LOCATIONS

ARKANSAS

BATESVILLE
1325 Harrison Street 870-612-3400
3 Eagle Mountain Boulevard 870-612-3499
1 Allen Chapel Road 870-612-3480

SEARCY
2401 West Beebe Capps Expy 501-207-6000
800 East Beebe Capps Expy 501-203-2200
2801 East Race Street 501-207-6030

CABOT
3084 Bill Foster Memorial Hwy 501-605-1671

BALD KNOB
159 Highway 167 501-724-2113

CAVE CITY
102 South Main Street 870-283-3190

CHEROKEE VILLAGE/HIGHLAND
1 Iroquois Drive 870-856-4212

MOUNTAIN HOME
310 Highway 62 East 870-425-1507

JONESBORO
1617 South Caraway Road 870-932-5600
630 Southwest Drive 870-932-5600

BAY
306 Elder Street 870-890-2594

LEPANTO
202 Greenwood Avenue 870-475-2306

LITTLE ROCK Lending Center
4900 Kavanaugh Boulevard 501-502-0192

MISSOURI

GOODMAN
110 East Main Street 417-364-7224

NEOSHO
3005 Gardner Edgewood Drive 417-451-2025
230 West Spring Street 417-451-3222

JANE
56 Wright Hill Lane 417-226-5263

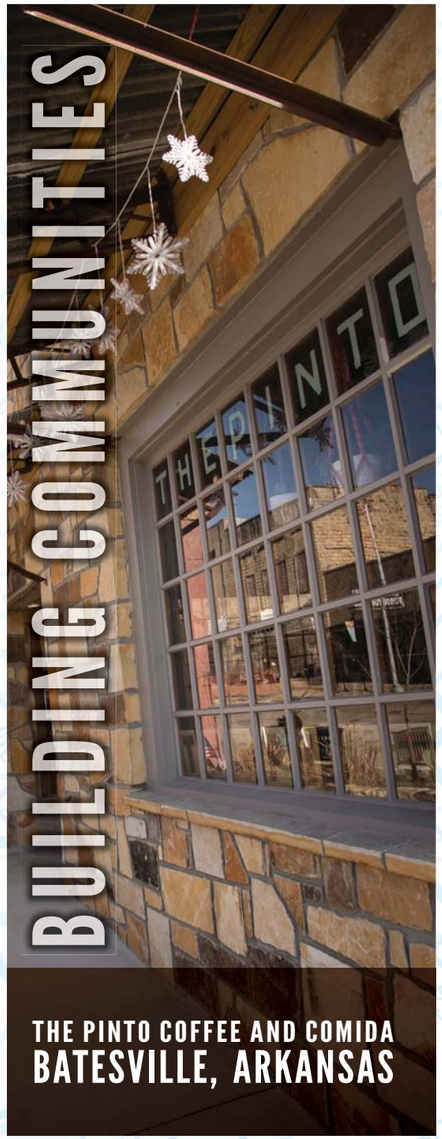
FIRST COMMUNITY BANK
Member FDIC
Where community comes first.

