Highlands Bankshares, Inc. Announces First Quarter 2014 Results

Highlands Bankshares, Inc. (OTCBB: HBSI) announces its results of operations for the first quarter of 2014.

Highlands Bankshares, Inc., the parent company of The Grant County Bank and Capon Valley Bank, posted first quarter 2014 earnings of $594,000 or $0.44 per share of common stock outstanding (EPS), compared to $522,000 or $0.39 EPS for the same period of 2013.

Net interest income, on a fully taxable equivalent basis, decreased 1.2% for the first three months of 2014, as compared to the same period in 2013. The decrease in net interest income was driven mostly by a drop in loan rates and volume somewhat offset by decreased interest expenses.

The company's total provision for loan loss during the first three months of 2014 decreased $421,000 or 72.6% to $159,000 compared to the same period of 2013. The reduction is the result of a decrease in non-performing loans as well as a gradually improving economy. When determining the provision for loan losses, the Company considers a number of factors some of which include periodic credit reviews, non-performing assets, local and national economic trends, and loan portfolio mix.

Total non-performing loans and foreclosed properties remained unchanged at 3.49% of total assets at March 31, 2014 and December 31, 2013. Those same non-performing assets decreased to 29.09% of capital at March 31, 2014 from 29.25% at December 31, 2013. These numbers also represent significant improvement over the year ago period with non-performing assets and foreclosed properties representing 6.16% of assets and 54.91% of capital as of March 31, 2013.

Return on average assets (ROAA) increased during the first three months of 2014 to 0.62%, as compared to 0.53% in the same period of 2013. Likewise, the return on average equity (ROAE) increased to 5.29% during 2014, as compared to 4.87% in the same period of 2013.

Total assets, as of March 31, 2014, increased 0.7% or $2,541,000 to $385,349,000 compared to December 31, 2013 driven by an increase in deposits.

Shareholders' Equity at March 31, 2014 was $46,189,000 or $34.55 per outstanding share, compared to December 31, 2013 of $45,727,000 or $34.20 per outstanding share.

John Van Meter, Chairman and Chief Executive Officer of the holding company, stated "Our performance in the first quarter of 2014 has positioned us well for a successful year. Capital levels are strong, and our lending demand is becoming more robust. We are sensitive to the pressures on our net interest margin caused by the continued low interest rate environment, and we understand the need for continued expense control.

"We continue to strengthen and improve our asset quality. Year over year our loan portfolio has improved dramatically. Management acknowledges that challenges continue to exist, but we are proud of our accomplishments and optimistic about the future.

"Our team is excited to build profitable relationships with prospective customers and continue serving our existing 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.

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.