

Highlands Bankshares, Inc. Announces Results through December 31, 2012

Highlands Bankshares, Inc. (OTCBB: HBSI) announces its results of operations for the year ended December 31, 2012.

Highlands Bankshares, Inc., the parent company of The Grant County Bank and Capon Valley Bank, posted earnings for the year of 2012 of \$2,590,000 or \$1.94 per share of common stock outstanding (EPS), compared to \$1,392,000 or \$1.04 EPS for the same period of 2011, an increase of \$1,198,000 or \$0.90 EPS.

The Company's net interest income, on a fully taxable equivalent basis decreased \$74,000 during 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 year ended December 31, 2012, the Company's average earning assets decreased 4.4% 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 9.6%. 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 2012 decreased \$1,302,000 or 35.9% to \$2,322,000, 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 4.7% of total assets as compared to 3.9% 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 2012 to 0.66%, as compared to 0.34% in the same period of 2011. Likewise, the return on average equity (ROAE) increased to 6.05% during 2012, as compared to 3.41% in the same period of 2011.

Total assets, as of December 31, 2012, decreased 4.4% or \$17,741,000 to \$386,453,000, 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 December 31, 2012 was \$43,468,000 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 "Within the next 30 days we will publish our 2012 annual report. We are pleased with our results and will continue to strive to build upon the hard work of our management and staff over the past year in order to enhance the value of your company. For 2012, net income increased 86% compared to 2011. Total assets decreased by 4.4% as a result of retiring long-term debt, a decrease in loan volume, and a decrease in time deposits. As I have said in the past, it will take some time to work through the economic issues as a result of the recent recession. We are working to establish and understand the new "normal". We are closely monitoring the developments in Washington and evaluating the potential impacts on our industry in order to determine the best course of action for our company.

I am pleased to announce that during its February meeting, the board of directors approved a quarterly dividend of \$.10 per share to shareholders of record February 25, 2013 payable March 7, 2013. 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.