

Board of Governors of the Federal Reserve System

Parent Company Only Financial Statements for Small Holding Companies - FR Y-9SP

Report at the close of business as of the last calendar day of June and December

This Report is required by law: Section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844) and Section 225.5(b) of Regulation Y [12 CFR 225.5(b)] and Section 10 of the Home Owner's Loan Act(12 U.S.C1467a(b)).

This report form is to be filed by the parent company of small holding companies. For purposes of this report, small holding companies are holding companies that have total consolidated assets of less than \$1 billion, except holding companies that

meet certain criteria to file the Consolidated Financial Statement for Holding Companies (FR Y-9C). When such holding companies are tiered holding companies, separate reports are also to be filed by each of the subsidiary holding companies. The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

NOTE: The Parent Company Only Financial Statements for *Small Holding Companies must be signed and attested by the Chief Financial Officer (CFO) of the reporting holding company (or by the individual performing this equivalent function).*

Date of Report:

December 31, 2016

Month / Day / Year (BHSP 9999)

I, the undersigned CFO (or equivalent) of the named holding company, attest that the Parent Company Only Financial Statements for Small Holding Companies for this report date have been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

Tammy L. Kesner

Printed Name of Chief Financial Officer (or Equivalent) (BHSP C490)

Signature of Chief Financial Officer (or Equivalent)

01/30/2017

Date of Signature (MM/DD/YYYY) (BHSX J196)

Highlands Bankshares, Inc.

Legal Title of Holding Company (TEXT 9010)

P.O. Box 929

(Mailing Address of the Holding Company) Street / P.O. Box (TEXT 9110)

Petersburg, WV 26847

City (TEXT 9130) State (TEXT 9200) Zip Code (TEXT 9220)

Holding companies must maintain in their files a manually signed and attested printout of the data submitted.

For Federal Reserve Bank Use Only

RSSD ID _____

C.I. _____ S.F. _____

Person to whom questions about this report should be directed:

Tammy L. Kesner, Chief Financial Officer

Name / Title (BHSX 8901)

(304) 257-4111

Area Code / Phone Number (BHSX 8902)

(304) 257-4386

Area Code / FAX Number (BHSX 9116)

tkesner@grantcountybank.com

E-mail Address of Contact (BHSX 4086)

Public reporting burden for this information collection is estimated to vary from 1.5 to 8 hours per response, with an average of 5.4 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection.

Comments regarding this burden estimate or any other aspect of this information collection, including suggestions for reducing the burden, may be sent to Secretary, Board of Governors of the Federal Reserve System, 20th and C streets, NW Washington, D.C. 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0128), Washington, D.C. 20503.

For Federal Reserve Bank Use Only
RSSD Number _____
C.I. _____ S.F. _____

The Income Statement is to be reported on a calendar year-to-date basis in thousands of dollars.

Schedule SI - Income Statement

Dollar Amounts in Thousands	BHSP	Amount	
1. Income from bank subsidiary(ies):			
a. Dividends	0508	1,672	1.a.
b. Other income	2111	272	1.b.
2. Income from nonbank subsidiary(ies):			
a. Dividends	0523	0	2.a.
b. Other income	0530	5	2.b.
3. Income from subsidiary holding company(ies): [1]			
a. Dividends	0206	N/A	3.a.
b. Other income	1283	N/A	3.b.
4. Other income	0447	0	4
5. TOTAL OPERATING INCOME (Sum of items 1, 2, 3, and 4)	4000	1,949	5
6. Interest expense	4073	0	6
7. Other expenses	4093	443	7
8. TOTAL OPERATING EXPENSE (Sum of items 6 and 7)	4130	443	8
9. Income (loss) before income taxes and before undistributed income of subsidiary(ies) (Item 5 minus item 8)	4250	1,506	9
10. Applicable income taxes (benefits) (estimated) (See instructions)	4302	-61	10
11. Income (loss) before undistributed income of subsidiary(ies) (item 9 minus item 10)	0496	1,567	11
12. Equity in undistributed income (loss) of subsidiary(ies): (See instructions)			
a. Bank subsidiary(ies)	3156	2,119	12.a.
b. Nonbank subsidiary(ies)	2112	43	12.b.
c. Subsidiary holding company(ies)[1]	3513	N/A	12.c.
13. Net income (loss) (Sum of items 11 and 12)	4340	3,729	13
MEMORANDA			
1. Cash dividends (or non-taxable distributions) declared by the holding company to its shareholders	3158	1,444	M.1.
2. Does the reporting holding company have a Subchapter S election in effect for federal income tax purposes for the current tax year? (Enter "YES" or "NO")	BHSP A530	NO	M.2.
3. Interest expense paid to special-purpose subsidiaries that issued trust preferred securities (included in item 7 above)	BHSP C254	0	M.3.
<i>Memorandum item 4 is to be completed by holding companies that have elected to account for financial instruments or servicing assets and liabilities at fair value under a fair value option.</i>			
4. Net change in fair values of financial instruments accounted for under a fair value option	J980	N/A	M.4.

