HERITAGE BANKSHARES, INC. **150 Granby Street**
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FOR IMMEDIATE RELEASE

Press Release

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Heritage Bankshares, Inc. Announces Record Second Quarter 2013 Net Income

Norfolk, Va.: July 17, 2013 – Heritage Bankshares, Inc. ("Heritage"; the "Company") (OTCQB: HBKS), the parent of Heritage Bank (the "Bank"), today announced unaudited financial results for the second quarter and first six months of 2013.

The Company's net income for the second quarter of 2013 was a record $661,000 compared to net income of $541,000 for the second quarter of 2012, an increase of $120,000, or 22.2%. Net income available to common shareholders was $641,000 for the second quarter of 2013, an increase of $119,000, or 22.8%, from net income available to common shareholders of $522,000 for the second quarter of 2012. Earnings per diluted common share increased $0.05 to $0.27 for the second quarter of 2013 compared to $0.22 for the second quarter of 2012.

The Company's net income for the first six months of 2013 was $1,120,000, a decrease of $52,000 over net income available to common shareholders of $1,172,000 for the first six months of 2012. For the first six months of 2013, the Company's earnings per diluted common share were $0.45 compared to $0.47 for the first six months of 2012, a decrease of $0.02 per share.

Michael S. Ives, President and CEO of the Company and the Bank, commented:

"Today, we announced record net income for the second quarter 2013. Our operating strategy during this period of ultra-low interest rates has been to combine excellent asset quality with expense control and funding from core deposits. The cumulative impact of these three factors in the second quarter resulted in an excellent quarter for the Company.

"As usual, our asset quality continues to be excellent. At June 30, 2013, the Company had no loans past due more than 30 days, no nonaccrual loans and no repossessed assets or real estate owned that were the product of loan defaults. This would have been for us another asset quality "Perfect Game", i.e. no loans past due more than 30 days, no nonaccrual loans, and no nonperforming assets, but for the three branch sites and facilities that comprise our real estate owned.

"Our restructuring over the past year has had a significant impact on our noninterest expense. These expenses have decreased from $2.07 million in the second quarter 2012 to $1.76 million in

the second quarter 2013, which represents a 15.1% decrease in our second quarter noninterest expense in just one year.

"We have maintained our focus on growing our core deposits, particularly our noninterest-bearing deposits. At June 30, 2013, we had $121 million of noninterest-bearing deposits compared to $105 million of noninterest-bearing deposits at June 30, 2012. This is an increase of 15.0% year-over-year. Furthermore, average noninterest-bearing deposits grew to 38.2% of average deposits in the first six months of 2013.

"By the end of the second quarter, we had completed the consolidation of our deposit operations and loan administration functions into one department located at our Hilltop offices. We foresee no complications or delays with the closing of our two underperforming branches on July 31, 2013. The effect of these events will be to make our administrative operations even more efficient in providing outstanding service to our core business clients."

Comparison of Operating Results for the Three Months Ended June 30, 2013 and 2012

Overview. The Company's pretax income was $934,000 for the second quarter of 2013, compared to pretax income of $750,000 for the second quarter of 2012, an increase of $184,000, or 24.5%. A $113,000 increase in noninterest income plus a $312,000 decrease in noninterest expense more than offset a decrease of $276,000 in net interest income.

Net Interest Income. The Company's net interest income before provision for loan losses decreased by $276,000, comparing the second quarters of 2013 and 2012. Our average loan portfolio increased by $3.4 million, from $216.2 million in the second quarter of 2012 to $219.6 million in the second quarter of 2013, while our average certificates of deposit ("CDs") in other financial institutions increased by $48.4 million and our average investment in securities available for sale and other interest-earning assets (excluding loans and CDs) decreased by $37.4 million, for a net increase in interest-earning assets of $14.4 million comparing the two quarters. Average interest-bearing liabilities increased by $0.6 million from $170.8 million in the second quarter of 2012 to $171.4 million in the second quarter of 2013. The average yield on our interest-earning assets was adversely impacted by lower yields on loans and other interest-earning assets, which was only partially offset by a decrease in the average cost of our interest-bearing liabilities. As a result, our interest rate spread decreased by 54 basis points from 3.58% in the second quarter of 2012 to 3.04% in the second quarter of 2013, and our net interest margin decreased by 56 basis points from 3.81% in the second quarter of 2012 to 3.25% in the second quarter of 2013. The Company's net interest margin for the second quarter 2013 is unchanged from the first quarter 2013.

