FOR IMMEDIATE RELEASE
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Highlands Bankshares, Inc. Announces First Quarter 2017 Results

Highlands Bankshares, Inc. (OTC: HBSI) announces results of operations for the first quarter of 2017.

Highlands Bankshares, Inc., the parent company of The Grant County Bank and Capon Valley Bank, posted first quarter 2017 earnings of $765,000 or $0.57 per share of common stock outstanding (EPS), compared to $884,000 or $0.66 EPS for the same period of 2016.

On April 11, 2017, the Board of Directors declared a quarterly dividend to shareholders of $0.28 per share. The dividend was payable to all shareholders of record as of April 28, 2017 and was paid on or about May 5, 2017.

Net interest income, on a fully taxable equivalent basis, decreased $7,000 for the first three months of 2017, as compared to the same period in 2016. The decrease in net interest income was driven by the drop in loan rates somewhat offset by decreased interest expenses as a result of a decrease in volume and rates of interest-bearing liabilities. Net interest margin decreased 5.0 basis point to 4.40% at March 31, 2017, from 4.45% at March 31, 2016.

Gross loans decreased $4,933,000 or 1.5% to $321,879,000 at March 31, 2017 from $326,812,000 at December 31, 2016. Comparing loan growth for a one year period ending March 31, 2017, gross loans increased $736,000 or 0.23%. Total non-performing loans and foreclosed properties decreased to 1.80% of total assets as of March 31, 2017 from 1.90% at December 31, 2016. Those same non-performing assets decreased to 14.06% of capital at March 31, 2017 from 15.00% at December 31, 2016.

Return on average assets (ROAA) decreased in 2017 to 0.76%, as compared to 0.88% in the same period of 2016. The return on average equity (ROAE) decreased to 7.11% at March 31, 2017, as compared to 7.18% at December 31, 2016.

Total assets, as of March 31, 2017, increased 0.14% or $565,000 to $402,937,000 compared to December 31, 2016. Total liabilities increased $83,000 as of March 31, 2017 to $351,506,000 compared to December 31, 2016.

Shareholders' Equity at March 31, 2017 was $51,431,000 or $38.47 per outstanding share, compared to December 31, 2016 of $50,949,000 or $38.11 per outstanding share.

John Van Meter, Chairman and Chief Executive Officer of the holding company, stated "The low-interest rate environment continues to provide a challenge for the financial industry. Our level of non-performing loans has decreased and other expenses are continually monitored allowing us to deliver consistent, ongoing returns to our shareholders while maintaining a strong capital position.

"We are trading at slightly over 100% of book value, as our market price continues to increase. During 2016, our market price increased $10.25 or 40.2%. Since year end, the market price has increased an additional $3.47 to the current price of $39.22. Shareholders received an increase of $0.02 in dividends paid this quarter comparing the same quarter of 2016.

"Customers and relationships will drive the banking industry in the future. We continue to focus on ensuring that we meet the needs of our customers in an evolving banking environment and on positioning Highlands for future growth."

Highlands Bankshares, Inc. is listed on the OTC market under the symbol HBSI (http://www.otcmarkets.com) and is the holding company for The Grant County Bank and Capon Valley Bank. Highland's subsidiary banks operate twelve banking locations in West Virginia and Virginia and offer credit insurance through its wholly-owned subsidiary, HBI Life Insurance Company.

Certain statements in this press release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include projections, predictions, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by the use of qualified words (and their derivatives) such as "expect", "believe", "estimate", "plan", "project", "anticipate" or other similar words. Although the company believes that its expectations with respect to certain forward-looking statements are based upon reasonable assumptions within the bounds of its existing knowledge of its business and operations, there can be no assurance that actual results, performance or achievements of the company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual future results and trends may differ materially from historical results or those anticipated depending on a variety of factors, including, but not limited to, the effects of and changes in: general economic conditions, the interest rate environment, legislative and regulatory requirements, competitive pressures, new products and delivery systems, inflation, changes in the stock and bond markets, technology, downturns in the trucking, mining, and timber industries, downturns in the housing market affecting manufacturers of household cabinetry and thus, employment, effects of mergers and/or downsizing in the poultry industry in Hardy County, continued challenges in the current economic environment affecting our financial condition and results of operations, continued deterioration in the financial condition of the U.S. banking system impacting the valuations of investments the company has made in the securities of other financial institutions, and consumer spending and savings habits, particularly in the current economic environment. Additionally, actual future results and trends may differ from historical or anticipated results to the extent: (1) any significant downturn in certain industries, particularly the trucking and timber industries are experienced; (2) loan demand decreases from prior periods; (3) the company may make additional loan loss provisions due to negative credit quality trends in the future that may lead to a deterioration of asset quality; (4) the company may not experience significant recoveries of previously charged-off loans or loans resulting in foreclosure; (5) the company is unable to control costs and expenses as anticipated, (6) legislative and regulatory changes could increase expenses (including changes as a result of rules and regulations adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act); and (7) any additional assessments imposed by the FDIC. The company does not update any forward-looking statements that may be made from time to time by or on behalf of the company.