996 and 1995 were $58,000, $32,000 and $42,000, respectively.

Note 12. Compensating Balances

Pursuant to agreements with the Federal Reserve Bank, the Company is required to maintain cash balances of approximately $1.3 million in lieu of charges for check clearing and other services.

Note 13. Litigation

In the normal course of business, there are various outstanding commitments and contingent liabilities such as threatened legal action and legal proceedings in which the Company and its subsidiaries are defendants.

The Company's most significant matter of litigation included in the 1996 Annual Report to Shareholders was settled in the first quarter of 1997 through a compromise which resulted in payments by the Company to various plaintiffs aggregating $733,000 with a net cost to the Company of $468,000 after contribution by insurance providers and co-defendants. This settlement concluded three separate but related civil actions involving a commercial loan customer and related bankruptcy and mechanics lien issues, all of which were detailed in the 1996 report. The first quarter settlement in 1997 resulted in a recovery of litigation reserves approximating $700,000 established in previous years.

Other actions have arisen primarily out of commercial lending transactions and collection activities. Each of these actions involving significant damage allegations or material disputes of issues are detailed in Item 3. Legal Proceedings in the Company's 1997 Report on Form 10-K and discussed below.

In August 1997, the Company

was named as a defendant in a suit seeking to overturn the establishment of a private foundation for which the Company's Trust and Financial Services Division serves as trustee. The suit filed by heirs of the foundation donor, seeks a total of $6 million in compensatory and punitive damages as well as the termination of the foundation. The Company and trustee believe the creation and operation of the foundation represent the intent and will of the donor and intend to defend the suit and the continuation of the foundation's purpose. Both management and the Company's legal counsel are of the opinion that this suit is without merit and will be successfully defended with no material adverse impact on the Company's financial condition or results of operations.

Additionally, the Company is also subject to certain asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, neither the resolution of these claims nor the funding of credit commitments will have a material effect on the Company's financial position or results of operations.

Note 14. Dividends

The primary source of funds for dividends paid by First Community is dividends received from its subsidiary banks. Dividends paid by the banks are subject to restrictions by banking regulations and a loan agreement with a commercial bank. The loan agreement with the bank restricts dividends in the event of default on the note. The most restrictive provision requires approval by regulatory bodies if dividends declared in any year exceed the year's net income, as defined, plus retained net profits of the two preceding years. At December 31, 1997, subsidiary earnings available for distribution as dividends to the Company without prior approval were $1.8 million.

Note 15. Regulatory Capital Requirements and Restrictions

First Community Bancshares, Inc., First Community Bank, Inc., First Community Bank of Mercer County, Inc., First Community Bank of Southwest Virginia, Inc., and Blue Ridge Bank, (collectively referred to as "the Banks") are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory- and possibly additional discretionary- actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under the capital adequacy guidelines, and the regulatory framework for prompt corrective action, which applies to only the Banks, the entities must meet specific capital guidelines that involve quantitative measures of the entities' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The entities' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require First Community Bancshares, Inc. and the Banks to maintain minimum amounts and ratios (set forth in the table on p. 43) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 1997, that the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 1997, and 1996, the most recent notifications from the Federal Reserve Board categorized the Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Banks must maintain minimum Total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since those notifications that management believes have changed the institutions' category.

Table 33

December 31, 1997

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
Total Capital to Risk-Weighted Assets.						
First Community Bancshares, Inc.	$79,178	11.96%	$52,975	8.00%	$ N/A	N/A
First Community Bank, Inc.	22,911	10.78	17,009	8.00	21,262	10.00%
First Community Bank of Mercer County, Inc.	43,541	13.71	25,399	8.00	31,748	10.00
First Community Bank of Southwest Virginia, Inc.	6,793	12.11	4,486	8.00	5,608	10.00
Blue Ridge Bank	11,167	12.22	7,308	8.00	9,135	10.00
Tier I Capital to Risk-Weighted Assets:						
First Community Bancshares, Inc.	$70,862	10.70%	$26,488	4.00%	N/A	N/A
First Community Bank, Inc.	20,232	9.52	8,505	4.00	12,757	6.00%
First Community Bank of Mercer County, Inc.	39,557	12.46	12,699	4.00	19,049	6.00
First Community Bank of Southwest Virginia, Inc.	6,093	10.86	2,243	4.00	3,365	6.00
Blue Ridge Bank	10,068	11.02	3,654	4.00	5,481	6.00
Tier I Capital to Average Assets (Leverage):						
First Community Bancshares, Inc.	$70,862					

