Highlands Bankshares, Inc. Announces Results through September 30, 2012

Highlands Bankshares, Inc. (OTCBB: HBSI) announces its results of operations for the first nine months of 2012.

Highlands Bankshares, Inc., the parent company of The Grant County Bank and Capon Valley Bank, posted earnings for the first nine months of 2012 of $2,014,000 or $1.51 per share of common stock outstanding (EPS), compared to $1,131,000 or $0.85 EPS for the same period of 2011, an increase of $883,000 or $0.66 EPS.

The Company's net interest income, on a fully taxable equivalent basis increased $23,000 during the first nine months of 2012 as compared to the same period in 2011, as a result of the changes in average rates earned on assets and paid on interest bearing liabilities and the changes in the relative mix of earning assets and interest bearing liabilities.

For the nine month period ended September 30, 2012, the Company's average earning assets decreased 3.7% compared to the same period in 2011 while average interest bearing liabilities, comparing the same periods decreased 5.9%. The average balances of time deposits and long-term debt, both comparatively more expensive interest bearing liabilities, decreased 9.1%. These changes in the relative mix of earning assets and interest bearing liabilities and the change in the average yields largely offset, resulting in the change in the Company's net interest income.

Total provision for loan loss during the first nine months of 2012 decreased $1,455,000 or 48.8% to $1,530,000, compared to the same period of 2011. Loans in non-accrual status, loans ninety days delinquent and still accruing, and foreclosed assets has increased to 4.8% of total assets as compared to 3.87% at December 31, 2011. Management believes the current level of the allowance for loan losses represents a fair assessment of the losses inherent in the loan portfolio.

Return on average assets (ROAA) increased during the first nine months of 2012 to 0.68%, as compared to 0.37% in the same period of 2011. Likewise, the return on average equity (ROAE) increased to 6.49% during the first nine months of 2012, as compared to 3.70% in the same period of 2011.

Total assets, as of September 30, 2012, decreased 4.9% or $19,817,000 to $384,377,000, compared to December 31, 2011. This decrease was primarily driven by maturity of long-term debt and reduction in the gross loan portfolio.

Shareholders' Equity at September 30, 2012 was $43,465,000 or $32.51 per outstanding share, compared to December 31, 2011 of $41,674,000 or $31.17 per outstanding share.

John Van Meter, Chairman and Chief Executive Officer of the holding company, said "The strength and consistency of our company's financial condition and performance is particularly noteworthy given the continued headwinds of an uncertain economy and burdensome regulations. Our markets continue to be affected by the uncertain economic environment and an overall decrease in loan demand. The good news is we are still experiencing strong net interest margins coupled with improved loan performance and reduced loan loss provision driving us toward better performance levels.

I am pleased to announce that during its October meeting, the board of directors approved a quarterly dividend of $.10 per share to shareholders of record October 31, 2012 payable November 16, 2012. The board continues to evaluate dividend payout levels based on various performance criteria, including operating results and capital levels.

Our management teams along with support of the board of directors are continuing to explore ways to provide banking services expected by our customers."

Highlands Bankshares, Inc. operates twelve banking locations in West Virginia and Virginia through its two wholly-owned subsidiary banks, The Grant County Bank and Capon Valley Bank, and offers insurance services through its wholly-owned subsidiary HBI Life Insurance Company.

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

	Nine Months Ended September 30, 2012 (unaudited)	Nine Months Ended September 30, 2011 (unaudited)
Total Interest Income	$ 14,784	$ 15,948
Total Interest Expense	$ 2,401	$ 3,585
Net Interest Income	$ 12,383	$ 12,363
Provision for Loan Losses	$ 1,530	$ 2,985
Net Interest Income After Provision for Loan Losses	$ 10,853	$ 9,378
Total Non-interest Income	$ 1,544	$ 1,553
Total Non-interest Expense	$ 9,343	$ 9,204
Income Before Provision For Income Taxes	$ 3,054	$ 1,727
Provision for Income Taxes	$ 1,040	$ 596
Net Income	$ 2,014	$ 1,131

HIGHLANDS BANKSHARES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

	September 30, 2012 (unaudited)	December 31, 2011 (audited)
ASSETS		
Cash and due from banks	$ 8,956	$ 9,321
Interest bearing deposits in banks	$ 1,896	$ 2,329
Federal funds sold	$ 2,926	$ 11,253
Investment securities available for sale	$ 38,835	$ 39,557
Restricted investments, at cost	$ 1,465	$ 1,741
Loans	$ 303,017	$ 313,056
Allowance for loan losses	$ (5,761)	$ (6,111)
Bank premises and equipment, net of depreciation	$ 9,041	$ 9,411
Interest receivable	$ 1,425	$ 1,513
Investment in life insurance contracts	$ 7,504	$ 7,300
Foreclosed assets, net of valuation allowance	$ 7,738	$ 7,070
Goodwill	$ 1,534	$ 1,534
Other intangible assets, net of amortization	$ 521	$ 660
Other assets	$ 5,280	$ 5,560
Total Assets	$ 384,377	$ 404,194

LIABILITIES				
Deposits				
Non-interest bearing deposits	$	59,315	$	61,710
Interest bearing transaction and savings accounts	$	84,785	$	82,915
Time deposits over $100,000	$	68,097	$	74,112
All other time deposits	$	117,933	$	125,335
Total Deposits	$	330,130	$	344,072
Long term debt instruments	$	4,978	$	11,245
Accrued expenses and other liabilities	$	5,804	$	7,203
Total Liabilities	$	340,912	$	362,520
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	$	39,702	$	37,955
Other accumulated comprehensive loss	$	(1,711)	$	(1,755)
Total Stockholders' Equity	$	43,465	$	41,674
Total Liabilities and Stockholders' Equity	$	384,377	$	404,194

Certain statements in this press release may constitute "forward-looking statements." Forward-looking statements are statements that include projections, predictions, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by the use of qualified words (and their derivatives) such as "expect", "believe", "estimate", "plan", "project", "anticipate" or other similar words. Although the company believes that its expectations with respect to certain forward-looking statements are based upon reasonable assumptions within the bounds of its existing knowledge of its business and operations, there can be no assurance that actual results, performance or achievements of the company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual future results and trends may differ materially from historical results or those anticipated depending on a variety of factors, including, but not limited to, the effects of and changes in: general economic conditions, the interest rate environment, legislative and regulatory requirements, competitive pressures, new products and delivery systems, inflation, changes in the stock and bond markets, technology, downturns in the trucking, mining, and timber industries, downturns in the housing market affecting manufacturers of household cabinetry and thus, employment, effects of mergers and/or downsizing in the poultry industry in Hardy County, continued challenges in the current economic environment affecting our financial condition and results of operations, continued deterioration in the financial condition of the U.S. banking system impacting the valuations of investments the company has made in the securities of other financial institutions, and consumer spending and savings habits, particularly in the current economic environment. Additionally, actual future results and trends may differ from historical or anticipated results to the extent: (1) any significant downturn in certain industries, particularly the trucking and timber industries are experienced; (2) loan demand decreases from prior periods; (3) the company may make additional loan loss provisions due to negative credit quality trends in the future that may lead to a deterioration of asset quality; (4) the company may not experience significant recoveries of previously charged-off loans or loans resulting in foreclosure; (5) the company is unable to control costs and expenses as anticipated, (6) legislative and regulatory changes could increase expenses (including changes as a result of rules and regulations adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act); and (7) any additional assessments imposed by the FDIC. The company does not update any forward-looking statements that may be made from time to time by or on behalf of the company.