

Highlands Bankshares, Inc. Announces Year Ended 2013 Results

Highlands Bankshares, Inc. (OTCBB: HBSI) announces its results of operations for the year ended December 31, 2013.

Highlands Bankshares, Inc., the parent company of The Grant County Bank and Capon Valley Bank, posted year ended 2013 earnings of \$2,381,000 or \$1.78 per share of common stock outstanding (EPS), compared to \$2,590,000 or \$1.94 EPS for the same period of 2012.

Net interest income, on a fully taxable equivalent basis, decreased 3.2% for the year 2013, as compared to the same period in 2012. The decrease in net interest income was driven mostly by changes in average rates earned on assets and by a drop in loan demand.

The company's total provision for loan loss during 2013 decreased \$524,000 or 22.6% to \$1,798,000 compared to the same period of 2012. A decrease in non-performing and classified loans as well as a gradually improving economy required less provision for loan losses in 2013 compared to 2012.

Total non-performing loans and foreclosed properties have decreased to 3.49% of total assets at December 31, 2013 compared to 4.72% at December 31, 2012. Total classified loans have decreased to 36.7% of capital at December 31, 2013 compared to 76.7% of capital at December 31, 2012.

Return on average assets (ROAA) decreased during 2013 to 0.62%, as compared to 0.66% in the same period of 2012. Likewise, the return on average equity (ROAE) decreased to 5.39% during 2013, as compared to 6.10% in the same period of 2012.

Total assets, as of December 31, 2013, decreased 0.9% or \$3,645,000 to \$382,808,000 compared to December 31, 2012.

Shareholders' Equity at December 31, 2013 was \$45,727,000 or \$34.20 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 "Our 2013 annual report will be published within the next 30 days. Although 2013 net income decreased 8.1% from 2012, we are pleased with the overall operations of the company. In the past year, we have seen a dramatic improvement in the overall loan portfolio as total non-performing loans have decreased 32% and total classified loans have decreased 50%. Total equity has increased 5.2%. Our well-capitalized status remains a source of comfort to our shareholders and clients alike. As the economy is continuing to challenge all businesses, we are optimistic that 2014 will mark a turning point.

"I am pleased to announce that during its February meeting, the board of directors approved a quarterly dividend of \$.15 per share to shareholders of record February 25, 2014 payable March 7, 2014. The current dividend represents a 50% increase over the previous quarter and demonstrates our commitment to provide our shareholders with a return on their investment while maintaining a strong capital position. The board continues to evaluate dividend payout levels based on various performance criteria, including operating results and capital levels.

"Our management teams, along with the support of the board of directors, are continuing to provide our customers with the banking services and products they have grown to expect."

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.