6.96% $30,549 3.00 % $ N/A N/A
First Community Bank, Inc. 20,232 5.2611,542 3.0019,237 5.00%
First Community Bank of Mercer County, Inc.39,557 8.8013,481 3.00 22,468 5.00
First Community Bank of Southwest Virginia, Inc. 6,093 5.97 4,084 4.00 5,105
5.00
Blue Ridge Bank 10,068 9.154,402 4.005,503 5.00

December 31, 1996
To Be Well
For Capital Capitalized
Under
Adequacy Prompt
Corrective
Actual Purposes Action
Provisions

Total Capital to Risk-Weighted Assets.

First Community Bancshares, Inc. $91,52417.02%$43,011 8.00% $ N/A N/A
First Community Bank, Inc. 30,075 16.3414,727 8.00
18,40910.00%
First Community Bank of Mercer County, Inc. 49,11215.08 26,062 8.00 32,578 10.00
First Community Bank of Southwest Virginia, Inc. 7,040 23.21 2,427 8.00 3,033
10.00

Tier I Capital to Risk-Weighted Assets:
First Community Bancshares, Inc. $84,77615.77%$21,505 4.00% $ N/A N/A
First Community Bank, Inc. 27,755 15.087,363 4.00 11,0456.00%
First Community Bank of Mercer County, Inc. 45,03213.82 13,031 4.00 19,547 6.00
First Community Bank of Southwest Virginia, Inc. 6,661 21.96 1,213 4.00 1,820
6.00

Tier I Capital to Average Assets (Leverage):
First Community Bancshares, Inc. $84,77610.33%$24,626 3.00%$ N/A N/A
First Community Bank, Inc. 27,755 7.9210,514 3.00 17,5245.00%
First Community Bank of Mercer County, Inc. 45,03210.10 13,371 3.00 22,285 5.00
First Community Bank of Southwest Virginia, Inc. 6,661 13.06 2,041 4.00 2,551
5.00
Note 16. Income Taxes

Table 34

(Amounts in Thousands)

Years Ended December 31

1997 1996 1995
Income taxes are as follows-
Income exclusive of securities gains (losses)$6,874 $6,581 $4,785
Net securities gains (losses) 2 (51) 183
$6,876 $6,530 $4,968

Years Ended December 31
Income tax provisions consist of 1997 1996 1995
Current tax expense $6,520 $6,143$4,829
Deferred tax liability 356 387 139

$6,876 $6,530 $4,968

Deferred income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts deducted for income tax purposes. The tax effects of significant items comprising the Company's net deferred tax assets as of December 31, 1997 and 1996 are as follows:

Table 35

(Amounts in Thousands)	1997	1996
Deferred tax assets.		
Reserve for possible loan losses	$ 4,448	$ 3,505
Unrealized asset losses	229	250
Deferred compensation	892	817
Litigation reserves	-	429
Deferred insurance premiums	399	399
Total deferred tax assets	5,968	5,400
Deferred tax liabilities.		
Purchase accounting adjustments	2,072	1,905
Depreciation	374	195
Gain on pension termination	565	565
Unrealized gain on securities available for sale	833	284
Other	347	346
Total deferred tax liabilities	4,191	3,295
Net deferred tax assets	$1,777	$2,105

The reconciliation between the federal statutory tax rate and the effective income tax rate is as follows:

Table 36

Years Ended December 31	1997	1996	1995
Tax at statutory rate	35.0%	35.0%	35.0%
Increases (reductions) resulting from:			
Tax-exempt interest on investment securities and loans	(6.7%)	(6.7%)	(7.3%)
State income taxes, net of federal benefit	1.1%	1.0%	1.0%
Amortization of purchase accounting adjustments .	1.6%	.5%	.6%
Other, net	.3%	2.1%	(1.5%).)
Effective tax rate	31.3%	31.9%	27.8%

Note 17. Other Operating Expenses

Included in other operating expenses are certain functional costs, the total of which exceeds one percent of combined interest income and non-interest income. Following are such costs for the years indicated:

Table 37

Years Ended December 31 (Amounts in Thousands)	1997	1996	1995
Credit card fees paid	$1,671	$1,149	$ 949
Amortization of goodwill	1,252	*	*
Other losses and charge-offs	*	*	1,303
Federal deposit insurance and other assessments	*	*	888

*Cost did not exceed one percent for the reported period.

