

Highlands Bankshares, Inc.
Quarterly Financial Results
(Unaudited)
As of March 31, 2015

Highlands Bankshares, Inc

(Unaudited)

March 31, 2015

Highlands Bankshares, Inc. (HBSI) is a registered bank holding company incorporated under the laws of West Virginia. It is the parent company of 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, 2014.

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, 2015 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, 2014.

PART I.
Item 1. Financial Statements

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

	Three Months Ended March 31,	
	2015 (unaudited)	2014 (unaudited)
Interest Income		
Interest and fees on loans	$ 4,164	$ 4,244
Interest on federal funds sold	5	4
Interest on deposits in other banks	17	9
Interest and dividends on securities	184	136
Total Interest Income	4,370	4,393
Interest Expense		
Interest on deposits	435	487
Interest on borrowed money	29	32
Total Interest Expense	464	519
Net Interest Income	3,906	3,874
Provision for Loan Losses	(96)	159
Net Interest Income After Provision for Loan Losses	4,002	3,715
Non-interest Income		
Service charges	248	280
Life insurance investment income	66	67
Other non-interest income	147	188
Total Non-interest Income	461	535
Non-interest Expense		
Salaries and employee benefits	1,989	1,848
Occupancy and equipment expense	338	365
Data processing expense	350	317
Directors fees	84	83
Legal and professional fees	77	117
Office supplies, postage and freight expense	69	71
FDIC premiums	83	98
Loan and foreclosed asset expense	63	108
Losses on sale of foreclosed property, net	20	21
Losses on impairment of other real estate	0	103
Other non-interest expense	247	236
Total Non-interest Expense	3,320	3,367
Income Before Provision For Income Taxes	1,143	883
Provision for Income Taxes	388	289
Net Income	$ 755	$ 594
Per Share Data		
Net Income	$ 0.56	$ 0.44
Cash Dividends	$ 0.25	$ 0.15
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, 2015 (unaudited)	December 31, 2014 (audited)
ASSETS		
Cash and due from banks	$ 14,019	$ 10,979
Interest bearing deposits in banks	6,896	6,534
Federal funds sold	1,434	804
Investment securities available for sale, at fair value	37,644	39,610
Restricted investments, at cost	698	711
Loans	306,394	304,474
Allowance for loan losses	(4,116)	(4,510)
Bank premises and equipment, net of accumulated depreciation	8,732	8,535
Interest receivable	1,319	1,345
Investment in life insurance contracts	8,165	8,099
Foreclosed assets, net of valuation allowance	4,646	4,946
Goodwill	1,534	1,534
Other intangible assets, net of accumulated amortization	104	146
Other assets	4,592	4,886
Total Assets	$ 392,061	$ 388,093
LIABILITIES		
Deposits		
Non-interest bearing deposits	$ 73,319	$ 71,570
Interest bearing transaction and savings accounts	98,406	97,032
Time deposits over $100,000	57,500	54,963
All other time deposits	103,582	105,668
Total Deposits	332,807	329,233
Long term debt instruments	3,663	3,920
Other short term borrowing	0	0
Accrued expenses and other liabilities	8,335	8,166
Total Liabilities	$ 344,805	$ 341,319
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	44,729	44,309
Other accumulated comprehensive loss	(2,947)	(3,009)
Total Stockholders' Equity	$ 47,256	$ 46,774
Total Liabilities and Stockholders' Equity	$ 392,061	$ 388,093

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