



Highlands Bankshares, Inc.
Financial Results
As of March 31, 2020

HIGHLANDS BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands of Dollars, Except Per Share Data)

	Quarter Ending March 31,	
	2020	2019
	Unaudited	Unaudited
Interest Income		
Interest and fees on loans	\$ 4,770	\$ 4,717
Interest on federal funds sold	61	50
Interest on deposits in other banks	63	38
Interest and dividends on securities	152	150
Total Interest Income	<u>5,046</u>	<u>4,955</u>
Interest Expense		
Interest on deposits	724	660
Interest on borrowed money	62	75
Total Interest Expense	<u>786</u>	<u>735</u>
Net Interest Income	4,260	4,220
Provision for Loan Losses	167	110
Net Interest Income After Provision for Loan Losses	<u>4,093</u>	<u>4,110</u>
Non-interest Income		
Service charges	325	285
Life insurance investment income	66	67
Gains on securities transactions	21	0
Other non-interest income	274	264
Total Non-interest Income	<u>686</u>	<u>616</u>
Non-interest Expense		
Salaries and employee benefits	2,108	2,056
Occupancy and equipment expense	456	392
Data processing expense	382	499
Directors fees	114	114
Legal and professional fees	141	127
Office supplies, postage and freight expense	61	58
FDIC premiums	2	32
Loan and foreclosed asset expense	77	51
(Gains) losses on sale of foreclosed property	(35)	36
Losses on appraisal adjustments of other real estate	63	167
Other non-interest expense	313	314
Total Non-interest Expense	<u>3,682</u>	<u>3,846</u>
Income Before Provision For Income Taxes	1,097	880
Provision for Income Taxes	224	208
Net Income	<u>\$ 873</u>	<u>\$ 672</u>
Per Share Data		
Net Income	\$0.65	\$0.50
Cash Dividends	\$0.45	\$0.45
Weighted Average Common Shares Outstanding	1,336,873	1,336,873

The accompanying notes are an integral part of these financial statements.

HIGHLANDS BANKSHARES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

	March 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks	\$ 6,301	\$ 5,524
Interest bearing deposits in banks	19,253	11,904
Federal funds sold	13,645	8,358
Investment securities available for sale	29,247	24,800
Restricted investments, at cost	1,843	1,077
Loans	331,595	339,452
Allowance for loan losses	(3,178)	(3,218)
Bank premises and equipment, net of depreciation	12,681	12,771
Interest receivable	1,416	1,323
Investment in life insurance contracts	9,212	9,146
Foreclosed assets, net of valuation allowance	2,809	3,166
Goodwill	1,534	1,534
Other intangible assets, net of amortization	29	32
Other assets	2,784	3,015
Total Assets	\$ 429,171	\$ 418,884
LIABILITIES		
Deposits		
Non-interest bearing deposits	\$ 89,264	\$ 85,326
Interest bearing transaction and savings accounts	118,793	116,885
Time deposits over \$250,000	23,647	21,082
All other time deposits	124,915	123,999
Total Deposits	356,619	347,292
Long term debt instruments	8,231	8,721
Other short term borrowing	-	-
Accrued expenses and other liabilities	9,266	8,199
Total Liabilities	\$ 374,116	\$ 364,212
STOCKHOLDERS' EQUITY		
Common Stock, \$5 par value, 3,000,000 shares authorized, 1,436,874 shares issued, 1,336,873 shares outstanding	\$ 7,184	\$ 7,184
Surplus	1,662	1,662
Treasury stock (100,001 shares, at cost)	(3,372)	(3,372)
Retained earnings	53,322	53,050
Other accumulated comprehensive loss	(3,741)	(3,852)
Total Stockholders' Equity	\$ 55,055	\$ 54,672
Total Liabilities and Stockholders' Equity	\$ 429,171	\$ 418,884

The accompanying notes are an integral part of these financial statements

HIGHLANDS BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Three Months Ended March 31, 2020 and 2019
(In Thousands of Dollars)

	<u>Common</u> <u>Stock</u>	<u>Surplus</u>	<u>Treasury</u> <u>Stock</u>	<u>Retained</u> <u>Earnings</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income (Loss)</u>	<u>Total</u>
Balances at December 31, 2018	\$ 7,184	\$ 1,662	\$ (3,372)	\$ 51,930	\$ (4,124)	\$ 53,280
Comprehensive Income						
Net Income				672		672
Tax Reform Reclassification						0
Total Other Comprehensive Income					165	165
Dividends Paid				(601)		(601)
Balances at March 31, 2019	<u>\$ 7,184</u>	<u>\$ 1,662</u>	<u>\$ (3,372)</u>	<u>\$ 52,001</u>	<u>\$ (3,959)</u>	<u>\$ 53,516</u>
Balances at December 31, 2019	\$ 7,184	\$ 1,662	\$ (3,372)	\$ 53,050	\$ (3,852)	\$ 54,672
Comprehensive Income						
Net Income				873		873
Total Other Comprehensive Income					111	111
Dividends Paid				(601)		(601)
Balances at March 31, 2020	<u>\$ 7,184</u>	<u>\$ 1,662</u>	<u>\$ (3,372)</u>	<u>\$ 53,322</u>	<u>\$ (3,741)</u>	<u>\$ 55,055</u>

The accompanying notes are an integral part of these financial statements

Highlands Bankshares, Inc

(Unaudited)

March 31, 2020

Highlands Bankshares, Inc. (HBSI) is a registered bank holding company incorporated under the laws of West Virginia. It is the parent company of The Grant County Bank, Capon Valley Bank, and HBI Life Insurance Company. Highlands Bankshares, Inc. operates community banking in West Virginia and Virginia from 12 locations.

The accounting and reporting policies of Highlands Bankshares, Inc. and its subsidiaries (collectively, the Company) conform to accounting principles generally accepted in the United States of America. The consolidated financial statements included herein are for Highlands Bankshares, Inc. and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying interim consolidated financial statements have been prepared under the presumption that users of the interim consolidated financial information have either read or have access to the audited consolidated financial statements of Highlands Bankshares, Inc. and subsidiaries for the year ended December 31, 2019.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are based on information available to management at the time the estimates are made.

The unaudited consolidated financial statements as of March 31, 2020 include, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the financial results for the respective interim periods and are not necessarily indicative of results of operations to be expected for the entire fiscal year.

The Company's critical accounting policies are unchanged since December 31, 2019.