Note 18. Fair Value of Financial Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" (SFAS 107). The pronouncement requires disclosure of fair value information about financial instruments, whether or not recognized on the balance sheet, for which it is practical to estimate the value. SFAS 107 defines a financial instrument as cash, evidence of ownership in an entity, or a contract that conveys or imposes on an entity that contractual right or obligation to either receive or deliver cash for another financial instrument. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price if one exists.

The following summary presents the methodologies and assumptions used to estimate the fair value of the Company's financial instruments presented below. The information used to determine fair value is highly subjective and judgmental in nature and, therefore, the results may not be precise. Subjective factors include, among other things, estimates of cash flows, risk characteristics, credit quality, and interest rates all of which

are subject
to change. Since the fair value is estimated as of the balance sheet date,
the amounts which will actually be realized or paid upon settlement or maturity
on these various instruments could be significantly different.

Table 38

(Amounts in Thousands)	1997 Carrying Amount	Fair Value	1996 Carrying Amount	Fair Value
Assets:				
Cash and due from banks	$ 34,762	$ 34,762	$ 27,369	$ 27,369
Securities available for sale	161,795	161,795	136,113	136,113
Investment securities	109,174	112,263	100,328	101,200
Federal funds sold	12,406	12,406	-	-
Loans (net of reserve for possible loan losses)	660,411	661,396	538,716	537,566
Interest receivable	7,688	7,688	6,341	6,341
Liabilities:				
Demand deposits	103,846	103,846	89,902	89,902
Interest-bearing demand deposits	127,541	127,541	93,303	93,303
Savings deposits	149,407	149,407	132,590	132,590
Time deposits	472,713	472,589	327,702	329,311
Securities sold under agreements to repurchase	52,351	52,351	53,031	53,031
Interest, taxes and other obligations	11,455	11,455	11,217	11,217
Other indebtedness	24,444	24,517	15,126	14,831

Financial Instruments with Book Value Equal to Fair Value

The book values of cash and due from banks, federal funds sold and purchased, securities sold under agreements to repurchase, interest receivable, and interest, taxes and other liabilities are considered to be equal to fair value as a result of the short-term nature of these items.

Securities Available for Sale

For securities available for sale, fair value is based on current market quotations where available. If quoted market prices are not available, fair value has been based on the quoted price of similar instruments.

Investment Securities

For investment securities, fair value has been based on current market quotations, where available. If quoted market prices are not available, fair value has been based on the quoted price of similar instruments.

Loans

For all categories of loans, such as some residential mortgages, fair value is estimated by discounting the future cash flows using the current rates for similar loans.

Deposits

Deposits without a stated maturity, including demand, interest-bearing demand, and savings accounts, are reported at their carrying value in accordance with SFAS 107. No value has been assigned to the franchise value of these deposits. For time deposits with fixed maturates, fair value has been estimated by discounting future cash flows based on interest rates currently being offered on deposits with similar characteristics and maturates.

Other Indebtedness

Fair value has been estimated based on interest rates currently available to the Company for borrowings with similar characteristics and maturates.

Commitments to Extend Credit,
Stand-by Letters of Credit, and
Financial Guarantees

The amount of off-balance sheet commitments to extend credit, stand-by letters of credit, and financial guarantees, is considered equal to fair value. Because of the uncertainty involved in attempting to assess the likelihood and timing of commitments being drawn upon, coupled with the lack of an established market and the wide diversity of fee structures, the Company does not believe it is meaningful to provide an estimate of fair value that differs from the given value of the commitment.

Note 19. Parent Company Financial Information

Condensed financial information related to First Community Bancshares, Inc. as of December 31, 1997 and 1996, and for the years ended December 31, 1997, 1996 and 1995 are as follows:

Table 39

CONDENSED BALANCE SHEETS
(Amounts in Thousands)

December 31

	1997	1996
Assets:		
Cash	$ 1,380	$ 2,493
Investment in subsidiaries	102,781	83,996
Other assets	3,260	2,920
Total Assets	$107,421	$89,409
Liabilities:		
Other liabilities	$ 9,534	$ 106
Stockholders' Equity:		
Common stock	5,756	28,779
Additional paid-in capital	37,587	14,564
Retained earnings	54,564	46,815
Treasury stock	(1,271)	(1,288)
Unrealized gain on securities available for sale	1,251	433
Total Stockholders' Equity	97,887	89,303
Total Liabilities and Stockholders' Equity	$107,421	$ 89,409

