



FOR IMMEDIATE RELEASE

March 14, 2017

Highlands Bankshares, Inc. Announces Year End 2016 Results

Highlands Bankshares, Inc. (OTCQB: HBSI) announces results of operations for the year ended December 31, 2016.

Highlands Bankshares, Inc., the parent company of The Grant County Bank and Capon Valley Bank, posted year ended 2016 earnings of \$3,379,000 or \$2.79 per share of common stock outstanding (EPS), compared to \$3,331,000 or \$2.49 EPS for the same period of 2015.

On February 21, 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 March 3, 2017 and was paid on or about March 10, 2017.

Net interest income, on a fully taxable equivalent basis increased \$364,000 during 2016 as compared to the same period in 2015, as a result of the changes in average rates earned on assets and paid on interest bearing liabilities and the changes in the relative mix of earning assets and interest bearing liabilities. As of December 31, 2016, the Company's average earning assets increased 2.44% compared to the same period in 2015 while average interest bearing liabilities, comparing the same periods, increased 1.11%. The company's net interest margin of 4.51% remained the same year over year as a result of the increase in the volume of earning assets compared to the increase in the volume of interest bearing liabilities offset by the decline of interest income generated from earning assets outpacing the decline of interest expense related to interest bearing liabilities as a result of average rate.

Gross loans increased \$7,446,000 or 2.33% to \$326,812,000 at December 31, 2016 from \$319,366,000 at December 31, 2015. Total non-performing loans and foreclosed properties decreased to 1.90% of total assets as of December 31, 2016 from 2.24% at December 31, 2015. Those same non-performing assets decreased to 15.00% of capital at December 31, 2016 from 18.19% at December 31, 2015.

Return on average assets (ROAA) increased 8 basis points to 0.93% at year-end 2016 compared to 0.85% at the end of 2015. The return on average equity (ROAE) increased to 7.47% at December 31, 2016, as compared to 7.00% at December 31, 2015.

Total assets, as of December 31, 2016, increased 1.15% or \$4,572,000 to \$402,372,000 compared to December 31, 2015. Total liabilities increased \$2,610,000 or 0.75% as of December 31, 2016 to \$351,423,000 compared to December 31, 2015 driven by the increase in loan demand.

Shareholders' Equity at December 31, 2016 was \$50,949,000 or \$38.11 per outstanding share, compared to December 31, 2015 of \$48,987,000 or \$36.64 per outstanding share.

John Van Meter, Chairman and Chief Executive Officer of the holding company, stated "As we reflect on our performance from 2016, we are proud to announce increased earnings and are looking forward to success in 2017. Our loan portfolio quality continues to improve each quarter. We had growth in loans,

deposits, and equity again in 2016. Our well-capitalized status remains a source of comfort to our shareholders and clients alike.

“Dividends to our shareholders during 2016 totaled \$1.08 or an increase of \$0.08 over 2015 dividends paid to shareholders. At year-end, the per share dividend yield was 3.02% demonstrating our commitment to provide our shareholders with a return on their investment while maintaining a strong capital position. Highlands stock traded at \$35.75 as of 12/31/2016 an increase of \$10.25 or 40.2% over the 12/31/2015 market price. Since that time, the market price has increased another \$1.75 to a current price of \$37.50.

“During 2016 each of our subsidiary banks introduced new products to assist our customers with day to day banking. With economic conditions showing signs of improvement in many areas, we look forward to continued progress in 2017 and beyond.”

Highlands Bankshares, Inc. operates twelve banking locations in West Virginia and Virginia through its two wholly-owned subsidiary banks, The Grant County Bank and Capon Valley Bank, and offers insurance services 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.