

199 2060

Loan Production Offices

Stone Capital Management

Financial Service Center

De Novo Branches



Capitol Research Division
SNL Financial
1-800-969-4121

MARKET POSITIONING

THROUGH

SMART INVESTMENT

AND

WELL-PLANNED GROWTH

People's Community Bank

Financial Partnerships

**Fis
Community
Bankshares, Inc.**

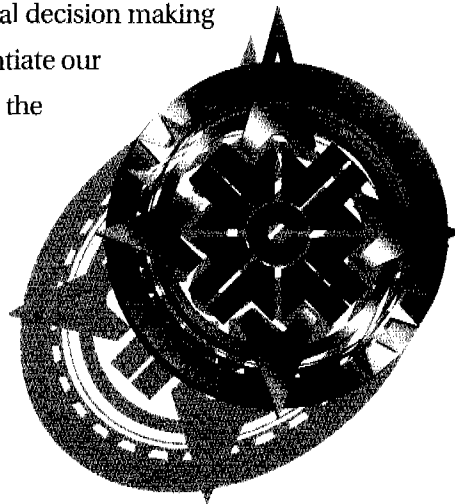


BUILDING ON OUR STRENGTH

Market Positioning through Smart Investment and Well-Planned Growth

your first financial resource

First Community Bank has a rich history and a strong tradition of service and profitability that has earned the loyalty and trust of our customers and shareholders. We have positioned the company to offer large bank resources and competitive products with service delivered in a very personal way. When customers bank with us, they see and feel the difference. Local decision making is the foundation on which our success was built and continues to differentiate our company. This principle ensures that customers will continue to receive the personal service they expect from First Community Bank.



Who We Are

Proving our value everyday to our customers by supporting their needs makes First Community Bank your first financial resource.

We operate 57 banking locations and three trust and investment management offices in the four-state region of Virginia, West Virginia, North Carolina and Tennessee, including our newest Commercial Loan Offices in Charlotte and Mount Airy, North Carolina, and Blacksburg and Norfolk, Virginia, and Bridgeport, West Virginia. First Community Bank is the parent company of Stone Capital Management, Inc., an SEC registered investment advisory firm.

First Community Bancshares, Inc., is traded on the NASDAQ National Market under the symbol "FCBC."

Executive Management Officers, First Community Bank

Samuel L. Elmore, Chief Credit Officer

Robert L. Buzzo, President,
First Community Bank, N. A.
Vice President & Secretary,
First Community Bancshares, Inc.

John M. Mendez,
President & Chief Executive Officer,
First Community Bancshares, Inc.,
Executive Vice President,
First Community Bank, N. A.

Robert L. Schumacher,
Chief Financial Officer,
First Community Bancshares, Inc.
Senior Vice President-Finance,
First Community Bank, N. A.

E. Stephen Lilly,
Chief Operating Officer,
First Community Bancshares, Inc.,
Senior Vice President &
Chief Operating Officer,
First Community Bank, N. A.



CHARTING A COURSE FOR GROWTH

Strong Financial Services

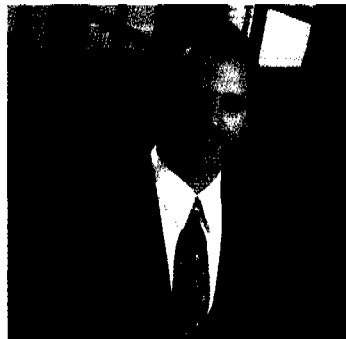
your first financial resource

Financial strength is a hallmark of First Community Bank and our performance in 2004 continued that tradition. Dividends to shareholders have increased for the last 20 years and once again the market value of FCBC stock increased. Assets and capital resources continue to grow — providing the financial foundation for future growth and the transition of our company to a regional financial services provider — Your First Financial Resource.

First Community Bank maintained our strong financial footing through steady improvement in asset quality and attention to cost control. Credit services continue to be a building block and a core competency that serves as a foundation for growth.

Charting the course for growth requires the strategic alignment of all facets of our business. By strategically identifying opportunities, we have positioned First Community Bank to grow. Commercial Loan Offices were established in targeted areas to lead the growth of our franchise in metropolitan markets in the Southeast.