1. This item is to be reported only by those holding companies that have subsidiary holding companies.

Schedule SC - Balance Sheet

Dollar Amounts in Thousands				BHSP	Amount	
Assets						
1. Cash and due from depository institutions:						
a. Balances with subsidiary or affiliated depository institutions				5993	26	1.a.
b. Balances with unrelated depository institutions				0010	0	1.b.
2. Securities				0390	0	2
3. Loans and lease financing receivables (exclusive of loans and lease financing receivables due from bank(s) and nonbank subsidiaries):						
a. Loans and leases, net of unearned income	2122	0				3.a.
b. LESS: Allowance for loan and lease losses	3123	0				3.b.
c. Loans and leases, net of unearned income and the allowance for loan and lease losses (Item 3.a minus 3.b)				2723	0	3.c.
4. Investment in bank subsidiary(ies): (See instructions)						
a. Equity investment				3239	49,015	4.a.
b. Goodwill				3238	0	4.b.
c. Loans and advances to and receivables due from bank subsidiary(ies)				3148	0	4.c.
5. Investment in nonbank subsidiary(ies): (See instructions)						
a. Equity investment				0088	1,883	5.a.
b. Goodwill				0087	0	5.b.
c. Loans and advances to and receivables due from nonbank subsidiary(ies)				0089	0	5.c.
6. Investment in subsidiary holding company(ies) (These items are to be completed only by companies that have subsidiary holding companies):						
a. Equity investment				0201	N/A	6.a.
b. Goodwill				0202	N/A	6.b.
c. Loans and advances to and receivables due from subsidiary holding company(ies)				3523	N/A	6.c.
7. Other assets				0027	25	7
8. Balances due from related nonbank companies (other than investments)[1]				3620	N/A	8
9. TOTAL ASSETS (Sum of items 1 through 8)				2170	50,949	9
Liabilities and Equity Capital						
10. Short-term borrowings:						
a. Commercial paper				2309	0	10.a.
b. Other short-term borrowings				2724	0	10.b.
11. Long-term borrowings (includes limited-life preferred stock and related surplus)				3151	0	11
12. Accrued interest payable (See instructions)				3166	0	12
13. Other liabilities				3167	0	13
14. Balances due to subsidiaries and related institutions:						
a. Subsidiary bank(s)				3605	0	14.a.
b. Nonbank subsidiaries and related institutions				3621	0	14.b.
15. Not applicable						
16. Equity capital:						
a. Perpetual preferred stock (including related surplus)				3283	0	16.a.
b. Common stock (including related surplus)				3230	8,846	16.b.
c. Retained earnings				3247	48,588	16.c.
d. Accumulated other comprehensive income [2]				B530	-3,113	16.d.
e. Other equity capital components[3]				A130	-3,372	16.e.
f. Total equity capital (sum of items 16.a through 16.e)				3210	50,949	16.f.
17. TOTAL LIABILITIES AND EQUITY CAPITAL (Sum of items 10 through 14.b, and 16.f)				3300	50,949	17

1. This item is to be reported only by lower-tier parent holding companies.

2. Includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, cumulative foreign currency translation adjustments, and minimum pension liability adjustments.

3. Includes treasury stock and unearned Employee Stock Ownership Plan shares.

Schedule SC - Continued

Memoranda (to be completed annually only by top-tier and single-tier holding companies for the December 31 report date)

Dollar Amounts in Thousands		BHSP		
1. Has the holding company engaged in a full-scope independent external audit at any time during the calendar year (Enter "YES" or "NO")		C884	YES	M.1
2. If response to Memorandum item 1 is yes, indicate below the name and address of the holding company's independent external auditing firm (see instructions), and the name and e-mail address of the auditing firm's engagement partner. [4]				M.2
a.	Brown Edwards & Co., LLP (1) Name of External Auditing Firm (TEXT C703) Harrisonburg (2) City (TEXT C708) VA 22801 (3) State Abbrev. (TEXT C714) (4) Zip Code (TEXT C715)	b.	Alan Landes (1) Name of Engagement Partner (TEXT C704) alandes@becpas.com (2) E-mail Address (TEXT C705)	

Memoranda items 3.a and 3.b are to be completed by holding companies that have elected to account for financial instruments or servicing assets and liabilities at fair value under a fair value option.