2016

ANNUAL REPORT

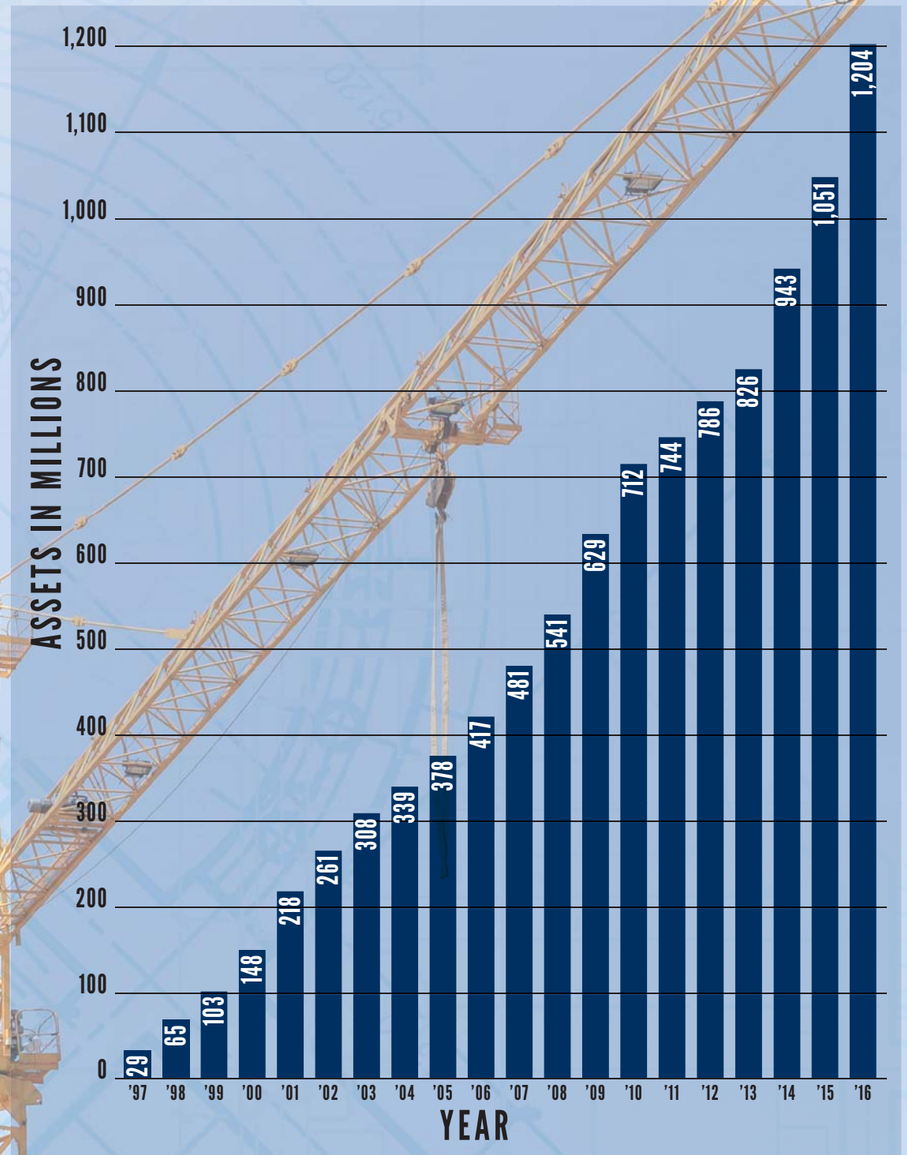
irst Community Bancshares, Inc.

"Dream Builders"



BUILDING ON PAST SUCCESS

ASSETS



RELATIONSHIP BANKING IS A MAJOR BUILDING BLOCK IN OUR SUCCESS.

DALE COLE & BORIS DOVER

We believe that relationship banking is one of the essential building blocks to our success. We have found that customers appreciate our commitment to service excellence. Relationship banking is about holding our customers and our communities at the core of all that we do.

Our commitment goes beyond providing exceptional customer service and great products to our customers; it extends to the many communities where we are privileged to live and work.

When you love what you do, it shows in everything you do. We have the privilege of being "dream builders," and with that comes a great sense of gratification.

It is an honor to present the financial accomplishments of First Community Bancshares, Inc. for 2016.

In the words of one of our directors, "It was an exemplary year." First Community Bancshares achieved record net income of $11.8 million, the strongest results in our 19-year history. The holding company increased assets from $1.05 billion to $1.20 billion, an 14.6 percent increase. As of December 31, 2016, book value for First Community Bancshares' stock was $767.74 per share, up from $689.92 per share in 2015.

On Monday, December 19, First Community Bancshares, Inc. acquired Little River Bancshares, Inc. in Lepanto, Arkansas. Also on that same day, First Community Bank and Little River Bank merged to become one community bank. The conversion of the two core operating systems took place on March 27.

The Little River Bank deposits, coupled with our impressive organic growth, allowed us to maximize our loan growth while maintaining a favorable loan to deposit ratio for 2016. Total deposits grew by 14.1 percent, from $829 million in 2015 to $946 million in 2016. Loans ended at $912 million, a 13.9 percent increase from $801 million in 2015.

Our success would not be possible without the trust and support of our loyal customers, the dedication of our employees, and the guidance provided by our Board of Directors.

Thank you for allowing us to be "dream builders." We will continue to dream and build as we work diligently to take our company to the next level in 2017!

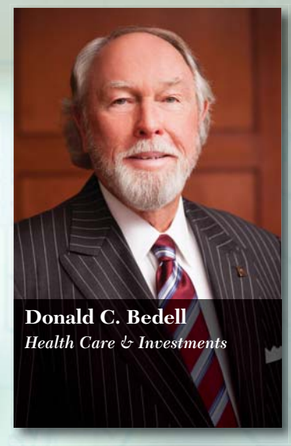
Dale Cole
Chairman, President & CEO
First Community Bancshares, Inc.

Chairman & CEO
First Community Bank

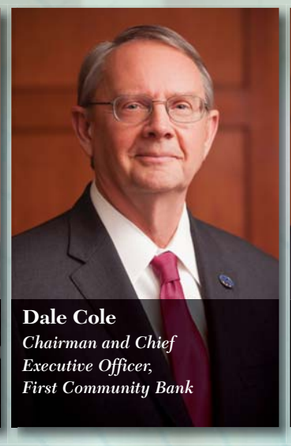
Boris Dover
Executive Vice President
First Community Bancshares, Inc.

