Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844 (c)(1)(A)); Section 6(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 C.F.R. § 211.13(c)); and Section 225.5(b) of Regulation Y (12 C.F.R. § 225.5(b)) and section 10(c)(2)(H) of the Home Owners’ Loan Act. Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

NOTE: The Annual Report of Holding Companies must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report.

I, Samuel L. Neese
Name of the Holding Company Director and Official

Chief Executive Officer / Director
Title of the Holding Company Director and Official

attest that the Annual Report of Holding Companies (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board’s “Rules Regarding Availability of Information,” 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official
03/28/2015

Date of Signature

For holding companies not registered with the SEC—Indicate status of Annual Report to Shareholders:
☐ is included with the FR Y-6 report
☒ will be sent under separate cover
☐ is not prepared

For Federal Reserve Bank Use Only
RSSD ID: 2391770

This report form is to be filed by all top-tier bank holding companies and top-tier savings and loan holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

Date of Report (top-tier holding company's fiscal year-end):
DECEMBER 31, 2014
Month / Day / Year

549300ZS0XXMQCIH6127
Reporter’s Legal Entity Identifier (LEI) (20 Character LEI Code)

Highlands Bankshares, Inc.
Legal Title of Holding Company

349 W. Main Street / P.O. Box 1128
(Mailing Address of the Holding Company) Street / P.O. Box

Abingdon VA 24212-1128
City State Zip Code

Robert M. Little, Jr.
CFO
Name Title

276-628-9181 81515
Area Code / Phone Number / Extension

276-619-2106
Area Code / FAX Number

rlittle@hubank.com
E-mail Address

www.hubank.com
Address (URL) for the Holding Company’s web page

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Does the reporter request confidential treatment for any portion of this submission?
☐ Yes Please identify the report items to which this request applies:
☒ In accordance with the instructions on pages GEN-2 and 3, a letter justifying the request is being provided.
☒ The information for which confidential treatment is sought is being submitted separately labeled “Confidential.”
☐ No

Public reporting burden for this information collection is estimated to vary from 1.7 to 101 hours per response, with an average of 5.25 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0229), Washington, DC 20503.
Form FR Y-6

Highlands Bankshares, Inc.
Abingdon, Virginia
Fiscal Year Ending December 31, 2014

Report Item

1. Annual Report to Shareholders is not yet available and will be sent to the Richmond Federal Reserve Bank as soon as possible.

2.a. Organization Chart.
Results: A list of branches for your depository institution: HIGHLANDS UNION BANK (ID_RSSD: 969424).

This depository institution is held by HIGHLANDS BANKSHARES, INC. (2391270) of ABINGDON, VA.
The data are as of 12/31/2014. Data reflects information that was received and processed through 01/07/2015.

Reconciliation and Verification Steps
1. In the Data Action column of each branch row, enter one or more of the actions specified below.
2. If required, enter the date in the Effective Date column.

Actions
OK: If the branch information is correct, enter 'OK' in the Data Action column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the Data Action column and the date when this information first became valid in the Effective Date column.
Close: If a branch listed was sold or closed, enter 'Close' in the Data Action column and the sale or closure date in the Effective Date column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the Data Action column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the Data Action column and the opening or acquisition date in the Effective Date column.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.

Note:
To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a Data Action of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* For UNIRNUN, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.
2.b. Domestic Branch Listing: Submitted via email on 03/31/2013

(1) Airport Road Branch - Full Service  
Physical/Mailing Address: 999 Old Airport Road, Bristol, VA 24201  
(P) 276.669.9300 (F) 276.466.6968

(2) Banner Elk Branch - Full Service  
Physical Address: 115 Main Street East, Banner Elk, NC 28604  
(P) 828.898.5100 (F) 828.898.5191

(3) Blountville Branch - Full Service  
Physical Address: 2217 Highway 394, Blountville TN 37617  
(P) 423.323.9181 (F) 423.323.9436

(4) Boone Branch - Full Service  
Physical Address: 1013 NC Hwy 105, Boone, NC 28607  
(P) 828.264.7040 (F) 828.263.0535