First Community Bank
Commercial Loan Office, Virginia
Brent E. Beeson, Blacksburg
Michael K. Imperial, Norfolk



First Community Bank
Commercial Loan Office
West Virginia
Vincent J. Cava, Bridgeport



First Community Bank
Commercial Loan Office, North Carolina
Edward R. Mennona, Charlotte
Derek G. Thompson, Charlotte
Jack W. Horne, Mt. Airy
Stuart L. Hester, Charlotte

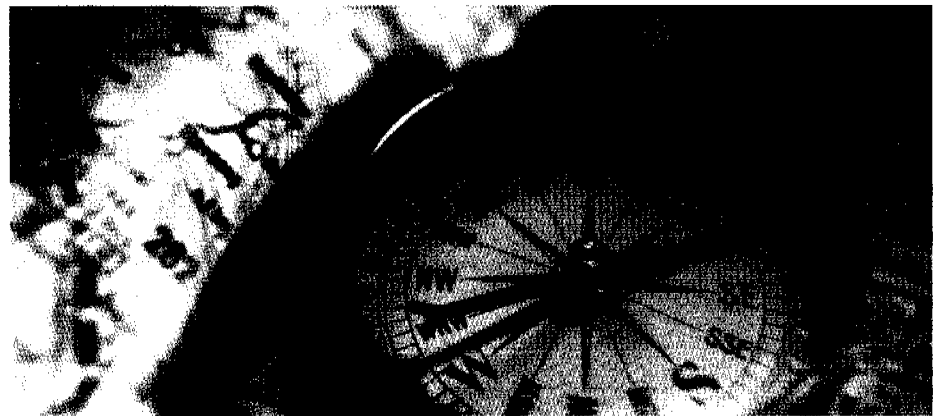
A renewed focus on service as a differentiating factor will ensure that trust and loyalty are earned as we build financial relationships and grow market share. Our re-energized vision of customer focus expressed as “The First Community Way” guides employee behavior to deliver

a customer experience that sets us apart from all other financial institutions.



This customer service initiative began in 2004 with the implementation and testing of customer engagement standards in our branches. The research from the pilot branches was used to refine the standards of engagement to ensure that we fulfill our mission of delivering “impeccable service”.

Redefining the branch as a financial services center, First Community Bank opened another prototype center in Princeton, West Virginia, in 2004. This concept was designed with many amenities and the convenience of one location for a variety of financial needs to welcome our customers back to the local bank branch.



ALIGNING OUR MARKETS

New directions

your first financial resource

First Community Bank continued our growth in 2004 through the acquisition of People's Community Bank, headquartered in Johnson City, Tennessee. The culture and banking philosophy of People's, with its talented staff of community bankers connected to their community, aligned perfectly with our community banking network. To maintain and grow its

outstanding reputation in the East Tennessee market, our Tennessee branches will continue to operate as People's Community Bank, *a division of First Community Bank.*



Newest location at Boone's Creek,
Johnson City, TN



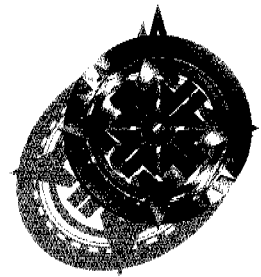
Interior of People's Community Bank,
Boone's Creek location, Johnson City, TN