President & COO
First Community Bank

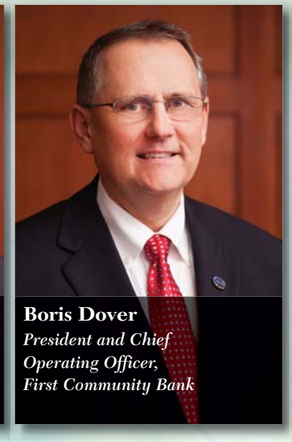
BOARD OF DIRECTORS



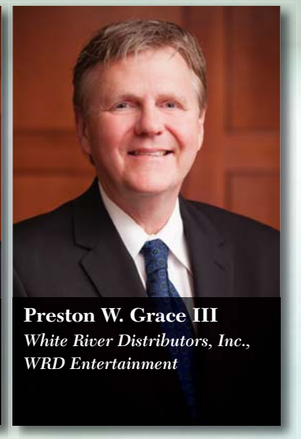
Donald C. Bedell
Health Care & Investments



Dale Cole
Chairman and Chief Executive Officer, First Community Bank

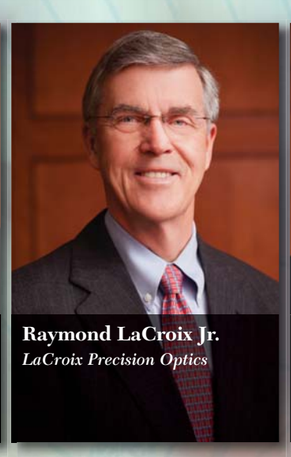


Boris Dover
President and Chief Operating Officer, First Community Bank

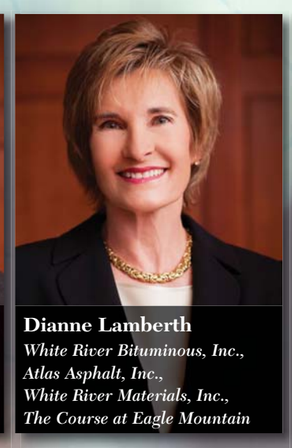


Preston W. Grace III
White River Distributors, Inc., WRD Entertainment

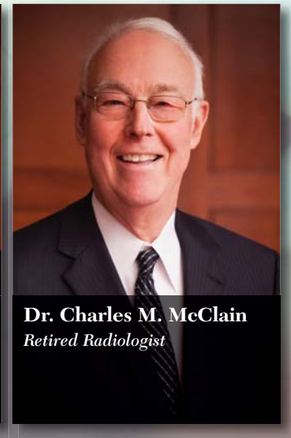
Rick Kent
MidState Investments, LLC



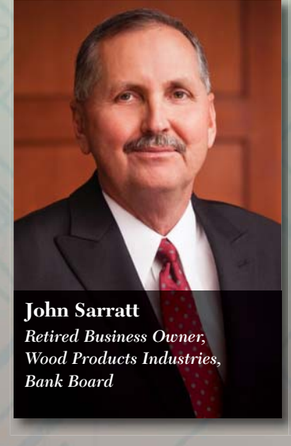
Raymond LaCroix Jr.
LaCroix Precision Optics



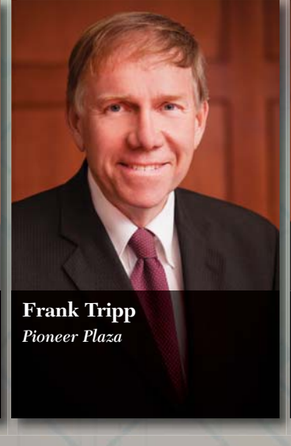
Dianne Lamberth
White River Bituminous, Inc., Atlas Asphalt, Inc., White River Materials, Inc., The Course at Eagle Mountain



Dr. Charles M. McClain
Retired Radiologist

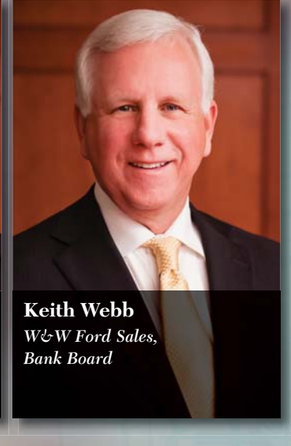


John Sarratt
Retired Business Owner, Wood Products Industries, Bank Board



Frank Tripp
Pioneer Plaza

Sheila Wagnon
H&W Endeavors, BGS Enterprises



Keith Webb
W&W Ford Sales, Bank Board

ZIMMER FAMILY STADIUM VIEW APARTMENTS
JONESBORO, ARKANSAS

HARRISON FAMILY HOME CONSTRUCTION
MOUNTAIN HOME, ARKANSAS

PRESIDENTS

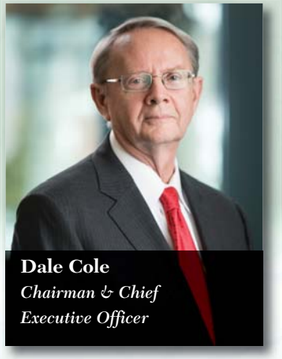
SEATED:

