FOR IMMEDIATE RELEASE
August 8, 2017

Highlands Bankshares, Inc. Announces Second Quarter 2017 Results

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

Highlands Bankshares, Inc., the parent company of The Grant County Bank and Capon Valley Bank, posted second quarter 2017 earnings of $1,600,000 or $1.20 per share of common stock outstanding (EPS), compared to $1,893,000 or $1.42 EPS for the same period of 2016.

On July 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 July 28, 2017 and was paid on or about August 4, 2017.

Net interest income, on a fully taxable equivalent basis, increased $162,000 for the first six months of 2017, as compared to the same period in 2016. The increase in net interest income was driven by the increase in loan volume and drop in volume and rate of interest bearing liabilities. Net interest margin increased 4.0 basis points to 4.49% at June 30, 2017, from 4.45% at June 30, 2016.

Gross loans decreased $3,388,000 or 1.0% to $323,424,000 at June 30, 2017 from $326,812,000 at December 31, 2016. Comparing loan growth for a one year period ending June 30, 2017, gross loans increased $4,348,000 or 1.36%. Total non-performing loans and foreclosed properties as a percentage of total assets remained the same at 1.9% as of June 30, 2017 and December 31, 2016. Those same non-performing assets decreased to 14.8% of capital at June 30, 2017 from 15.0% at December 31, 2016.

Return on average assets (ROAA) decreased in 2017 to 0.79%, as compared to 0.95% in the same period of 2016. The return on average equity (ROAE) decreased to 6.15% at June 30, 2017, as compared to 7.67% at December 31, 2016.

Total assets, as of June 30, 2017, increased 0.3% or $1,065,000 to $403,437,000 compared to December 31, 2016. Total liabilities decreased $73,000 as of June 30, 2017 to $351,350,000 compared to December 31, 2016.

Shareholders' Equity at June 30, 2017 was $52,087,000 or $38.96 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, "Highlands continues to pay higher year over year dividends to our shareholders and we have been pleased with the performance of our common stock, which has increased from $35.75 to $41.00 during the current year. Based on the current stock price, our dividend yield is 2.73%.

"In the communities we serve, we continue to see positive indicators in employment, business activity, and portfolio quality, providing encouragement as we look forward to continued steady improvement for our banks, communities, and shareholders. However, our optimism is somewhat tempered by the knowledge that the current economic recovery, while showing no overt signs of slowing, is already long lived by historic standards. Thus, we remain watchful for signs of any slowdown in economic growth which could affect our markets."

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.