



Highlands Bankshares, Inc.
Quarterly Financial Results
(Unaudited)
As of March 31, 2017

HIGHLANDS BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands of Dollars, Except Per Share Data)

	Three Months Ended March 31,	
	2017	2016
Interest Income		
Interest and fees on loans	\$ 4,253	\$ 4,310
Interest on federal funds sold	16	4
Interest on deposits in other banks	16	20
Interest and dividends on securities	158	172
Total Interest Income	4,443	4,506
Interest Expense		
Interest on deposits	358	406
Interest on borrowed money	36	39
Total Interest Expense	394	445
Net Interest Income	4,049	4,061
Provision for Loan Losses	64	2
Net Interest Income After Provision for Loan Losses	3,985	4,059
Non-interest Income		
Service charges	242	266
Life insurance investment income	59	68
Gains on securities transactions	1	7
Other non-interest income	228	225
Total Non-interest Income	530	566
Non-interest Expense		
Salaries and employee benefits	2,028	1,978
Occupancy and equipment expense	345	369
Data processing expense	453	333
Directors fees	102	103
Legal and professional fees	77	95
Office supplies, postage and freight expense	54	75
FDIC premiums	33	78
Loan and foreclosed asset expense	54	52
Losses on sale of foreclosed property	23	36
Losses on appraisal adjustments of other real estate	28	0
Other non-interest expense	216	210
Total Non-interest Expense	3,413	3,329
Income Before Provision For Income Taxes	1,102	1,296
Provision for Income Taxes	337	412
Net Income	\$ 765	\$ 884
Per Share Data		
Net Income	\$0.57	\$0.66
Cash Dividends	\$0.28	\$0.26
Weighted Average Common Shares Outstanding	1,336,873	1,336,873

The accompanying notes are an integral part of these financial statements.

HIGHLANDS BANKSHARES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
ASSETS		
Cash and due from banks	\$ 10,458	\$ 8,499
Interest bearing deposits in banks	4,934	4,923
Federal funds sold	4,391	3,299
Investment securities available for sale	34,474	32,592
Restricted investments, at cost	839	853
Loans	321,879	326,812
Allowance for loan losses	(3,177)	(3,196)
Bank premises and equipment, net of depreciation	10,642	9,675
Interest receivable	1,253	1,290
Investment in life insurance contracts	8,670	8,611
Foreclosed assets, net of valuation allowance	3,466	3,600
Goodwill	1,534	1,534
Other intangible assets, net of amortization	4	5
Other assets	3,570	3,875
Total Assets	<u>\$ 402,937</u>	<u>\$ 402,372</u>
LIABILITIES		
Deposits		
Non-interest bearing deposits	\$ 82,171	\$ 80,581
Interest bearing transaction and savings accounts	107,778	107,047
Time deposits over \$100,000	56,365	56,766
All other time deposits	91,198	92,705
Total Deposits	<u>337,512</u>	<u>337,099</u>
Long term debt instruments	6,527	6,895
Other short term borrowing	-	-
Accrued expenses and other liabilities	7,467	7,429
Total Liabilities	<u>\$ 351,506</u>	<u>\$ 351,423</u>
STOCKHOLDERS' EQUITY		
Common Stock, \$5 par value, 3,000,000 shares authorized, 1,436,874 shares issued, 1,336,873 shares outstanding	\$ 7,184	\$ 7,184
Surplus	1,662	1,662
Treasury stock (100,001 shares, at cost)	(3,372)	(3,372)
Retained earnings	48,979	48,588
Other accumulated comprehensive loss	(3,022)	(3,113)
Total Stockholders' Equity	<u>\$ 51,431</u>	<u>\$ 50,949</u>
Total Liabilities and Stockholders' Equity	<u>\$ 402,937</u>	<u>\$ 402,372</u>

Highlands Bankshares, Inc

(Unaudited)

March 31, 2017

Highlands Bankshares, Inc. (HBSI) is a registered bank holding company incorporated under the laws of West Virginia. It is the parent company of The Grant County Bank, Capon Valley Bank, and HBI Life Insurance Company. Highlands Bankshares, Inc. operates community banking in West Virginia and Virginia from 12 locations.

The accounting and reporting policies of Highlands Bankshares, Inc. and its subsidiaries (collectively, the Company) conform to accounting principles generally accepted in the United States of America. The consolidated financial statements included herein are for Highlands Bankshares, Inc. and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying interim consolidated financial statements have been prepared under the presumption that users of the interim consolidated financial information have either read or have access to the audited consolidated financial statements of Highlands Bankshares, Inc. and subsidiaries for the year ended December 31, 2016.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are based on information available to management at the time the estimates are made.

The unaudited consolidated financial statements as of March 31, 2017 include, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the financial results for the respective interim periods and are not necessarily indicative of results of operations to be expected for the entire fiscal year.

The Company's critical accounting policies are unchanged since December 31, 2016.