Table 40

CONDENSED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)

Years Ended December 31

	1997	1996	1995
Cash dividends received from subsidiary banks	$25,050	$ 9,825	$7,000
Revenue	148	123	615
Operating expense	(779)	(267)	(152)
	24,419	9,681	7,463
Income tax (expense) benefit	210	51	(152)
Equity in undistributed earnings of subsidiaries (Dividends in excess of earnings of subsidiaries)	(9,535)	4,185	5,478
Net Income	$15,094	$13,917	$12,789
Basic Earnings Per Share	$ 2.67	$ 2.48	$ 2.28

Table 41

CONDENSED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

Years Ended December 31

	1997	1996	1995
Cash flows from operating activities:			
Net income	$15,094	$13,917	$12,789
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of assets	-	-	(547)
Equity in undistributed earnings of subsidiaries (Dividends in excess of earnings of subsidiaries)	9,535	(4,185)	(5,478)
Increase in other assets	(136)	(890)	(159)
(Decrease) increase in other liabilities	98	(54)	120
Other, net	-	49	38
Net cash provided by investing activities	24,591	8,837	6,763
Cash flows from investing activities:			
Purchase of other investments	-	(1,745)	(23)
Proceeds from sale of securities available for sale	12	-	1,454
Payments for investments in and advances to subsidiaries	(27,695)	-	-
Net cash (used in) provided by investing activities	(27,683)	(1,745)	1,431
Cash flows from financing activities.			
Proceeds from issuance of long-term debt	11,730	-	-
Repayment of long-term debt	(2,400)	-	-
Acquisition of treasury stock	-	(170)	(839)
Dividends paid	(7,345)	(6,422)	(5,525)
Other, net	(6)	1,499	-
Net cash provided by (used in) financing activities	1,979	(5,093)	(6,364)
Net (decrease) increase in cash and cash equivalents	(1,113)	1,999	1,830
Cash and cash equivalents at beginning of year	2,493	494	(1,336)
Cash and cash equivalents at end of year	$ 1,380	2,493	$ 494

Deloitte & Touche LLP
2500 One PPG Place
Pittsburgh, Pennsylvania
15222-5401

Independent Auditors' Report

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF FIRST

COMMUNITY BANCSHARES,

INC.,

We have audited the accompanying consolidated balance sheets of First Community Bancshares, Inc. and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of First Community Bancshares, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of First Community Bancshares, Inc. and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

Deloitte & Touche

Pittsburgh, Pennsylvania

January 30, 1998

First Community Bancshares, Inc.

Report on Management's Responsibilities

The management of First Community Bancshares, Inc. is responsible for the integrity of its financial statements and their preparation in accordance with generally accepted accounting principles. To fulfill this responsibility requires the maintenance of a sound accounting system supported by strong internal controls. The Company believes it has a high level of internal control which is maintained by the recruitment and training of qualified personnel, appropriate divisions of responsibility, the development and communication of accounting and other procedures, and comprehensive internal audits.

Our independent auditors (Deloitte & Touche LLP) are engaged to examine, and render an opinion on, the fairness of our consolidated financial statements in conformity with generally accepted accounting principles. Our independent auditors obtain an understanding of our internal accounting control systems, review selected transactions and carry out other auditing procedures before expressing their opinion on our consolidated financial statements.

The Board of Directors has appointed an Audit Committee composed of outside directors which periodically meets with the independent auditors, bank examiners, management and internal auditors to review the work of each.

The independent auditors, bank examiners and the Company's internal auditors have free access to meet with the Audit Committee without management's presence.

James L. Harrison, Sr.

President & Chief Executive Officer

John M. Mendez

Vice President & Chief Financial Officer

Board of Directors, First Community Bancshares, Inc.