Dale Cole, *Chairman & Chief Executive Officer*
Boris Dover, *President & Chief Operating Officer*

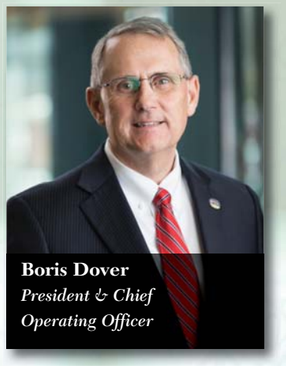
STANDING, LEFT TO RIGHT:

David Wood, *Market President, Searcy/Bald Knob/Cabot*
Steve Dunn, *Community President, Mountain Home*
René Julian, *Community President, Little Rock*
Allen Williams, *Community President, Jonesboro, Bay, Lepanto*
Will Cook, *Community President, Neosho, Goodman, Jane*

LEADERSHIP TEAM



Dale Cole
Chairman & Chief Executive Officer

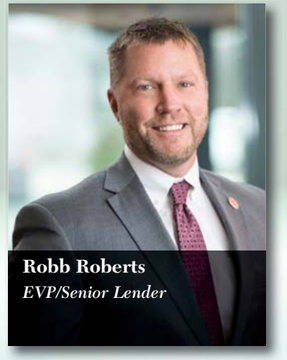


Boris Dover
President & Chief Operating Officer

Jason Taylor
EVP & Chief Financial Officer

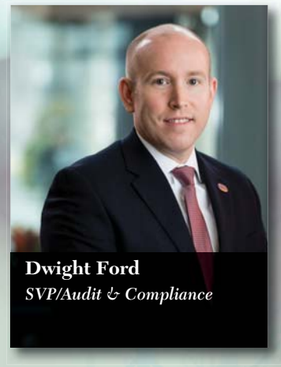
Laura Brissey
EVP/General Counsel

Michelle Reesor
EVP/Director of Risk Management



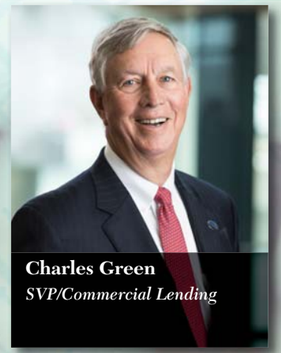
Robb Roberts
EVP/Senior Lender

Laura Cornett
SVP/Marketing & Business Development

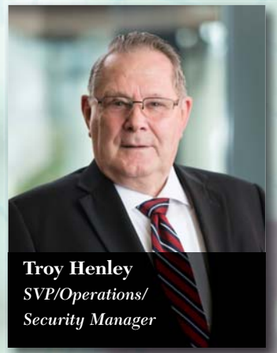


Dwight Ford
SVP/Audit & Compliance

Kenny Gerhardt
SVP/Teller Operations Manager



Charles Green
SVP/Commercial Lending



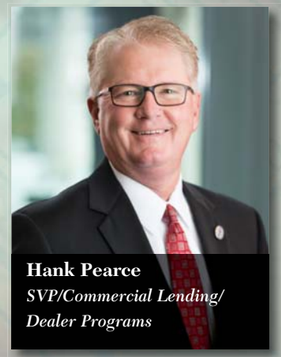
Troy Henley
SVP/Operations/ Security Manager

Paul Hindman
SVP/Senior Credit Officer Jonesboro

Matt House
SVP/Commercial Lending

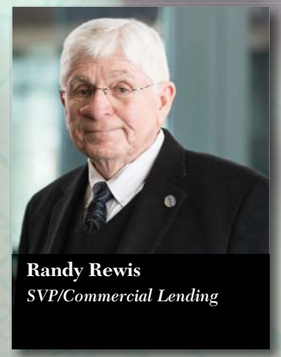
Karl Kemp
SVP/Information Technology

Keith Melson
SVP/Loan Review Officer



Hank Pearce
SVP/Commercial Lending/ Dealer Programs

Tammy Poole
SVP/Retail Banking



Randy Rewis
SVP/Commercial Lending

Jennifer Scarbrough
SVP/Secondary Mortgage Manager

Dewey Shanks
SVP/Commercial Lending

Leann Siler
SVP/Commercial Lending

Judy Swaim
SVP/Operations Manager

Chris Treat
SVP/Trust Manager

Tom Massey
VP/Business Resources

NOT PICTURED:

Ron Carter, *SVP/Commercial Lending*
Steve Wilcoxon, *SVP/Dealer Direct*
Anthony Clark, *SVP/Insurance Manager*

INDEPENDENCE COUNTY OFF ROAD BUILDS STATE-OF-THE-ART DEALERSHIP

Main photo: Dustin Kramer

Dustin Kramer is the architect of a dream. His company, Independence County Off Road, has truly been built from the ground up. From its humble beginning in 2003 in a backyard shop selling used ATV parts on eBay, Dustin has masterminded a business that is now a top retailer of Bad Boy Mowers, Polaris and Can-Am off-road vehicles. In 2016, Dustin's conception of a state-of-the-art facility became reality when he constructed a 36,000 square foot dealership on Batesville Boulevard. Now his blueprint for the future involves growing the business within the industry and realizing the potential of the new facility.

Independence County Off Road works to provide customers with not only great products, but also excellent service that customers are willing to drive hours to experience from Dustin and his staff. They believe in building relationships, not just selling products. After all "they ride what they sell." Independence County Off Road knows that each customer is an individual, so they pay close attention to their needs and interests. From the minute you walk through the door, meeting your needs is their top priority.

"We sell fun," Dustin says. "It is very rewarding to meet customers on the trail somewhere and see a big smile on their face. We have a slogan, #whateverittakes, that lets our customer know we will go the extra mile to earn their business."

Independence County Off Road has assembled an excellent staff who cares about the customer and whose knowledge of the products is second to none.

"We are thankful for the avenues First Community Bank provides the businesses of this community," Kramer said. "First Community Bank is more than a bank that loans money; they have an insurance company, a consumer retail and inventory floor plan financing department as well as other financial services. All of these have provided us with great service for many years."

"It has been my pleasure to work with Dustin from the early stages of his business," said SVP and commercial lender, Leann Siler. "This is a story of a young entrepreneur who I have watched grow up, marry, start a family and build a dynamic business. I'm so proud of Dustin and I know he will continue to dream big, work hard and do many great things. He and his family are like family to me."

A FAMILY-BUILT BUSINESS

Main photo: Kyle McMullin, Cynthia Nicholson and Glendal McMullin

On July 1, 1987, the families of Glendal and Mary Ann McMullin and Dean and Cynthia Nicholson purchased Independence County Abstract Company in historic Batesville, Arkansas. Prior to the purchase, Cynthia and Glendal both worked for the abstract company under the ownership of Fred and Polly Livingston.

In 1987, the business specialized in creating and updating abstracts. However, abstracts became obsolete in 1994, so it began issuing title insurance. Today the company's primary business function is researching real estate records for the purpose of writing title insurance for land purchases and for lenders' mortgages to be placed on the real estate. Along with title insurance, they close all types of real estate transactions, including residential and commercial transactions. They also perform title and mineral searches on real estate.

Glendal and Mary Ann's son, Kyle, grew up around the business. He worked with his Dad and Cynthia during school breaks and decided, after college, that he would like to become a partner in the company. Cynthia was considering scaling back, so the timing was perfect. Kyle bought the Nicholsons' shares on July 1, 2013, and became the second generation McMullin to have ownership in the company. Cynthia remains involved in the company and continues to work a lighter schedule. Mary Ann McMullin, Glendal's wife, has served as treasurer and continues to handle the bookkeeping functions for the company.

"We have been blessed with great employees," Glendal said. "They are committed to very high standards, and they take such great care of our customers."

"We experience those same high standards when dealing with First Community Bank. They have taken care of our loan needs and have always been very helpful in putting on seminars for the latest changes in lending requirements. Just having great relationships with all of the loan officers and their assistants means a lot to us. First Community Bank has always provided great service to us and the community."

"We have built a very strong working relationship with Independence County Abstract over the years," said Dale Cole, First Community Bank's chairman and CEO. "They are a great example of how teamwork, hard work and the willingness to change with times is the secret to success. I know that Kyle will bring another dynamic perspective to the company as they continue to build for the future."

MARK AND ARLENE MARTIN BUILD A FOUNDATION OF HOPE

Main photo: Mark and Arlene Martin
Above: Larry Shaw and Mark Martin in front of Shaw's 5,000th race car

In 2016, Mark and Arlene Martin announced the launch of their philanthropic initiative, Hope for Arkansas, Inc. The foundation was built with the purpose of improving the quality of life for children and families across the state of Arkansas with a strong emphasis on Batesville and Independence County. Their vision is to create a community where the homeless, hungry and impoverished are acknowledged and supported by a united community.

Hope for Arkansas has already begun to make a difference. In December 2016, they donated $10,000 to the Arkansas Foodbank for Independence County families in need.