Dollar Amounts in Thousands.....		BHSP	Amount	
3. Financial assets and liabilities measured at fair value:				
a. Total assets		F819	N/A	M.3.a
b. Total liabilities		F820	N/A	M.3.b
4. The Federal Reserve regards information submitted in response to Memorandum item 2.b. as confidential.				

Schedule SC-M - Memoranda

Items 1 through 13 are to be completed by all holding companies filing FR Y-9SP report.

		Dollar Amounts in Thousands		BHSP	Amount	
1.	Total consolidated assets of the holding company			8519	402,372	M.1.
		Dollar Amounts in Thousands		BHSP	Amount	
2.	Holding company (parent company only) borrowings not held by financial institution(s) or by insiders (including directors) and their interests (included in balance sheet items 10 or 11 above)			3152	0	M.2.
3.	Treasury stock (report only if the amount exceeds 5% of equity capital) included in item 16.e above			3153	3,372	M.3.
4.	Amount of nonvoting equity capital, including related surplus (included in balance sheet items 16.a., 16.b., 16.c., and 16.d.)			C702	0	M.4.
5.	Total loans from parent holding company and nonbank subsidiary(ies) to insiders (excluding directors) and their interests			3155	0	M.5.
6.	Pledged securities			0416	0	M.6.
7. a.	Fair value of securities classified as available-for-sale (included in item 2 of the balance sheet)			8516	0	M.7.a.
b.	Amortized cost of securities classified as held-to-maturity (included in item 2 of the balance sheet)			8517	0	M.7.b.
8. a.	Total off-balance-sheet activities conducted either directly or through a nonbank subsidiary			F074	0	M.8.a.
b.	Total debt and equity securities (other than trust preferred securities) outstanding that are registered with the Securities and Exchange Commission			F075	0	M.8.b.
9.	Balances held by the subsidiary bank(s) due from nonbank subsidiaries of the parent holding company			6796	0	M.9.
10.	Balances held by the subsidiary bank(s) due to nonbank subsidiaries of the parent holding company			6797	1,634	M.10.
11.	Other assets (only report amounts that exceed 25 percent of balance sheet, line item 7):					
a.	Accounts receivable			A024	0	M.11.a.
b.	Income taxes receivable			C256	0	M.11.b.
c.	Premises and fixed assets			2145	0	M.11.c.
d.	Net deferred tax assets			2148	0	M.11.d.
e.	Cash surrender value of life insurance policies			C009	0	M.11.e.
f.	TEXT Prepaid			8520	25	M.11.f.
	8520					
g.	TEXT			8521	0	M.11.g.
	8521					
h.	TEXT			8522	0	M.11.h.
	8522					
12.	Other liabilities (only report amounts that exceed 25 percent of balance sheet, line item 13):					
a.	Accounts payable			3066	0	M.12.a.
b.	Income taxes payable			C257	0	M.12.b.
c.	Dividends payable			2932	0	M.12.c.
d.	Net deferred tax liabilities			3049	0	M.12.d.
e.	TEXT			8523	0	M.12.e.
	8523					
f.	TEXT			8524	0	M.12.f.
	8524					
g.	TEXT			8525	0	M.12.g.
	8525					
13.	Notes payable to special-purpose subsidiaries that issued trust preferred securities (included in balance sheet, item 14.b)			C255	0	M.13.

Schedule SC-M - Continued

14. Have all changes in investments and activities been reported to the Federal Reserve on the Report of Changes in Organizational Structure (FR Y-10)? This item must be completed only by the top-tier holding company (and single-tier holding companies). The top-tier holding company must not leave blank or enter "N/A." Lower-tier holding companies should report "N/A." The top-tier holding company must enter "1" for Yes or for no changes to report; or enter "0" for No.

If the answer to this question is no, complete the FR Y-10

BHSP	
6416	YES

 M.14.