Provision for Loan Losses. There was no provision for loan losses or charge-offs in the quarter ending June 30, 2013 compared to a $35,000 provision and charge-offs of $30,000 for the quarter ending June 30, 2012.

Noninterest Income. Total noninterest income increased by $113,000, from $205,000 in the second quarter of 2012 to $318,000 in the second quarter of 2013. This increase is primarily attributable to a $139,000 increase in late charges and other fees on loans.

Noninterest Expense. Total noninterest expense was $1,757,000 for the second quarter of 2013, a $312,000, or 15.1%, decrease from the second quarter of 2012, primarily due to

decreases of $169,000, $57,000 and $34,000 in compensation, data processing and occupancy, respectively.

Income Taxes. The Company's income tax expense for the second quarter of 2013 was $273,000, reflecting an effective tax rate of 29.2%, compared to income tax expense of $209,000 and an effective tax rate of 27.8%, for the second quarter of 2012.

Net Income Available to Common Stockholders. The dividend rate on our SBLF program preferred stock was 1.0% for the second quarters of both 2013 and 2012. Net income available to common stockholders was $641,000 for the second quarter of 2013, compared to $522,000 for the second quarter of 2012, an increase of $119,000, or $0.05 per diluted common share.

Comparison of Operating Results for the Six Months Ended June 30, 2013 and 2012

Overview. The Company's pretax income was $1,561,000 for the first six months of 2013, compared to pretax income of $1,633,000 for the first six months of 2012, a decrease of $72,000. A $423,000 reduction in noninterest expense (which is net of a $134,000 charge-off for furniture and fixtures in two branches that will no longer be utilized by the Company) plus a $60,000 increase in noninterest income only partially offset a decrease of $590,000 in net interest income.

Net Interest Income. The Company's net interest income before provision for loan losses decreased by $590,000 comparing the first six months of 2013 and 2012. Our average loan portfolio increased by $3.7 million, from $216.6 million in the first six months of 2012 to $220.3 million in the first six months of 2013, while our average CDs in other financial institutions increased by $45.7 million and our average investment in securities available for sale and other interest-earning assets (excluding loans and CDs) decreased by $26.4 million, for a net increase in interest-earning assets of $23.0 million comparing the two six-month periods. Average interest-bearing liabilities increased by $8.4 million from $169.1 million in the first six months of 2012 to $177.5 million in the first six months of 2013, resulting primarily from a $10.7 million increase in average interest-bearing deposits. The average yield on our interest-earning assets was adversely impacted by lower yields on loans and other interest-earning assets, which was only partially offset by a decrease in the average cost of our interest-bearing liabilities. As a result, our interest rate spread decreased by 65 basis points from 3.69% in the first six months of 2012 to 3.04% in the first six months of 2013, and our net interest margin decreased by 67 basis points from 3.92% in the first six months of 2012 to 3.25% in the first six months of 2013.

Provision for Loan Losses. There was no provision for loan losses or charge-offs in the first six months ending June 30, 2013 compared to a $35,000 provision and net charge-offs of $11,000 for the first six months ending June 30, 2012.

Noninterest Income. Total noninterest income increased by $60,000, from $466,000 in the first six months of 2012 to $526,000 in the first six months of 2013. A $128,000 increase in late charges and other fees on loans is only partially offset by decreases of $30,000 each in service charges on deposit accounts and income from bank-owned life insurance.

Noninterest Expense. Total noninterest expense was $3.726 million for the first six months of 2013, a $423,000 decrease from $4.149 million in the first six months of 2012. This reduction is primarily due to decreases of $305,000 and $98,000 in compensation and data

processing, respectively, that were partially offset by a $134,000 charge-off of furniture, fixtures, and equipment in two branches that will no longer be utilized by the Company.

Income Taxes. The Company's income tax expense for the first six months of 2013 was $441,000, reflecting an effective tax rate of 28.3%, compared to income tax expense of $461,000 and an effective tax rate of 28.2%, for the first six months of 2012.