"The foundation has given us a vehicle for making a difference in a community that we love," said Martin. "Our vision, while focused on Batesville and Independence County, expands across the state of Arkansas. We are very passionate about child advocacy, and every time we can make a difference, it will be a victory unlike any other."

Mark Martin is a NASCAR legend, winning 40 NASCAR Sprint Cup races and 49 XFinity Series races in a 31-year career. Mark was inducted into the NASCAR Hall of Fame in January 2017.

Larry Shaw worked with Mark until he moved on to the NASCAR ranks. Larry later developed a very successful business building race cars. Now everything has come full circle back to Mark Martin, who is the owner of Shaw's 5,000th race car!

"I am very sentimental about the 5,000th car, and I feel certain that it can fuel the growth of the foundation. We have plans to auction the car off soon to benefit the foundation and families of Arkansas."

"I have worked closely with Dale Cole and others at First Community Bank in setting up the foundation. They have been a great resource and friend from the foundation's inception. I know that they too care very much about this community as can be seen in their works," said Martin.

"We are so fortunate that Mark and Arlene Martin have come home to Batesville, Arkansas," said Dale Cole, chairman and CEO of First Community Bank. "What an amazing couple who give their time and talents to help others. Mark and Arlene may have retired from the racing world, but they are most definitely still in the winner's circle."

SONIC DRIVE-IN

The story of Greg Rowden puts into perspective how Sonic associates can realize ownership opportunities within the franchise. Starting as a crew member 36 years ago, Rowden purchased the Sonic on Race Street in Searcy in 1990 and from there has continued to build partnerships and ownership in the company.

In 2001, Ricky Davis, David Hull and Greg Rowden formed Davis, Hull and Rowden, LLC (DHR). Today this group operates 30 DHR Sonics in the state of Arkansas.

"Our DHR mission statement reflects our goals. We want to excel in honoring God in all we do, especially in customer service, community involvement and in offering opportunities for growth to our associates," Rowden said.

"We are beginning to bring along the next generation of leaders, and I am blessed to say that two of them are my sons, Justin and Josh. My partners' children are also great leaders as well as many other longtime, loyal crew members who have also worked their way up in the organization just as I did."

Sonic Corporate considers DHR one of the premiere groups in the chain and has plans to help it to continue unprecedented growth in the years to come. In the last 24 months, DHR has purchased Sonic Drive-In's in Perryville, Harrisburg, Melbourne, Brinkley, Rector, West Helena and Dumas.

"First Community Bank has treated me personally like family," said Rowden. "I have true friendships with people at this bank that started well before I began to borrow money or bank with them. They treat us like we treat our customers."

"Mr. Greg Rowden and the DHR Sonic Group are respected both personally and professionally as leaders in their respective communities," said Dewey Shanks, SVP and commercial lender at First Community Bank. "These men are faith based individuals who work hard and operate at a high level of integrity. It has been a pleasure to watch their well-managed chain of Sonic stores excel in the fast food industry. First Community Bank looks forward to being a financial resource as they continue to build and grow."

Main photo: Justin, Greg and Josh Rowden
Above: Carhop, Taylor Cowles, delivers an order

CRITTCO CABLE & FIBER, INC. BUILT ON COMMUNICATION

Main photo: Barry Brawner and Matt Hale
Above: Crittco truck on a job site

Crittco Cable & Fiber, Inc. began business in February 2002 and incorporated in 2007. They moved to their present location at 2593 Hwy. 163 in Jonesboro, Arkansas, in 2006.

The backbone of the Internet is deployed using fiber optic cable. It is no surprise that fiber optics are the fastest form of broadband technology.

Owners, Barry Brawner and Matt Hale, understand the dynamics of the underground utilities business and know that in the future, more and more of our world will be connected via fiber optics as copper based infrastructures become obsolete.

The company specializes in directional boring, trenching, plowing in cable and also, aerial cable. "Our customers know the jobs we do are always completed to the job specifications and that we take pride in what we do," said Brawner who serves as president of the company. "Our motto is to 'make things look better than when we got there.' We believe in giving our customers more than they expect."

Crittco Cable & Fiber contracts work in Arkansas, Tennessee and Missouri. They continue to grow but are careful not to expand out too far. They treat their employees like extended family and care about them and their families.

"First Community Bank has been a tremendous partner in helping to expand and grow our business operations," said Brawner. "We value our banking relationship at First Community Bank and appreciate the financial support they have given us. First Community Bank shares many of the same values that we do here at Crittco Cable and Fiber. They truly care about their customers and employees just as we do."