Sam Clark
Agent, State Farm Insurance

Allen T. Hamner
Professor of Chemistry, West Virginia Wesleyan College; Member Executive Committee

James L. Harrison, Sr.
President and Chief Executive Officer, First Community Bancshares, Inc.; Member Executive Committee; President, First Community Bank, Inc.; First Community Bank of Mercer County, Inc., and First Community Bank of Southwest Virginia, Inc.; Executive Vice President and Director, Blue Ridge Bank

B. W. Harvey

President, Highlands Real Estate
Management, Inc.; Member
Executive Committee

I. Norris Kantor
Partner, Katz, Kantor & Perkins,
Attorneys-at-Law

John M. Mendez
Vice President, Chief Financial Officer
and Secretary, First Community
Bancshares, Inc.; Vice President -
Finance & Chief Administrative
Officer, First Community Bank, Inc.,
First Community Bank of Mercer
County, Inc., and First Community
Bank of Southwest Virginia, Inc.;
Assistant Corporate Secretary and
Director, Blue Ridge Bank

A.A. Modena
Past Executive Vice President and
Secretary, First Community Bancshares, Inc.; Past President &
Chief Executive Officer, The Flat Top National
Bank of Bluefield; Member Executive Committee

Robert E. Perkinson, Jr.
Vice President-Operations, MAPCO
Coal, Inc. - Virginia Region

William P. Stafford
President, Princeton Machinery
Service, Inc.; Chairman, First
Community Bancshares, Inc.;
Member Executive Committee and
Audit Committee

William P. Stafford, II
Attorney-at-Law, Brewster, Morhous
& Cameron

W.W. Tinder, Jr.
Chairman of the Board and Chief
Executive Officer, Tinder Enterprises,
Inc.; President, Tinco Leasing
Corporation (Real Estate Holdings);
Member Executive Committee and
Audit Committee

Harold M. Wood
Owner and Operator, Wood's
General Store; Chairman, Audit Committee

Officers, First Community Bancshares, Inc.

James L. Harrison, Sr.
President and Chief
Executive Officer

John M. Mendez
Vice President, Chief Financial
Officer and Secretary

Robert L. Buzzo
Vice President

Directors

Nick Ameli, Jr., CLU, ChFC Sales Manager,
New York Life Insurance

K.A. Ammar, Jr.*
President and Chief Executive Officer,
Ammar's Inc. and Magic Mart

H. C. Arnold, Jr.
Retired Public Accountant

Dr. James P. Bailey*
Veterinarian, Veterinary
Associates, Inc.

Paul Barkley
Self Employed Accountant

Jack Bebber
Retired Manager, Carolina Tire

Clint F. Bedsaul++
President, BBC, Inc.: President, Trulina Truss, Inc.

William B. Belchee
Retired Bluefield Division Manager, Appalachian Power
Company;
President, Welch Insurance Agency

Claude Billings
Retired Member of North Carolina
House of Representatives; Poultry
Farmer

Bill Blackburn

Owner, B&D Auto Supply

Claude E. Blankenship
Officer, C and R Furniture; Former Mercer County
Commissioner

W. C. Blankenship, Jr. +
Chairman of the Board, First
Community Bank of Southwest
Virginia, Inc.; Agent, State Farm
Insurance

F. K. Blizzard
Retired, Blizzard's Inc.

G. Ross Boyce
Retired Senior Vice President, The Flat Top National
Bank of Bluefield

D. L. Bowling, Jr.*
President, True Energy, Inc.

Robert L. Buzzo*
Vice President, First Community
Bancshares, Inc.; Chief Executive
Officer, First Community Bank -
Bluefield

Juanita G. Bryan++
Homemaker

Sam Clark*
Agent, State Farm Insurance

Henry Church
Owner, H&N Polled Hereford Farms

L. M. Compton
President, Compton Enterprises

Lillian S. Cooke
Private Investor

George R. Crouse, Jr.++
Farming

C. William Davis*
Attorney at Law, Richardson and
Davis

H. R. Davis
Auctioneer

Mark T. Davis
Attorney

Thomas E. Douglas++
Town Manager, Sparta, NC

Frank Ferrante*
Retired Owner of Frankie's LaSalute

Lloyd D. Feuchtenberger, Jr.
Retired Bakery Executive

Chester H. Friedl+
Pharmacist

H. A. Goodykoontz, Jr.
Retired Pharmacist

Owen R. Griffith, Jr.
Retired President and Chief Executive
Officer, First Community Bank, Inc.