Phillip R. Carriger
Regional President/Tennessee Region

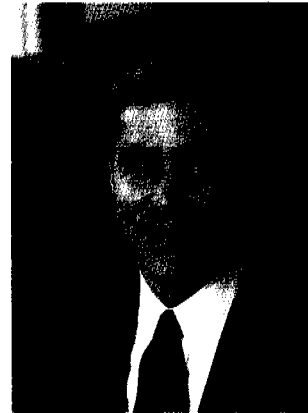


Headquarters of People's Community Bank,
Johnson City, TN

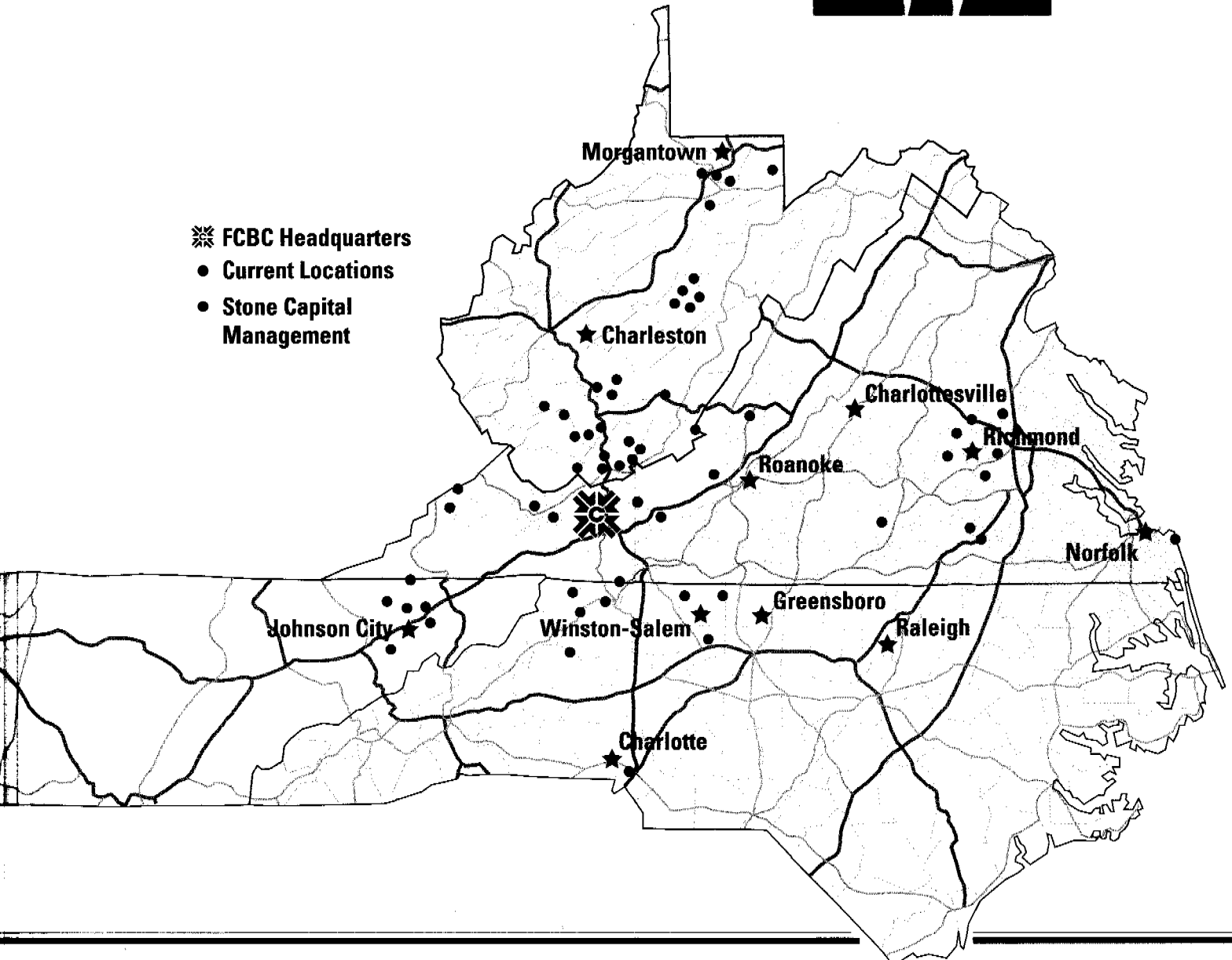


“To further expand our market presence, First Community Bank opened Commercial Loan Offices in targeted areas where customers need the expanded resources of a regional financial services provider, but prefer the delivery style of a community bank.”

