



Highlands Bankshares, Inc.
Financial Results
As of March 31, 2023

Unaudited

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

	Quarter Ending March 31,	
	2023	2022
	Unaudited	Unaudited
Interest Income		
Interest and fees on loans	\$ 4,873	\$ 4,338
Interest on federal funds sold	125	11
Interest on deposits in other banks	60	48
Interest and dividends on securities	483	434
Total Interest Income	<u>5,541</u>	<u>4,831</u>
Interest Expense		
Interest on deposits	854	353
Interest on borrowed money	22	38
Total Interest Expense	<u>876</u>	<u>391</u>
Net Interest Income	4,665	4,440
Provision for Loan Losses	84	21
Net Interest Income After Provision for Loan Losses	<u>4,581</u>	<u>4,419</u>
Non-interest Income		
Service charges	288	279
Life insurance investment income	64	63
(Losses) on securities transactions	(470)	0
Other non-interest income	459	376
Total Non-interest Income	<u>341</u>	<u>718</u>
Non-interest Expense		
Salaries and employee benefits	2,086	2,246
Occupancy and equipment expense	460	454
Data processing expense	551	473
Directors fees	125	112
Legal and professional fees	143	154
Office supplies, postage and freight expense	69	62
FDIC premiums	38	39
Loan and foreclosed asset expense	60	52
(Gains) on sale of foreclosed property	(4)	0
Losses on appraisal adjustments of other real estate	0	0
Other non-interest expense	463	380
Total Non-interest Expense	<u>3,991</u>	<u>3,972</u>
Income Before Provision For Income Taxes	931	1,165
Provision for Income Taxes	149	248
Net Income	<u>\$ 782</u>	<u>\$ 917</u>
Per Share Data		
Net Income	\$0.58	\$0.68
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, 2023	December 31, 2022
ASSETS		
Cash and due from banks	\$ 4,996	\$ 4,815
Interest bearing deposits in banks	\$ 19,383	\$ 13,670
Federal funds sold	\$ 2,813	\$ 17,963
Investment securities available for sale	\$ 93,974	\$ 96,241
Restricted investments, at cost	\$ 3,187	\$ 3,487
Loans	\$ 368,929	\$ 366,929
Allowance for loan losses	\$ (4,170)	\$ (3,127)
Bank premises and equipment, net of depreciation	\$ 11,249	\$ 11,412
Interest receivable	\$ 1,777	\$ 1,756
Investment in life insurance contracts	\$ 9,987	\$ 9,922
Foreclosed assets, net of valuation allowance	\$ 26	\$ 30
Goodwill	\$ 1,534	\$ 1,534
Other intangible assets, net of amortization	\$ 33	\$ 29
Other assets	\$ 2,744	\$ 2,761
Total Assets	\$ 516,462	\$ 527,422
LIABILITIES		
Deposits		
Non-interest bearing deposits	\$ 132,548	\$ 136,559
Interest bearing transaction and savings accounts	\$ 206,827	\$ 204,171
Time deposits over \$250,000	\$ 13,555	\$ 13,905
All other time deposits	\$ 99,184	\$ 100,669
Total Deposits	\$ 452,114	\$ 455,304
Long term debt instruments	\$ 5,208	\$ 12,000
Other short term borrowing	\$ -	\$ -
Accrued expenses and other liabilities	\$ 4,925	\$ 5,095
Total Liabilities	\$ 462,247	\$ 472,399
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	\$ 58,059	\$ 58,842
Other accumulated comprehensive loss	\$ (9,318)	\$ (9,293)
Total Stockholders' Equity	\$ 54,215	\$ 55,023
Total Liabilities and Stockholders' Equity	\$ 516,462	\$ 527,422

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, 2023 and 2022
(In Thousands of Dollars)

	<u>Common Stock</u>	<u>Surplus</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
Balances at December 31, 2021	\$ 7,184	\$ 1,662	\$ (3,372)	\$ 56,822	\$ (2,871)	\$ 59,425
Comprehensive Income						
Net Income				917		917
Total Other Comprehensive Income					(3,493)	(3,493)
Dividends Paid				(602)		(602)
Balances at March 31, 2022	<u>\$ 7,184</u>	<u>\$ 1,662</u>	<u>\$ (3,372)</u>	<u>\$ 57,137</u>	<u>\$ (6,364)</u>	<u>\$ 56,247</u>
Balances at December 31, 2022	\$ 7,184	\$ 1,662	\$ (3,372)	\$ 58,842	\$ (9,293)	\$ 55,023
Comprehensive Income						
Net Income				782		782
Total Other Comprehensive Income					(25)	(25)
Dividends Paid				(602)		(602)
CECL Adjustment				(964)		(964)
Balances at March 31, 2023	<u>\$ 7,184</u>	<u>\$ 1,662</u>	<u>\$ (3,372)</u>	<u>\$ 58,059</u>	<u>\$ (9,318)</u>	<u>\$ 54,215</u>

The accompanying notes are an integral part of these financial statements

Highlands Bankshares, Inc
(Unaudited)
March 31, 2023

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, 2022.

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, 2023 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, 2022.