

Highlands Bankshares, Inc. Announces Results through September 30, 2013

Highlands Bankshares, Inc. (OTCBB: HBSI) announces its results of operations for the first nine months of 2013.

Highlands Bankshares, Inc., the parent company of The Grant County Bank and Capon Valley Bank, posted first nine months 2013 earnings of \$1,591,000 or \$1.19 per share of common stock outstanding (EPS), compared to \$2,014,000 or \$1.51 EPS for the same period of 2012.

Net interest income, on a fully taxable equivalent basis, decreased 3.9% for the first nine months of 2013, as compared to the same period in 2012. The decrease in net interest income was driven by changes in average rates earned on assets and paid on interest bearing liabilities and by changes in the relative mix of earning assets and interest bearing liabilities.

Total provision for loan loss during the first nine months of 2013 increased \$35,000 or 2.3% to \$1,565,000 compared to the same period of 2012.

Total non-performing loans and foreclosed properties have decreased to 3.91% of total assets at September 30, 2013 compared to 4.72% at December 31, 2013.

Return on average assets (ROAA) decreased during the first nine months of 2013 to 0.55%, as compared to 0.68% in the same period of 2012. Likewise, the return on average equity (ROAE) decreased to 4.96% during the first nine months of 2013, as compared to 6.49% in the same period of 2012.

Total assets, as of September 30, 2013, decreased 0.9% or \$3,667,000 to \$382,786,000 compared to December 31, 2012.

Shareholders' Equity at September 30, 2013 was \$44,338,000 or \$33.17 per outstanding share, compared to December 31, 2012 of \$43,468,000 or \$32.51 per outstanding share.

John Van Meter, Chairman and Chief Executive Officer of the holding company, stated "The economy in our local markets continues to show slow improvement, similar to much of the rest of the country. However, the banking industry continues to struggle with decreasing margins and increasing regulatory costs, which have combined to pressure net incomes for many banks. While we have not been immune from these pressures, we are very pleased with our successes in limiting the decline in our net interest margin and in our efforts to reduce our levels of problem assets.

In particular, we continue to have success in selling bank owned real estate as local real estate markets begin to improve in some areas. We are focusing on reducing the balances of non-performing loans and foreclosed properties as you can see from our results. We are pleased with the progress we have made in these areas and remain committed to systematically working through these issues as quickly as possible. In the meantime, we will continue to provide our customers with the best banking products and services while operating our banks in a conservative, sound manner."

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.

Certain statements in this press release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Additionally, consideration should be given to the cautionary language contained in the company's periodic reports filed with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934. The company does not update any forward-looking statements that may be made from time to time by or on behalf of the company.