Anthony A. Gum
Chairman, Business and Economics
Division, West Virginia Wesleyan
College

Allen T. Hamner, Ph.D.**
Professor of Chemistry, West Virginia Wesleyan College

W. T. Hancock
Of Counsel, Richardson and Davis

James L. Harrison, Sr.
President and Chief Executive Officer, First Community
Bancshares, Inc.;
President, First Community Bank of Mercer County,
Inc.; First Community
Bank, Inc.; and First Community Bank of Southwest
Virginia, Inc; Executive
Vice President and Director, Blue Ridge Bank

B. W. Harvey**
President, Highlands Real Estate Management, Inc.

Steve Icenhour
Owner, Trucking Company and Icenhour's Garage and Tire
Service

Chapman I. Johnston, Jr.
Retired Chairman of the Board,
Bluefield Supply Company

I. Norris Kantor**
Partner, Katz, Kantor
and Perkins, Attorneys-at-law

Walden M. Keene+
Retired Coal Operator

Dr. John S. Lambert, Jr.
Dentist

M. Neil Lohr
Retired Pharmacist, Princeton Pharmacy

Richard L. Lowry
President, Murphy Insurance Agency

Dr. B. J. Martin, D.M.D.
Martin Dental Associates

John P. McCabe
Retired Vice Chairman of the Board, First Community
Bank, Inc.

A. Herbert McClaugherty
President, The Dean Company

John T. McGlamery

Retired Merchant
Directors

Keith Meadows
Plant Manager, Leviton Manufacturing
Southern Devices

David Mechnore
Owner, Taylorsville Precast Molds

John M. Mendez**+
Vice President, Chief Financial Officer,
First Community Bancshares, Inc.;
Vice President - Finance and Chief
Administrative Officer, First
Community Bank, Inc., First
Community Bank of Mercer County,
Inc.; and First Community Bank of
Southwest Virginia, Inc.; Assistant
Corporate Secretary and Director,
Blue Ridge Bank

Edgar L. Miller, Sr.
Owner, Edgar's Exxon Service Station

A. A. Modena* *
Past Executive Vice President and
Secretary, First Community
Bancshares, Inc.; Past President and
Chief Executive Officer, The Flat Top
National Bank of Bluefield

Wayne V. Moore++
Chief Executive Officer, Blue Ridge
Bank

Dr. Samuel A. Muscari, Sr.
Physician

Charles C. Myers
Owner, Cash & Carry Wholesale,
Grocery

Avery Neaves
CPA, Kemp & Neaves, PLLC

Fred Norman
Retired Realtor & Businessman

Gary B. Parlier++
Owner, Custom Wall and Floor
Covering

Nora Belle Pasley
Retired, Peoples Bank of Bluewell

Robert E. Perkinson, Jr.**

Vice President - Operations, MAPCO

Coal, Inc. - Virginia Region

Dr. Eduardo D. Plagata+
Physician

Alvin E. Platnick*
President, Platnick Steel and
Engineering, Inc.

Claudetta Potts
Retired Owner, Radio Station

Robert Prevette
Poultry Farmer; Contractor

Bernie Queen
Retired, Amherst Coal Company

Clyde B. Ratliff+
President, Gasco Drilling, Inc.

Jimmie Lee Reavis
Rural Carrier, U.S. Postal Service

Joe H. Roberts++
Farming

Ron Roseman
Partner, Alexvale Furniture
Manufacturing

Michael Ross
President, Ross and Wharton Gas Co.

Richard G. Rundle*
Attorney at Law, Rundle and Rundle,
LC

Larry Schronce
Owner, Larry Schronce Ford, Inc.

Giles D. Scott
Retired Restaurant Owner

Guy L. Scott, Jr.++
President and Chairman of the Board,
Blue Ridge Bank

George L Sheets++
President and Manager, Alleghany
Cablevision; Owner, Sheets Jewelry

William C. Shell++
President, Shell Brothers Distributors,
Inc.

Herman Shook
Retired Furniture Manufacturer

M. M. Shumate
Retired

E. T. Smith
President, Smith Services, Inc.

Jack D. Stafford, P. E.
President, Stafford Consultants, Inc.

William P. Stafford**
President, Princeton Machinery
Service, Inc.

William P. Stafford, II**
Attorney at Law, Brewster, Morhous
and Cameron

William D. Starling+
Retired Coal Operator

Dr. Theodore S. Stern++
Chairman Emeritus, Blue Ridge Bank

Robert R. Stuart, Jr.
Retired Bakery Executive

Harold Tomchin
Chairman of the Board,
Tomchin Furniture Company

W. W. Tinder, Jr.**
Chairman and Chief Executive Officer,
Tinder Enterprises, Inc.

Robert J. Wallace
Attorney at Law, Coleman and Wallace

Harold M. Wood**
Owner, Wood's General Store

C. Paige Wooldridge
Retired Resident Vice President, Norfolk
Southern Corporation

Dale E Woody*
President, Woody Lumber Company

*Denotes Members of First Community Bank, Inc. and

First Community Bank of

Mercer County, Inc. Boards

**Denotes Members of First Community Bancshares, Inc.,

First Community Bank,

Inc., and First Community Bank of Mercer County, Inc.