(5) Commonwealth Branch - Full Service  
Physical/Mailing Address: 821 Commonwealth Ave., Bristol, VA 24201  
(P) 276.645.7110 (F) 276.466.3929

(6) East Abingdon Branch - Full Service  
Physical Address: 24412 Maringo Road, Abingdon, VA 24211  
(P) 276.628.6300 (F) 276.628.8831

(7) Glade Spring Branch - Full Service  
Physical Address: 506 Maple Street, Glade Spring, VA 24340  
(P) 276.429.3000 (F) 276.429.4555

(9) Main Branch - Full Service  
Physical Address: 340 W Main Street, Abingdon, VA 24210  
(P) 276.628.9181 (F) 276.619.2101

(10) Marion Branch - Full Service  
Physical Address: 1425 N Main Street, Marion, VA 24354  
(P) 276.782.9394 (F) 276.783.8369

(11) Rogersville Branch - Full Service  
Physical Address: 4020 Hwy 66 S, Rogersville, TN 37857  
(P) 423.272.1987 (F) 423.272.1897

(12) Sevierville Branch - Full Service  
Physical/Mailing Address: 113 Hardin Lane, Sevierville, TN 37862  
(P) 865.908.0455 (F) 865.908.0456

(13) South Knoxville Branch - Full Service  
Physical/Mailing Address: 7570 Mountain Grove Dr, Knoxville, TN 37920  
(P) 865.573.4471 (F) 865.573.4475

(14) West Abingdon Branch - Full Service  
Physical/Mailing Address: 164 Old Jonesboro Road, Abingdon, VA 24210  
(P) 276.628.3933 (F) 276.676.4431
Report Item 3: Securities Holders
(1)(a) (1)(c) (2)(a) (2)(b) (2)(c)

<table>
<thead>
<tr>
<th>Name &amp; Address (City, State, Country)</th>
<th>Number and Percentage of Each Class of Voting Securities</th>
<th>Name &amp; Address (City, State, Country)</th>
<th>Country of Incorporation</th>
<th>Number and Percentage of Each Class of Voting Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>James D. Moore, Jr. Abingdon, Virginia, USA</td>
<td>672,456 – 8.56% Common Stock</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Keefe Ventures Fund II LP 310 South Street, 3rd Floor Morristown, NJ USA</td>
<td>407,033 – 5.18% Common Stock</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>TNH Financial Fund, LP 780 Third Avenue 29th Floor New York, NY USA</td>
<td>388,678 – 4.95% Common Stock 2,092.287 – 100% Series A Convertible Perpetual Preferred Stock</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Shareholders not listed in (3)(1)(c) that had ownership, control or holdings of 5% or more with power to vote during the fiscal year ending 12/31/2014
### Report Item 4: Insiders

(1) (2) (3)(a)(b)(c) and (4)(a)(b)(c)