TEXT	
6428	Tammy L. Kesner

Name of holding company official verifying FR Y-10 reporting
(Please type or print name)

(304) 257-4111 Ext. 126

Area Code and Phone Number (TEXT 9009)

Dollar Amounts in Thousands		BHSP	Amount	
<i>Memoranda items 15 and 16 should only be completed by tiered holding companies:</i>				
15. Short-term borrowings included in balance sheet item 14.b:				
a. From parent holding company		3524	N/A	M.15.a.
b. From subsidiary holding company		3526	N/A	M.15.b.
16. Long-term borrowings included in balance sheet item 14.b:				
a. From parent holding company		3525	N/A	M.16.a.
b. From subsidiary holding company		3527	N/A	M.16.b.
<i>Memorandum item 17 is to be completed only by the top-tier holding company (and single-tier holding companies) for its consolidated nonbank and thrift subsidiaries: [1]</i>				
17. a. Total combined nonbank assets of nonbank subsidiaries		4778	2,015	M.17.a.
b. Total combined loans and leases of nonbank subsidiaries		C427	0	M.17.b.
c. Total aggregate operating revenue of nonbank subsidiaries		C428	78	M.17.c.
d. Combined thrift assets included in 17.a (to be completed by a bank holding company)		2792	0	M.17.d.
		NUMBER (UNROUNDED)		
e. Number of nonbank subsidiaries included in 17.a	2794	1		M.17.e.
f. Number of thrift subsidiaries included in 17.d (to be completed by a bank holding company)	2796	0		M.17.f.

The following two questions (items 18 and 19) will be used to determine if the reporting holding company must complete the Consolidated Holding Company Report of Equity Investments in Nonfinancial Companies (FR Y-12). In most cases, these questions are only applicable to the top-tier holding company (and single-tier holding company). See the line item instructions for further details.

18. Does the holding company hold, either directly or indirectly through a subsidiary or affiliate, any non-financial equity investments (see instructions for definition) within a Small Business Investment Company (SBIC) structure, or under section 4(c)(6) or 4(c)(7) of the Bank Holding Company Act, or pursuant to the merchant banking authority of section 4(k)(4)(H) of the Bank Holding Company Act, or pursuant to the investment authority granted by Regulation K? (Enter "YES" or "NO")

BHSP	
C161	NO

 M.18

If the answer to item 18 is no, your organization does not need to complete the FR Y-12. Skip item 19 and proceed to items 20.a. and 20.b., below. If the answer to item 18 is yes, proceed to item 19.

19. Do your aggregate nonfinancial equity investments (see instructions for definition) equal or exceed (on an acquisition cost basis) 10 percent of the holding company's total capital as of the report date? (Enter "YES" or "NO")

BHSP	
C159	N/A

 M.19

If the answer to both item 18 and item 19 is yes, your organization must complete the FR Y-12. Skip items 20.a. and 20.b., and proceed to item 21 below.

If the answer to either item 18 or item 19 is no, your organization does not need to complete the FR Y-12.

Proceed to items 20.a. and 20.b. below.

1. A savings and loan holding company should not include its consolidated savings association in items 17(a) through 17(f). See the instructions for more details.

Schedule SC-M - Continued

Items 20.a. and 20.b. are to be completed by all holding companies that are not required to file the FR Y-12.

20.a. Has the holding company sold or otherwise liquidated its holding of any nonfinancial equity investment since the previous reporting period? (Enter "YES" or "NO")	BHSP		M.20.a.
	C700	NO	
b. Does the holding company manage any nonfinancial equity investments for the benefit of others? (Enter "YES" or "NO")			M.20.b.
	C701	NO	

Dollar Amounts in Thousands		BHSP	Amount	
<i>Memoranda items 21 and 22 are to be completed only by top-tier holding companies (and single-tier holding companies) who have made an effective election to become a financial holding company. See the line item instructions for further details.</i>				
21. Net assets of broker-dealer subsidiaries engaged in underwriting or dealing securities pursuant to Section 4(k)(4)(E) of the Bank Holding Company Act as amended by the Gramm-Leach-Bliley Act	C252		N/A	M.21
22. Net assets of subsidiaries engaged in insurance or reinsurance underwriting pursuant to Section 4(k)(4)(B) of the Bank Holding Company Act as amended by the Gramm-Leach-Bliley Act	C253		N/A	M.22

Memorandum item 23 is to be completed by all holding companies who have participated in the U.S. Department of Treasury Capital Purchase Program.

23. Issuances associated with the U.S. Department of Treasury Capital Purchase Program:	BHSP	Amount	
a. Senior perpetual preferred stock or similar items	G234		N/A M.23.a
b. Warrants to purchase common stock or similar items	G235		N/A M.23.b

Notes to the Parent Company Only Financial Statements

Enter in the lines provided below any additional information on specific line items on the financial statements that the holding company wishes to explain, that has been separately disclosed in the holding company's quarterly reports to its shareholders, in its press releases, or on its quarterly reports to the Securities and Exchange Commission (SEC).