Boards

+Denotes Members of First Community Bank of Southwest

Virginia, Inc. Board

++Denotes Members of Blue Ridge Bank Board

First Community Bank of Mercer County, Inc.
(A WEST VIRGINIA CORPORATION - MEMBER FDIC)

1001 Mercer Street
Princeton, West Virginia 24740-5939
(304) 487-9000 or (304) 327-5175
Pine Plaza Branch (304) 425-7523
Matoaka Branch (304) 467-8860
Mercer Mall Branch (304) 327-0431

Blue Prince Road, Green Valley
Bluefield, West Virginia 24701-6160
(304) 325-3641

211 Federal Street
Bluefield, West Virginia 24701-0950
(304) 325-7151

Highway 52
Bluefield, West Virginia 24701-3068
(304) 589-3301

First Community Bank, Inc.
(A WEST VIRGINIA CORPORATION - MEMBER FDIC)

Corner of Bank and Cedar Streets
Pineville, West Virginia 24874-0269
(304) 732-7011

East Pineville Branch (304)732-7011

600 Guyandotte Avenue
Mullens, West Virginia 25882-1024
(304) 294-0700

Route 1 0, Cook Parkway
Oceana, West Virginia 24870-1680
(304) 682-8244

2 West Main Street
Buckhannon, West Virginia 26201-0280
(304) 472-1112

Tennerton
Buckhannon, West Virginia 26201

100 Market Street
Man, West Virginia 25635
(304) 583-6525

77 North Morgan Boulevard

Logan, West Virginia 25601
(304) 752-8102

Corner of Main and Latrobe Streets
Grafton, West Virginia 26354-0278
(304) 265-1111

216 Lincoln Street
Grafton, West Virginia 26354-1442
(304) 265-1111

Main Street
Rowlesburg, West Virginia 26425
(304) 454-2431

874 Broad Street
Summersville, WV 26651
(304) 872-4402

16 West Main Street
Richwood, West Virginia 26261
(304) 846-2641

Route 20 and Williams River Road
Cowen, West Virginia 26206
(304) 226-5924

Route 55, Red Oak Plaza
Craigsville, West Virginia 26205
(304) 742-5101

First Community Bank of Southwest Virginia, Inc.
(A VIRGINIA CORPORATION - MEMBER FDIC)

643 E. Riverside Drive
Tazewell, Virginia 24651
(540) 988-5577

302 Washington Square
Richlands, Virginia 24641
(540) 964-7454

Chase Street & Alley 7
Clintwood, Virginia 24228
(540) 926-4671

Rt.1, Box 408
Max Meadows, Virginia 24360
(540) 637-3122

8044 Main Street
Pound, Virginia 24279
(540) 796-5431

910 East Main Street
Wytheville, Virginia 24382
(540) 228-1901

Blue Ridge Bank

(A NORTH CAROLINA CORPORATION - MEMBER FDIC)

101 Brookfall Dairy Road
Elkin, North Carolina 28621
(336) 835-2265

5519 Mountain View Road
Hays, North Carolina 28635
(910) 696-2265

125 N.Main Street
Sparta, North Carolina 28675
(910) 372-2265

150 N.Center Street
Taylorsville, North Carolina 28681
(704) 632-2265
Financial Information

Corporate Headquarters
1001 Mercer Street
P. 0. Box 5909
Princeton, West Virginia
24740-5909
(304) 487-9000

Stock Registrar and Transfer Agent
First Community Bank of Mercer County, Inc.
Trust and Financial Services Division
P.O. Box 950
Bluefield, West Virginia 24701-0950
(304) 325-7151

Form 10-K
The Annual Report on Form 10-K, filed with the Securities and Exchange Commission, is available to shareholders upon request to the Vice President & Chief Financial Officer of First Community Bancshares, Inc.

Financial Contact
John M. Mendez
Vice President & Chief Financial Officer, First Community Bancshares, Inc.
P.O. Box 5909
Princeton, West Virginia 24740-5909
(304) 487-9000