John M. Mendez
President & Chief Executive Officer



- ✱ FCBC Headquarters
- Current Locations
- Stone Capital Management

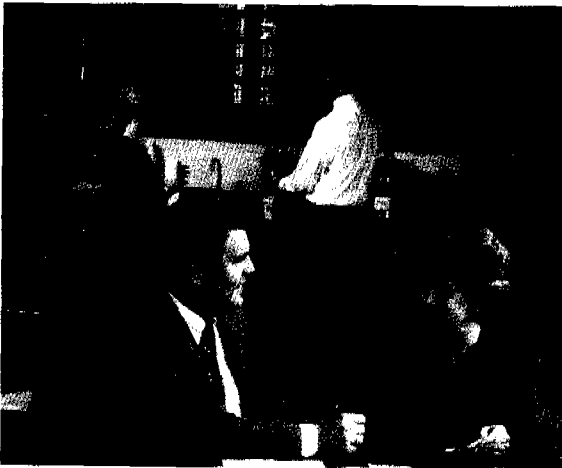


TRANSFORMING THE BRANCH EXPERIENCE

A collaborative effort

your first financial resource

To become your first financial resource, we have developed an innovative approach to delivering retail and financial services. The first office of this type, located at Stafford Commons in Princeton, West Virginia, opened in 2004. In addition to delivering traditional banking services, this community branch also houses an office of the Trust and Financial Services Division and an office of our



Customers take pleasure in a relaxed atmosphere.

wealth management firm, Stone Capital Management. With a renewed focus on customers, this branch provides a meeting place for the community where customers can relax and enjoy a cup of coffee from the coffee bar, navigate the Web through a wireless connection and access their accounts on line at www.fcbresource.com. The comfortable atmosphere welcomes our customers to the branch and provides a full array of financial services in one convenient location.



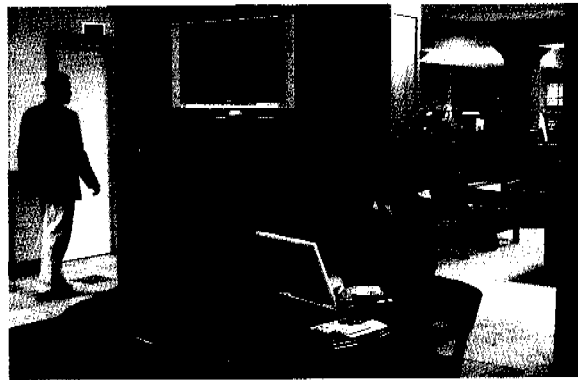
**Financial
Partnership
Merging**



**AN INNOVATIVE APPROACH TO
DELIVERING RETAIL AND
FINANCIAL SERVICES**



Interior of lobby, Stafford Commons,
Princeton, WV



Enjoy a cup of coffee while surfing the Web through
wireless connection.



Stafford Commons
Princeton, WV

OUR COMMITMENT

your first financial resource

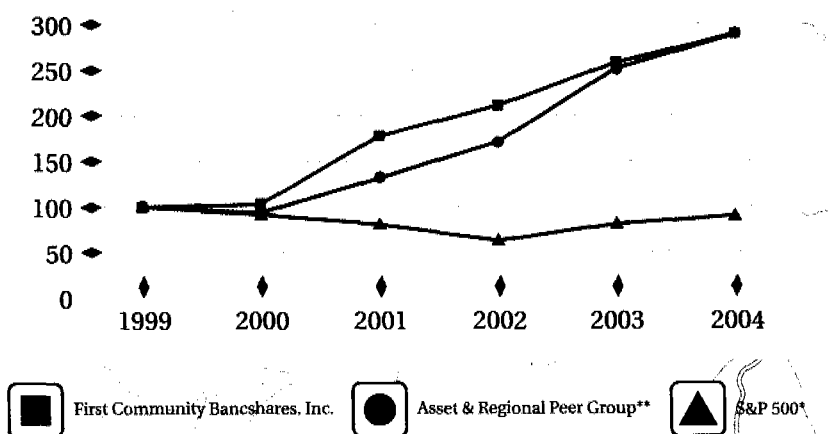
From our start as a community bank in 1874, financial strength and customer-focused commitment have been our hallmarks. Our strength as a community bank has allowed us to expand and grow — adding new markets, new products and services, and new ideas — from that first office to 57 locations in a four-state region.

We have positioned First Community Bank as a growing entity with the strategic identification of opportunities — the acquisition of People's Community Bank, the opening of Commercial Loan Offices in targeted areas, and the development of innovative delivery of retail and financial services with our prototype office in Princeton, West Virginia.