Also include any transactions which previously would have appeared as footnotes to the Balance Sheet and Income Statement. Each additional piece of information disclosed should include the appropriate reference to schedule and item number, as well as a description of the additional information and the dollar amount (in thousands of dollars) associated with that disclosure.

Example

A parent holding company has guaranteed a new loan for its leveraged Employee Stock Ownership Plan (ESOP) for \$50 thousand and that amount has increased the parent company's long-term unsecured debt by a material amount. Enter on the line item below the following information:

TEXT	BHSP	Amount
0000 Balance Sheet, item 11, New loan to holding company's ESOP		
guaranteed by holding company parent		
		50

Notes to the Financial Statements

	TEXT	Dollar Amounts in Thousands	BHSP	Amount	
1.		Outstanding issuances of perpetual preferred stock associated with the U.S. Department of Treasury Community Development Capital Initiative (CDIC) program included in Schedule SC, item 16.a, Perpetual preferred stock including related surplus (for Subchapter S corporations, outstanding issuances of subordinated debt securities associated with CDCI included in Schedule SC, item 11, Long-term borrowings)			
			K141	0	1
2.	8527				
			8527	0	2
3.	8528				
			8528	0	3
4.	8529				
			8529	0	4
5.	8530				
			8530	0	5

Highlands Bankshares, Inc.
P.O. Box 929
Petersburg, WV 26847

Worksheet

For the Y-9SP, Income Statement, Item 1(a),
"Dividends from Bank subsidiary(ies)"

(1) Copy the amount of the cash dividends declared by the bank subsidiary from its Consolidated Report of Income (FFIEC 031 or FFIEC 041), Schedule RI-A, items 8 and 9, "Cash dividends declared on preferred stock" and "Cash dividends declared on common stock."

(2) Determine the holding company's percentage ownership in the subsidiary bank specified in (1) above.

(3) Multiply (1) times (2) above. (This amount should be equal to the holding company's dividends from the bank subsidiary, item 1 on the Income Statement of the FR Y-9SP if the holding company has only one bank subsidiary.)

This worksheet may be completed at the holding company's option. It is not to be submitted with the FR Y-9SP.

Worksheet

For the Y-9SP, Income Statement, Item 12(a),
"Equity in Undistributed Income (Loss) of Bank subsidiary(ies)"

- (1) Copy the amount in the bank subsidiary's Consolidated Report of Income (FFIEC 031 or FFIEC 041), Schedule RI, item 12, "Net Income."
- (2) Determine the holding company's percentage ownership in the subsidiary bank specified in (1) above. %
- (3) Multiply (1) times (2) above. (This amount should be the equal to the bank holding company's equity in the net income of the bank subsidiary specified in (1) above.
- (4) Copy the amount reported on item 1 on the Income Statement of the FR Y-9SP "Dividends from bank subsidiary(ies). (See attached worksheet for procedure to calculate such dividends.)
- (5) Subtract (4) from (3). (This amount generally is the amount that should be reported on the FR Y-9SP in item 12(a), "Equity in undistributed income (loss) of bank subsidiary(ies).")

If audit adjustments from either internal or external auditors, or from an inspection have been made to the subsidiary bank's financial statements and these adjustments restate the bank subsidiary's statements, the amount copied in (1) above should be the restated amount.

If the bank subsidiary(ies) has issued preferred stock, the holding company should contact the Reserve Bank with which it files the FR Y-9SP for assistance in the calculation.

This worksheet may be completed at the holding company's option. It is not to be submitted with the FR Y-9SP.

Worksheet

For the Y-9SP, Balance Sheet, Item 4(a),
"Equity Investment in Bank subsidiary(ies)"

(1) Copy the amount of "Total equity capital" reported on the Consolidated Report of Condition (FFIEC 031 or FFIEC 041), Schedule RC, Balance Sheet, item 28, for the holding company's bank subsidiary.

(2) Determine the holding company's percentage ownership in the subsidiary bank specified in (1) above. %

(3) Multiply (1) times (2) above. (This amount generally should be the amount that is reported on item 4(a) of the FR Y-9SP when the holding company has only one bank subsidiary.)

If audit adjustments from either internal or external auditors, or from an inspection have been made to the subsidiary bank's financial statements and these adjustments restate the bank subsidiary's statements, the amount copied in (1) above should be the restated amount.

If the bank subsidiary(ies) has issued preferred stock, the holding company should contact the Reserve Bank with which it files the FR Y-9SP for assistance in the calculation.

This worksheet may be completed at the holding company's option. It is not to be submitted with the FR Y-9SP.