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.