<table>
<thead>
<tr>
<th>(1) Name &amp; Address (City, State, Country)</th>
<th>(2) Principal Occupation if other than with Bank Holding Company</th>
<th>(3)(a) Title and Position with Bank Holding Company</th>
<th>(3)(b) Title and Position with Subsidiaries (Include names of subsidiaries)</th>
<th>(3)(c) Title and Position with Other Businesses (include names of other businesses)</th>
<th>(4)(a) Percentage of Voting Shares in Bank Holding Company</th>
<th>(4)(b) Percentage of Voting Shares in Subsidiaries (Include names of subsidiaries)</th>
<th>(4)(c) List names of other companies (includes partnerships) if 25% or more of voting securities are held</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. Craig Kendrick</td>
<td>Attorney in private practice</td>
<td>Director</td>
<td>President, Highlands Union Bank</td>
<td>Attorney in private practice</td>
<td>1.56%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Meadowview, Virginia</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clydes B. Kiser</td>
<td>President, Kiser Furniture, a furniture retailer</td>
<td>Director</td>
<td>Director, Highlands Union Bank</td>
<td>President, Kiser Furniture Company</td>
<td>0.67%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Bristol, Virginia</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J. Carter Lambert</td>
<td>Private investor</td>
<td>Director and Vice Chairman of the Board</td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td>N/A</td>
<td>1.27%</td>
<td>N/A</td>
</tr>
<tr>
<td>Abingdon, Virginia</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>James D. Moore, Jr.</td>
<td>Physician</td>
<td>Director and President</td>
<td>Director, Highlands Union Bank</td>
<td>Physician, Seasons of Abingdon</td>
<td>8.56%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Abingdon, Virginia</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charles P. Olinger</td>
<td>Accountant in private practice</td>
<td>Director</td>
<td>Director, Highlands Union Bank</td>
<td>Certified Public Accountant in private practice</td>
<td>0.42%</td>
<td>N/A</td>
<td>50% ownership in Blackley, Olinger CPA's</td>
</tr>
<tr>
<td>Bristol, Tennessee</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H. Ramsey White, Jr.</td>
<td>Private businessman</td>
<td>Director</td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td>N/A</td>
<td>0.49%</td>
<td>N/A</td>
</tr>
<tr>
<td>Abingdon, Virginia</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Samuel L. Neese</td>
<td>N/A</td>
<td>Director, Executive VP and Chief Executive Officer</td>
<td>Director, President and Chief Executive Officer Highlands Union Bank</td>
<td>N/A</td>
<td>0.72%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Meadowview, Virginia</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edward M. Rosinus</td>
<td>Financial services professional</td>
<td>Director</td>
<td>Director, Highlands Union Bank</td>
<td>Vice President at Tricadia Capital Management</td>
<td>0.02%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>1603 Orrington Avenue Suite 1093,</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evanston Illinois USA</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John C. Lundberg</td>
<td>President, The Corporate Image; Chief Executive Officer of</td>
<td>Director</td>
<td>Director, Highlands Union Bank</td>
<td>President, The Corporate Image; Chief Executive Officer of</td>
<td>0.07%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>212 Skyline Drive</td>
<td>Corporate Marketing; First District state representative for</td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td>Corporate Marketing; First District state representative for the State of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bristol, Tennessee</td>
<td>the State of Tennessee</td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td>State of Tennessee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Director, Highlands Union Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Highlands Bankshares, Inc.
Abingdon, Virginia
Fiscal Year Ending December 31, 2014

Report Item 4: Insiders (Continued)

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Principal Security Holder</th>
<th>Percentage of Voting Shares in Bank Holding Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>TNH Financial Fund, LP 780 Third Avenue 29th Floor New York, NY USA</td>
<td>Financial Fund</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>388,678 - 4.95% Common Stock</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,092,287 - 100% Series A Convertible Perpetual Preferred Stock</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Combined (Assuming 100% Conversion)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,480,965 - 24.95%</td>
</tr>
</tbody>
</table>

Report Item 4: Directors and Officers

<table>
<thead>
<tr>
<th>Name &amp; Address (City, State, Country)</th>
<th>(2) Principal Occupation if other than with Bank Holding Company</th>
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</tr>
</thead>
<tbody>
<tr>
<td>James R. Edmondson Bristol, Virginia USA</td>
<td>V.P. Accounting</td>
<td>Chief Financial Officer Highlands Union Bank</td>
<td>N/A</td>
<td>0.11%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Edward T. Farmer Damascus, Virginia USA</td>
<td>Senior Operations Officer</td>
<td>Senior Operations Officer Highlands Union Bank</td>
<td>N/A</td>
<td>0.02%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>C. Wayne Perry Wise, Virginia USA</td>
<td>Senior V.P. and Branch Administrator</td>
<td>Senior V.P. and Branch Administrator Highlands Union Bank</td>
<td>N/A</td>
<td>0.08%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Bryan Booher Blountville, Tennessee USA</td>
<td>Senior VP and Senior Loan Officer</td>
<td>Senior VP and Senior Loan Officer Highlands Union Bank</td>
<td>N/A</td>
<td>0.05%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Robert M. Little, Jr. Bristol, Virginia USA</td>
<td>Secretary and Chief Financial Officer -HB1</td>
<td>Secretary and VP Accounting, Highlands Union Bank</td>
<td>N/A</td>
<td>0.10%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>