"Communication is what ties the world together," said Allen Williams, First Community Bank's Jonesboro community president. "Communication will always be the main building block which ties us all together. Crittco Cable & Fiber, Inc. are experts in the communication field. They are a home-owned company that completes work for some of the nation's largest telecommunication service providers. We are proud to have a local company of this nature servicing the communication needs of our community and far beyond."

BRUMLEY & SONS BUILDING UPON A NOTEWORTHY LEGACY

Main photo: Seated, Tudy and Bob Brumley; Standing, left to right, Betsy Bernier, Kevin Bernier, Brad Johnson and Elaine Johnson
Above: Bob Brumley

Not many companies can claim to have built a legacy quite like that of Albert E. Brumley & Sons Music Publishing. When Mr. Brumley first began writing music in the late 1920s, he never dreamed his songs would touch generations. He most certainly could not have imagined that his song, "I'll Fly Away", would be the most recorded song in history. It has been recorded by a wide range of stars from Elvis Presley to Kanye West, and it continues to be recorded and loved today. Most recently it was the #2 song on the Australian Folk charts in 2014 and was part of the Joey and Rory's Hymns album which won a Grammy for Best Roots/Gospel Album in 2017!

Albert E. Brumley's sons purchased the company from their father in 1976, and then Bob Brumley purchased his brother's share in 1986. Bob and his family continue to build on the foundation laid by his father. He and his wife, Tudy, work closely with their two daughters, Elaine and Betsy, and their husbands, Brad Johnson and Kevin Bernier.

Brumley & Sons is a music publisher of Country, Americana, Bluegrass and Gospel music, while also concert promoters and song book producers. They pursue recordings of their songs by music groups to be used on CDs, downloads, streaming services and in concerts all over the world. Notable people who have recorded their music are Johnny Cash, Alan Jackson, Keith Urban, Aretha Franklin, and many more. "Another thing that sets us apart from other music publishers," Bob states, "is that our songs are used in television and movies."

The company also produces the annual Brumley Gospel Sing, a gospel music festival that will be in its 49th year this August at the Mabee Center in Tulsa, Oklahoma. Their goal is to share the legacy of Albert E. Brumley with the world and to keep his music alive for future generations.

"Every business needs to have a good working relationship with their bank, and since the time it was Goodman State Bank through today, First Community Bank has provided me with the customer service that I need," says Bob. "I'm given personal attention at both branches that I frequent, and they know me."

"Albert E. Brumley and Sons has been producing 'Generations of Great Music Since 1918,' " said Missouri community president, Will Cook. "The Brumley family has been a staple and source of pride to residents of Southwest Missouri. First Community Bank is proud to be able to support Brumley & Sons as they continue to make music history and build upon their musical legacy."

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2015 - 2016

FIRST COMMUNITY BANCSHARES, INC.

ASSETS	2015	2016
CASH AND DUE FROM BANKS	$14,201,474	$24,812,117
INTEREST-EARNING DEPOSITS	$11,675,000	$18,175,000
TOTAL CASH & CASH EQUIVALENTS	$25,876,474	$42,987,117
SECURITIES AVAILABLE FOR SALE	$157,399,783	$173,196,309
SECURITIES BEING HELD TO MATURITY	$105,000	$55,000
TOTAL SECURITIES	$157,504,783	$173,251,309
NET LOANS RECEIVABLE	$800,569,275	$912,199,878
ACCRUED INTEREST RECEIVABLE	$4,744,361	$5,135,066
PREMISES AND EQUIPMENT	$28,650,045	$33,992,912
FORECLOSED ASSETS	$10,212,306	$8,459,500
BANK OWNED LIFE INSURANCE	$10,407,678	$10,674,971
OTHER ASSETS	$12,609,478	$17,578,201
TOTAL ASSETS	$1,050,574,400	$1,204,278,954

LIABILITIES	2015	2016
NON-INTEREST-BEARING TRANSACTION ACCOUNTS	$90,995,607	$108,210,343
INTEREST-BEARING TRANSACTION & SAVINGS ACCOUNTS	$313,103,759	$367,161,541
CERTIFICATES OF DEPOSIT $100,000 AND OVER	$268,850,883	$303,626,964
OTHER TIME DEPOSITS	$156,099,018	$166,760,978
TOTAL DEPOSITS	$829,049,267	$945,759,826
SHORT-TERM BORROWINGS	$39,153,397	$40,984,636
ACCRUED INTEREST PAYABLE	$385,578	$468,749
OTHER LIABILITIES	$5,119,565	$5,839,148
LONG-TERM DEBT	$87,382,234	$112,693,989
TOTAL LIABILITIES	$961,090,041	$1,105,746,348
STOCKHOLDERS' EQUITY		
COMMON STOCK, $1 PAR VALUE, 500,000 SHARES AUTHORIZED 132,219 ISSUED IN 2015 AND 135,681 IN 2016	$132,219	$135,681
CAPITAL IN EXCESS OF PAR VALUE	$30,710,126	$33,642,142
RETAINED EARNINGS	$59,590,081	$69,365,421
NET UNREALIZED GAINS (LOSSES) ON SECURITIES AVAILABLE FOR SALE	$358,564	($3,304,007)
TREASURY SHARES, AT COST, 3,036 SHARES	($1,306,631)	($1,306,631)
TOTAL STOCKHOLDERS' EQUITY	$89,484,359	$98,532,606
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$1,050,574,400	$1,204,278,954

