



**FOR IMMEDIATE RELEASE**

March 13, 2018

**Highlands Bankshares, Inc. Announces Yearend 2017 Results**

Highlands Bankshares, Inc. (OTC: HBSI) announces results of operations for the year ended December 31, 2017.

Highlands Bankshares, Inc., the parent company of The Grant County Bank and Capon Valley Bank, posted year ended 2017 earnings of \$2,469,000 or \$1.85 per share of common stock outstanding (EPS), compared to \$3,729,000 or \$2.79 EPS for the same period of 2016.

The drop in net income in 2017 as compared to the prior year was primarily the result of legislation enacted late in 2017. The tax reductions enacted by the Tax Cuts and Jobs Act of 2017 required the company to revalue and write down certain assets on the balance sheet as a result of the lower corporate tax rate. As required by accounting standards, the change in the value was an expense to the company resulting in lower than anticipated net income for the year.

On February 13, 2018, the Board of Directors declared a quarterly dividend to shareholders of \$0.30 per share. The dividend was payable to all shareholders of record as of February 23, 2018 and was paid on or about March 2, 2018.

Net interest income, on a fully taxable equivalent basis, increased \$469,000 during 2017, as compared to the same period in 2016. The increase in net interest income was driven by the increase in volume and rate of loans and an increase in rate of other earning assets combined with a drop in volume and rate of interest bearing liabilities. Net interest margin increased 11.0 basis points to 4.62% at December 31, 2017, from 4.51% at December 31, 2016.

Gross loans increased \$2,306,000 or 0.71% to \$329,118,000 at December 31, 2017 from \$326,812,000 at December 31, 2016. Total non-performing loans and foreclosed properties as a percentage of total assets decreased to 1.63% as of December 31, 2017 from 1.90% at December 31, 2016. Those same non-performing assets decreased to 12.77% of capital at December 31, 2017 from 15.00% at December 31, 2016.

Return on average assets (ROAA) decreased to 0.61% at December 31, 2017 as compared to 0.93% in the same period of 2016. The return on average equity (ROAE) decreased to 4.78% at December 31, 2017, as compared to 7.47% at December 31, 2016. The reduction in the corporate tax rate requiring the write down of certain assets, thereby creating additional expense and lowering net income, was the primary driver in the reduction of both ratios.

Total assets as of December 31, 2017 increased 0.57% or \$2,286,000 to \$404,658,000 compared to December 31, 2016. Total liabilities increased \$1,562,000 as of December 31, 2017 to \$352,985,000 compared to December 31, 2016.

Shareholders' Equity at December 31, 2017 was \$51,673,000 or \$38.65 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 company, stated, “Dividends to our shareholders during 2017 totaled \$1.14 or an increase of \$0.06 as compared to 2016. After the 40.2% increase in the market price of our stock in 2016, our stock increased another 15.4% in 2017 to end the year at \$41.25, marking an all-time high.

“The one-time adjustment to our balance sheet as a result of the Tax Cut and Jobs Act during late 2017 will yield long-term benefits, with the lower corporate tax rate serving to increase our operating income over the next several years, allowing us to invest in our employees and our communities, grow our company, and reward our loyal shareholders.”

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.*