We continue to keep our focus on customer service with the development of our customer service initiatives, "The First Community Way," to ensure that we continue to earn the trust and loyalty of those we serve.

First Community has enjoyed increased earnings from the community banking segment and has provided a strong financial foundation for future growth as a truly regional financial services provider.

Total Shareholder Return



* Source: CRSP, Center for Research in Security Prices, Graduate School of Business, The University of Chicago 2005. Used with permission. All rights reserved. crsp.com

** The Asset Size & Regional Peer Group consists of banks that are traded on the NASDAQ, pink sheet, and bulletin board exchanges, have total assets between \$1B and \$5B, and are in the Southeast region.

Financial Information

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Registrar and Transfer Company
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LETTER TO
STOCKHOLDERS

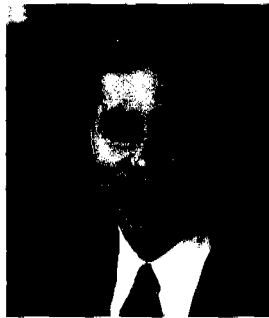
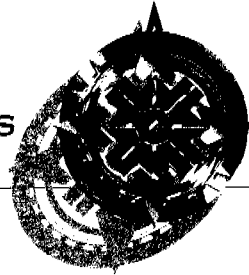


First
Community
Bancshares, Inc.



DEAR STOCKHOLDERS AND FRIENDS

John M. Mendez, President and CEO



On behalf of the employees and the Board of Directors of First Community Bancshares, Inc., I am pleased to bring you this report on the operations of the Company for 2004. We are very proud of the many objectives achieved during the year, and our attainment of strong financial performance, which has been a hallmark of our company. In 2004, we were able to sustain our financial track record despite continued low interest rates and the associated effect on net interest margins and while making significant investments in the future of our company.

Results of Operations

Net Income for 2004 was \$22.4 million and compares with \$25.2 million in 2003. While consolidated earnings decreased for the year, it is important to note that the majority of this decrease was due to the discontinuance of operations in mortgage banking. Income from continuing operations remained at \$26 million, near the \$26.7 million in 2003. During the 2004 fiscal year, management and the board of directors made a strategic decision to exit the mortgage brokerage line of business to allow greater focus on the company's core business of community banking. We believe this was a very important decision, which paves the way for

further growth and increased efficiency in the company's community banking and financial services segment. The vastly different, transactional culture of the mortgage brokerage business did not provide the relational benefits sought in our strategic plan and with the expectation of rising interest rates, it no longer provided a predictable non-interest revenue stream. In August 2004, we completed the transfer of this business through the sale of the United First Mortgage, Inc. subsidiary and with that sale, eliminated a large degree of the earnings volatility which had been experienced throughout late 2003 and in the first three quarters of 2004. When looking at the community banking segment only,

assets at \$6.6 million, or .36% of total assets. Loan delinquencies remained low throughout the year decreasing from 1.04% at year-end 2003 to .83% at year-end 2004. Total non-accrual loans at December 31, 2004, were \$5.2 million, up \$2.2 million from the \$3.0 million at the preceding year-end. Other real estate owned, however, was reduced from \$2.1 million at year-end 2003 to \$1.4 million at the close of 2004. Loans ninety days past due and still accruing were maintained at or near zero throughout 2004 and, when combined with non-accrual loans, resulted in a non-performing loan to total loan ratio of .42%. Net charge-offs for 2004, as a percentage of average loans, were .24%, down significantly from .49% in 2003 and at their lowest levels in recent history. The reserve for possible loan losses stood at \$16.3 million at year-end 2004 and represents 1.32% of outstanding loans held for investment and 316% of non-performing loans at the end of the most recent fiscal year. Each of these measures reflect strong asset quality, which is maintained through solid loan underwriting and loan administration and further buoyed by lower interest rates and improving economic conditions.

Dividends and Total Return

2004 marked the 20th year of consecutive increases in regular dividends. Total dividends paid in 2004 reached \$1.00 per share and represented a 3.02% yield on the beginning of year market value of our common stock. The market value of FCBC stock increased by \$2.92 per share and ended the year at \$33.08. This represents an 8.8% increase and combines with the dividend yield to create an 11.82% total return on our common stock for the recently completed year. The five-year cumulative total return through December 31, 2004, reached 288.9% equating to a 57.8% five year compound annual return.