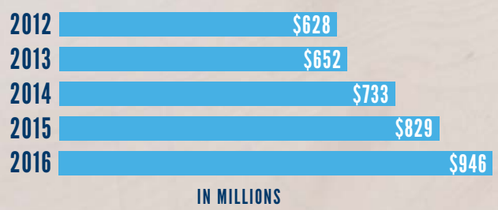
TOTAL ASSETS

IN MILLIONS

TOTAL LOANS

IN MILLIONS

TOTAL DEPOSITS



IN MILLIONS

TOTAL LIABILITIES

IN MILLIONS

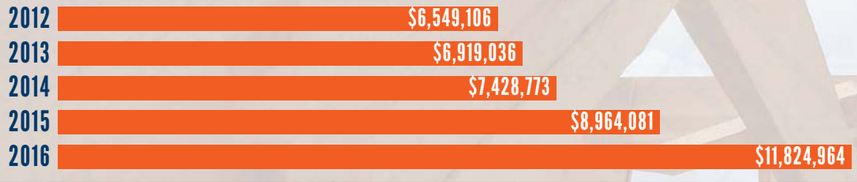
TOTAL STOCKHOLDERS' EQUITY *Excludes unrealized gain/loss on securities*

IN MILLIONS

CONSOLIDATED STATEMENTS OF INCOME
FIRST COMMUNITY BANCSHARES, INC.

	2015	2016
INTEREST INCOME		
INTEREST AND FEES ON LOANS	$38,412,582	$43,328,169
INTEREST AND DIVIDENDS ON SECURITIES	$4,323,154	$4,658,910
	$42,735,736	$47,987,079
INTEREST EXPENSE		
INTEREST ON DEPOSITS	$5,370,616	$6,471,175
INTEREST ON FEDERAL FUNDS PURCHASED AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	$414,275	$452,917
INTEREST ON OTHER BORROWINGS	$1,785,019	$1,954,506
	$7,569,910	$8,878,598
NET INTEREST INCOME	$35,165,826	$39,108,481
PROVISION FOR LOAN LOSSES	($2,805,000)	($4,200,000)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	$32,360,826	$34,908,481
OTHER INCOME		
SERVICE CHARGES ON DEPOSIT ACCOUNTS	$3,236,738	$3,554,650
OTHER SERVICE CHARGES AND FEES	$4,721,954	$5,463,701
INSURANCE COMMISSIONS	$1,058,373	$1,109,821
NET GAIN (LOSS) ON SECURITIES AVAILABLE FOR SALE	$38,883	$49,036
LOSS FROM UNCONSOLIDATED SUBSIDIARY	($1,067,307)	$0
BARGAIN PURCHASE GAIN	$0	$1,635,616
OTHER	$1,641,747	$1,561,058
	$9,630,388	$13,373,882
OTHER EXPENSES		
COMPENSATION AND RELATED EXPENSES	$17,153,172	$19,084,517
NET OCCUPANCY	$2,320,126	$2,482,496
EQUIPMENT AND DATA PROCESSING	$2,950,385	$3,082,887
ADVERTISING AND MARKETING	$1,197,485	$1,252,679
OTHER	$5,830,352	$6,498,023
	$29,451,520	$32,400,602
INCOME BEFORE INCOME TAXES	$12,539,694	$15,881,761
PROVISION FOR INCOME TAXES	($3,575,613)	($4,056,797)
NET INCOME	$8,964,081	$11,824,964

NET INCOME



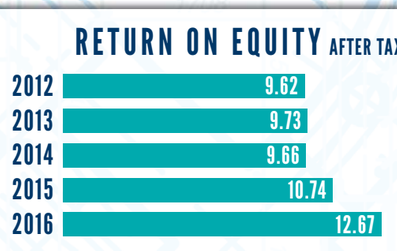
SIGNIFICANT RATIOS
FIRST COMMUNITY BANK

NET INTEREST MARGIN

EFFICIENCY RATIO

RETURN ON ASSETS AFTER TAX

RETURN ON EQUITY AFTER TAX



An audit report and audited financial statement are available upon request from Jason Taylor, EVP & Chief Financial Officer, or Cheryl Smith, Corporate Administration, First Community Bank.