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)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3100(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 246(a)(1), 602, and 611(a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850(c)(1), and 5468(b)(1))). 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. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General instructions for the authorized individual who must sign the report.

I, Timothy K. Schools
Name of the Holding Company Director and Official
President & CEO / 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 the individual.

Signature of Holding Company Director and Official
03/31/2017
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: 2391270
C.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate 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, 2016

Month / Day / Year
549300ZS0XKMQCH6I27
Reporter’s Legal Entity identifier (LEI) (20-character LEI Code)
Reporter’s Name, Street, and Mailing Address
Highlands Bankshares, Inc.
Legal Title of Holding Company
340 W. Main Street / P.O. Box 1128
(Mailing Address of the Holding Company)
Abingdon, VA 24212-1128
City State Zip Code

Physical Location (if different from mailing address)
Person to whom questions about this report should be directed:
Robert M. Little, Jr.
Chief Risk Officer
Name
Title
276-628-9181
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

Is confidential treatment requested for any portion of this report submission? ☐ no ☑ yes

☐ 1=Yes
In accordance with the General Instructions for this report (check only one),
1. a letter justifying this request is being provided with the report.
2. a letter justifying this request has been provided separately.

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential.”

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 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 (7100-0297), Washington, DC 20503.
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.

- Highlands Bankshares, Inc.
  340 W. Main Street
  P.O. Box 1128
  Abingdon, VA 24212-1128
  Incorporated in Virginia
  LEI: 549300ZS0XKMQCIH6I27

- Highlands Union Bank
  340 W. Main Street
  P.O. Box 1128
  Abingdon, VA 24212-1128
  Incorporated in Virginia
  "No LEI"

- Highlands Union Insurance Services, Inc.
  340 W. Main Street
  P.O. Box 1128
  Abingdon, VA 24212-1128
  Incorporated in Virginia
  "No LEI"

- Highlands Union Financial Services, Inc.
  340 W. Main Street
  P.O. Box 1128
  Abingdon, VA 24212-1128
  Incorporated in Virginia
  "No LEI"
2.b. Domestic Branch Listing: Submitted via email on 03/15/2016

(1) Airport Road Branch - Full Service
Physical/Mailing Address: 999 Old Airport Road, Bristol, VA 24201
(P) 276.669.9300 (F) 276.466.5968

(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>Current shareholders with ownership, control or holdings of 5% or more with power to vote as of 12/31/2016</th>
<th>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 12/31/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(1)(a)</strong> Name &amp; Address (City, State, Country)</td>
<td><strong>(1)(b)</strong> Country of Citizenship or Incorporation</td>
</tr>
<tr>
<td>James D. Moore, Jr.</td>
<td>USA</td>
</tr>
<tr>
<td>Abingdon, Virginia, USA</td>
<td></td>
</tr>
<tr>
<td>TNH Financial Fund, LP</td>
<td>USA</td>
</tr>
</tbody>
</table>
# 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 other businesses)</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>Director, Highlands Union Bank</td>
<td>Attorney in private practice</td>
<td>1.85%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Meadowview, Virginia USA</td>
<td></td>
<td></td>
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<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>8.87%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Abingdon, Virginia USA</td>
<td></td>
<td></td>
<td></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 USA</td>
<td></td>
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</tr>
<tr>
<td>H. Ramsey White, Jr.</td>
<td>Private businessman</td>
<td>Director</td>
<td>Director, Highlands Union Bank</td>
<td>Zazzy's</td>
<td>0.50%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Abingdon, Virginia USA</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Timothy K. Schools</td>
<td>Director, President and Chief Executive Officer</td>
<td>Director</td>
<td>Director, President and Chief Executive Officer Highlands Union Bank</td>
<td>Vice President at Stephens, Inc.</td>
<td>4.00%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Greenville, South Carolina</td>
<td></td>
<td></td>
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<tr>
<td>USA</td>
<td>N/A</td>
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</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 Stephens, Inc.</td>
<td>0.02%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>1603 Orrington Avenue Suite 1093,</td>
<td></td>
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<tr>
<td>Evanston Illinois USA</td>
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</tr>
<tr>
<td>USA</td>
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</tr>
<tr>
<td>John C. Lundberg</td>
<td>President, The Corporate Image; Chief Executive Officer of Corporate Marketing; First District state representative for the State of Tennessee</td>
<td>Director</td>
<td>Director, Highlands Union Bank</td>
<td>President, The Corporate Image; Chief Executive Officer of Corporate Marketing; First District state representative for the State of Tennessee</td>
<td>0.07%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>212 Skyline Drive</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Bristol, Tennessee USA</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
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</tr>
</tbody>
</table>
### Report Item 4: Insiders (Continued)

<table>
<thead>
<tr>
<th>Name &amp; Address (City, State, Country)</th>
<th>Financial Fund</th>
<th>Principal Security Holder</th>
<th>N/A</th>
<th>N/A</th>
<th>388,678 - 4.48% Common Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>TNH Financial Fund, LP</td>
<td>780 Third Avenue 29th Floor New York, NY USA</td>
<td>Financial Fund</td>
<td>Principal Security Holder</td>
<td>N/A</td>
<td>2,092,287 - 100% Series A Convertible Perpetual Preferred Stock</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Combined (Assuming 100% Conversion)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,480,965 - 24.43% N/A N/A</td>
</tr>
</tbody>
</table>

### Report Item 4: Directors and Officers

<table>
<thead>
<tr>
<th>Name &amp; Address (City, State, Country)</th>
<th>Principal Occupation if other than with Bank Holding Company</th>
<th>Title and Position with Bank Holding Company</th>
<th>Title and Position with Subsidiaries (Include names of other businesses)</th>
<th>Percentage of Voting Shares in Bank Holding Company</th>
<th>Percentage of Voting Shares in Subsidiaries (Include names of subsidiaries)</th>
<th>List names of other companies (Includes partnerships) if 25% or more of voting securities are held</th>
</tr>
</thead>
<tbody>
<tr>
<td>James R. Edmondson</td>
<td>N/A</td>
<td>Chief Financial Officer</td>
<td>Chief Financial Officer Highlands Union Bank</td>
<td>0.09%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Ray Skinner</td>
<td>N/A</td>
<td>EVP Consumer Banking</td>
<td>EVP Consumer and Business Banking</td>
<td>0.00%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Bryan Booher</td>
<td>N/A</td>
<td>EVP Business Banking</td>
<td>Senior VP and Senior Loan Officer Highlands Union Bank</td>
<td>0.05%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Robert M. Little, Jr.</td>
<td>N/A</td>
<td>Secretary and Chief Risk Officer - HBI</td>
<td>Secretary and Chief Risk Officer Highlands Union Bank</td>
<td>0.15%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Vicki Andrews</td>
<td>N/A</td>
<td>EVP Deposit Operations</td>
<td>EVP Deposit Operations Highlands Union Bank</td>
<td>0.00%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Brian Lowery</td>
<td>N/A</td>
<td>Chief Credit Officer</td>
<td>Chief Credit Officer</td>
<td>0.07%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>