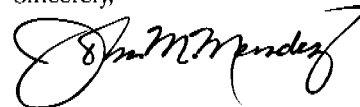
Customer Engagement

These results can only be achieved through a commitment to excellence in customer service. We believe our staff delivers this service and works hard to maintain customer confidence. However, the financial services marketplace is crowded and new competitors appear on a frequent basis. To maintain our competitive advantage, we need to continue to hone our customer service skills and increase staff awareness of the importance of the quality of the customer experience. To this end, we have involved our company and frontline personnel in a collaborative effort designed to elevate the customer experience and increase customer retention and satisfaction. We call it "Customer Engagement." This program is part of our "Breakaway Performance" objective which, if successful, will propel the company to a new level of performance and lead to true competitive advantage.

Acknowledgements

As we close another successful year of operations at First Community Bancshares, we would like to acknowledge the tremendous contribution by a cast of over 800 dedicated and extremely talented and loyal employees, without whom, none of these results would have been achieved. We also extend our thanks to our insightful and very supportive board of directors and to you, our investors, whose confidence in First Community Bancshares forms the foundation of this great company.

Sincerely,



John M. Mendez
President and Chief Executive Officer

we are pleased to report continued strength of financial performance with income from continuing operations of \$26 million led by a \$122 million growth in earning assets and a 9.4% increase in net interest income.

Diluted earnings per share for 2004 were \$1.99 versus \$2.27 in 2003, due primarily to the operations of the mortgage brokerage segment. Diluted earnings per share from continuing operations were \$2.32, down \$.09 from \$2.41 per share for 2003. Return on average equity from continuing operations in 2004 was 14.58%, down from 16.02% in 2003.

Growth and Development

A number of exciting growth initiatives were achieved during 2004. Foremost in the area of growth was the successful acquisition and integration of People's Community Bank in Johnson City, Tennessee. This transaction announced on December 31, 2003, was consummated on March 31, 2004, and resulted in the addition of five full-service operating locations in east Tennessee, and growth in total resources of \$170 million. People's has proven to be a perfect complement to our community banking organization with its personal approach and talented staff of retail and commercial bankers. People's has since opened its sixth branch on Route 11 between Johnson City and Bristol, Tennessee.

De Novo and Commercial Loan Offices

In 2003, First Community launched an aggressive de novo expansion strategy in Winston-Salem, North Carolina, with the acquisition of two branches (University and Waughtown), and the opening of a third branch and administrative offices on First Street. In the first full year of operations, this group of de novo branches has achieved monthly profitability and is poised to contribute to growth and profitability in 2005 and

beyond. We have assembled a very talented team in this new Piedmont Division, which has since added Commercial Loan Offices in Charlotte and Mount Airy, North Carolina.

Additional Commercial Loan Offices have since been established in Norfolk and Blacksburg, Virginia, and in Clarksburg, West Virginia. The use of Commercial Loan Offices has been identified as a lead strategy in the continued expansion of the company within designated markets. This is a very efficient method of establishing a presence in a targeted market and a revenue stream to support future growth.

Branch Development

In-market development also continued in 2004 with the opening of our new Stafford Commons branch in the Princeton, West Virginia, market. This is a new concept, 12,000 square foot financial center designed to deliver retail banking and financial services in an environment that allows customers the comfort and convenience of a coffee lounge, wide-screen financial monitors, wireless Internet access and on-line banking. It also houses a Stone Capital Management office which offers brokerage and wealth management, as well as personal trust account services through our Trust and Financial Services Division.

In December 2004, we completed the acquisition of land in Daniels, West Virginia, which will be the site, pending final regulatory approvals, of our next in-market expansion branch to augment our market presence in the Beckley/Raleigh County, West Virginia, market. This branch will be similar in design to the new Princeton, West Virginia, branch and will serve customers in the eastern portion of Raleigh County.

Asset Quality

In 2004, we continued to report strong measures in overall asset quality with total non-performing



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