

Highlands Bankshares, Inc.
Quarterly Financial Results
(Unaudited)
As of June 30, 2015

Highlands Bankshares, Inc

(Unaudited)

June 30, 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 June 30, 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)

	Six Months Ended June 30,	
	2015 (unaudited)	2014 (unaudited)
Interest Income		
Interest and fees on loans	$ 8,470	$ 8,489
Interest on federal funds sold	10	11
Interest on deposits in other banks	39	26
Interest and dividends on securities	355	293
Total Interest Income	8,874	8,819
Interest Expense		
Interest on deposits	857	971
Interest on borrowed money	56	64
Total Interest Expense	913	1,035
Net Interest Income	7,961	7,784
Provision for Loan Losses	(96)	162
Net Interest Income After Provision for Loan Losses	8,057	7,622
Non-interest Income		
Service charges	522	584
Life insurance investment income	132	130
Gains on security transactions	2	0
Other non-interest income	396	381
Total Non-interest Income	1,052	1,095
Non-interest Expense		
Salaries and employee benefits	3,949	3,666
Occupancy and equipment expense	649	704
Data processing expense	705	654
Directors fees	167	166
Legal and professional fees	196	218
Office supplies, postage and freight expense	157	152
FDIC premiums	165	196
Loan and foreclosed asset expense	137	192
(Gains) Losses on sale of foreclosed property, net	33	(17)
Appraisal adjustments of other real estate owned	21	212
Other non-interest expense	553	519
Total Non-interest Expense	6,732	6,662
Income Before Provision For Income Taxes	2,377	2,055
Provision for Income Taxes	791	679
Net Income	$ 1,586	$ 1,376
Per Share Data		
Net Income	$ 1.19	$ 1.03
Cash Dividends	$ 0.50	$ 0.30
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, 2015 (unaudited)	December 31, 2014 (audited)
ASSETS		
Cash and due from banks	$ 9,214	$ 10,979
Interest bearing deposits in banks	7,130	6,534
Federal funds sold	1,555	804
Investment securities available for sale, at fair value	40,020	39,610
Restricted investments, at cost	688	711
Loans	306,254	304,474
Allowance for loan losses	(4,079)	(4,510)
Bank premises and equipment, net of accumulated depreciation	8,609	8,535
Interest receivable	1,317	1,345
Investment in life insurance contracts	8,231	8,099
Foreclosed assets, net of valuation allowance	4,265	4,946
Goodwill	1,534	1,534
Other intangible assets, net of accumulated amortization	61	146
Other assets	4,759	4,886
Total Assets	$ 389,558	$ 388,093
LIABILITIES		
Deposits		
Non-interest bearing deposits	$ 72,948	$ 71,570
Interest bearing transaction and savings accounts	98,504	97,032
Time deposits over $100,000	56,614	54,963
All other time deposits	102,021	105,668
Total Deposits	330,087	329,233
Long term debt instruments	3,404	3,920
Other short term borrowing	0	0
Accrued expenses and other liabilities	8,406	8,166
Total Liabilities	$ 341,897	$ 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	45,226	44,309
Other accumulated comprehensive loss	(3,039)	(3,009)
Total Stockholders' Equity	$ 47,661	$ 46,774
Total Liabilities and Stockholders' Equity	$ 389,558	$ 388,093