

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

|  | Quarter Ending June 30, |                 |
|--|-------------------------|-----------------|
|  | 2020                    | 2019            |
|  | Unaudited               | Unaudited       |
| Interest Income                                      |                         |                 |
| Interest and fees on loans                           | \$ 9,529                | \$ 9,567        |
| Interest on federal funds sold                       | 67                      | 94              |
| Interest on deposits in other banks                  | 121                     | 86              |
| Interest and dividends on securities                 | 311                     | 331             |
| Total Interest Income                                | <u>10,028</u>           | <u>10,078</u>   |
| Interest Expense                                     |                         |                 |
| Interest on deposits                                 | 1,376                   | 1,369           |
| Interest on borrowed money                           | 121                     | 143             |
| Total Interest Expense                               | <u>1,497</u>            | <u>1,512</u>    |
| Net Interest Income                                  | 8,531                   | 8,566           |
| Provision for Loan Losses                            | 472                     | 338             |
| Net Interest Income After Provision for Loan Losses  | <u>8,059</u>            | <u>8,228</u>    |
| Non-interest Income                                  |                         |                 |
| Service charges                                      | 510                     | 602             |
| Life insurance investment income                     | 132                     | 134             |
| Gains on securities transactions                     | 28                      | 0               |
| Other non-interest income                            | 574                     | 536             |
| Total Non-interest Income                            | <u>1,244</u>            | <u>1,272</u>    |
| Non-interest Expense                                 |                         |                 |
| Salaries and employee benefits                       | 4,210                   | 4,079           |
| Occupancy and equipment expense                      | 905                     | 772             |
| Data processing expense                              | 774                     | 1024            |
| Directors fees                                       | 222                     | 226             |
| Legal and professional fees                          | 242                     | 236             |
| Office supplies, postage and freight expense         | 112                     | 111             |
| FDIC premiums  | 28                      | 62              |
| Loan and foreclosed asset expense                    | 189                     | 239             |
| (Gains) on sale of foreclosed property               | (25)                    | (29)            |
| Losses on appraisal adjustments of other real estate | 108                     | 175             |
| Other non-interest expense                           | 625                     | 639             |
| Total Non-interest Expense                           | <u>7,390</u>            | <u>7,534</u>    |
| Income Before Provision For Income Taxes             | 1,913                   | 1,966           |
| Provision for Income Taxes                           | 374                     | 471             |
| Net Income   | <u>\$ 1,539</u>         | <u>\$ 1,495</u> |
| Per Share Data                                       |                         |                 |
| Net Income   | \$1.15                  | \$1.12          |
| Cash Dividends                                       | \$0.90                  | \$0.90          |
| 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)

|   | June 30, 2020     | December 31, 2019 |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| Cash and due from banks   | \$ 5,684          | \$ 5,524          |
| Interest bearing deposits in banks  | \$ 26,850         | 11,904            |
| Federal funds sold  | \$ 11,579         | 8,358             |
| Investment securities available for sale  | \$ 35,141         | 24,800            |
| Restricted investments, at cost   | \$ 1,825          | 1,077             |
| Loans   | \$ 345,207        | 339,452           |
| Allowance for loan losses   | \$ (3,382)        | (3,218)           |
| Bank premises and equipment, net of depreciation  | \$ 12,573         | 12,771            |
| Interest receivable   | \$ 1,566          | 1,323             |
| Investment in life insurance contracts  | \$ 9,278          | 9,146             |
| Foreclosed assets, net of valuation allowance   | \$ 2,983          | 3,166             |
| Goodwill  | \$ 1,534          | 1,534             |
| Other intangible assets, net of amortization  | \$ 37             | 32                |
| Other assets  | \$ 2,884          | 3,015             |
| <b>Total Assets</b>   | <b>\$ 453,759</b> | <b>\$ 418,884</b> |
| <b>LIABILITIES</b>  |                   |                   |
| <b>Deposits</b>   |                   |                   |
| Non-interest bearing deposits   | \$ 102,555        | \$ 85,326         |
| Interest bearing transaction and savings accounts   | \$ 133,521        | 116,885           |
| Time deposits over \$250,000  | \$ 22,284         | 21,082            |
| All other time deposits   | \$ 122,911        | 123,999           |
| <b>Total Deposits</b>   | <b>\$ 381,271</b> | <b>347,292</b>    |
| Long term debt instruments  | \$ 7,737          | 8,721             |
| Other short term borrowing  | \$ -              |                   |
| Accrued expenses and other liabilities  | \$ 9,223          | 8,199             |
| <b>Total Liabilities</b>  | <b>\$ 398,231</b> | <b>\$ 364,212</b> |
| <b>STOCKHOLDERS' EQUITY</b>   |                   |                   |
| 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   | \$ 1,667          | 1,662             |
| Treasury stock (100,001 shares, at cost)  | \$ (3,372)        | (3,372)           |
| Retained earnings   | \$ 53,385         | 53,050            |
| Other accumulated comprehensive loss  | \$ (3,336)        | (3,852)           |
| <b>Total Stockholders' Equity</b>   | <b>\$ 55,528</b>  | <b>\$ 54,672</b>  |
| <b>Total Liabilities and Stockholders' Equity</b>   | <b>\$ 453,759</b> | <b>\$ 418,884</b> |

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| Net Interest Income                                 | \$ 8,531                | \$ 8,566  |
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| Net Interest Income After Provision for Loan Losses | \$ 8,059                | \$ 8,228  |
| Total Non-interest Income                           | \$ 1,244                | \$ 1,272  |
| Total Non-interest Expense                          | \$ 7,390                | \$ 7,534  |
| Income Before Provision For Income Taxes            | \$ 1,913                | \$ 1,966  |
| Provision for Income Taxes                          | \$ 374                  | \$ 471    |
| Net Income  | \$ 1,539                | \$ 1,495  |

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| Other assets                                      | \$ 2,884      | \$ 3,015          |
| Total Assets                                      | \$ 453,759    | \$ 418,884        |
| <b>LIABILITIES</b>                                |               |                   |
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| Total Liabilities                                 | \$ 398,231    | \$ 364,212        |

STOCKHOLDERS' EQUITY

|  |    |                       |    |                       |
|--|----|-----------------------|----|-----------------------|
| Common Stock, \$5 par value, 3,000,000 shares<br>authorized, 1,436,874 shares issued, 1,336,873 shares outstanding | \$ | 7,184                 | \$ | 7,184                 |
| Surplus  | \$ | 1,667                 | \$ | 1,662                 |
| Treasury stock (100,001 shares, at cost)   | \$ | (3,372)               | \$ | (3,372)               |
| Retained earnings  | \$ | 53,385                | \$ | 53,050                |
| Other accumulated comprehensive loss   | \$ | (3,336)               | \$ | (3,852)               |
| Total Stockholders' Equity   | \$ | <u>55,528</u>         | \$ | <u>54,672</u>         |
| <br>Total Liabilities and Stockholders' Equity   | \$ | <u><u>453,759</u></u> | \$ | <u><u>418,884</u></u> |