Net Income Available to Common Stockholders. The dividend rate on our SBLF program preferred stock was 1.70% for the first six months of 2013, resulting in an SBLF preferred stock dividend expense of $66,000, virtually unchanged from the first six months of 2012. Net income available to common stockholders was $1,054,000 for the first six months of 2013, compared to $1,105,000 for the first six months of 2012, a decrease of $51,000, or $0.02 per diluted common share.

Financial Condition of the Company

Total Assets. The Company's total assets increased by $10.1 million from $313.3 million at June 30, 2012 to $323.4 million at June 30, 2013. The increase in assets resulted primarily from an $8.9 million net increase in our aggregate cash, securities available for sale, CDs in other banks and federal funds sold.

Investments. Overall investments, including overnight interest-bearing deposits in other banks, federal funds sold, CDs in other banks, and investments in securities, increased by a net of $7.7 million from $70.4 million at June 30, 2012 to $78.1 million at June 30, 2013. The Company decreased investments in securities available for sale and interest-bearing deposits in other banks by $40.7 million. These funds were invested in CDs in other banks which increased by $48.4 million. We made additional investments of our excess liquidity into CDs at other financial institutions because CDs offer higher yields than comparable maturities of securities and, in the event of substantial increases in intermediate-term interest rates, CDs do not require valuation adjustments on our balance sheet and may be redeemed at par with only early withdrawal penalties impacting our income statement.

Loans. Loans held for investment, net, were $219.3 million at June 30, 2013, an increase of $3.3 million from our loan balance of $216.0 million at June 30, 2012.

Asset Quality. Nonperforming assets were $1.3 million, or 0.40% of total assets, at June 30, 2013, compared to $1,805,000 in nonperforming assets, or 0.58% of total assets, at June 30, 2012. There were no nonaccrual loans or accruing loans past due 90 days, and other real estate owned consisted of three bank branch sites that we no longer plan to utilize.

Deposits. Total deposits at June 30, 2013 were $281.7 million compared to $272.4 million at June 30, 2012, an increase of $9.3 million. Core deposits, which are comprised of noninterest-bearing, money market, NOW and savings deposits, increased by $20.6 million, or 8.5%, from $242.5 million at June 30, 2012 to $263.1 million at June 30, 2013. Noninterest-bearing deposits increased by $15.7 million to $120.6 million at June 30, 2013 and, as a percentage of total deposits, noninterest-bearing deposits increased from 38.5% at June 30, 2012 to 42.8% at June 30, 2013.

Average total deposits increased by $23.2 million, or 8.9%, from $259.6 million for the six-month period ended June 30, 2012 to $282.8 million for the six-month period ended June 30, 2013. Average core deposits increased by $38.0 million, or 17.0%, over the comparable six-month periods, while CDs decreased by $14.8 million during that same time period. Average noninterest-bearing deposits increased by $12.6 million, from $95.4 million in the six-month period ending June 30, 2012 to $108.0 million in the six-month period ending June 30, 2013. As a percentage of average total deposits, average noninterest-bearing deposits increased from 36.8% at June 30, 2012 to 38.2% at June 30, 2013.

Borrowed Funds. Borrowed funds increased by $500,000, from $1.7 million at June 30, 2012 to $2.2 million at June 30, 2013.

Capital. Stockholders' equity increased by $660,000, from $36.872 million at June 30, 2012 to $37.532 million at June 30, 2013, primarily due to a $1.0 million increase in retained earnings, partially offset by a $377,000 decrease in accumulated other comprehensive income related to the reduction of our securities available for sale portfolio. In December 2012, the Company accelerated its normal payment of dividends of $0.06 per share per quarter that it would have otherwise expected to pay during the 2013 calendar year.

Certain reclassifications have been made to prior period financial statements to conform them to the current period presentation.

The tables attached to and incorporated within this release present in greater detail certain of the unaudited financial information described above.

Dividends

The Company expects to pay dividends of $19,500 on the preferred stock issued in connection with our participation in the SBLF program. This dividend shall be payable and paid on October 1, 2013 to the holders of the SBLF preferred stock of record on September 18, 2013 (currently the sole shareholder of record of the SBLF preferred stock is the Secretary of the Treasury).

About Heritage

Heritage is the parent company of Heritage Bank (www.heritagebankva.com). Heritage Bank has four full-service branches in the city of Norfolk, two full-service branches in the city of Virginia Beach, and one full service branch in the city of Chesapeake. After the closing on July 31, 2013 of our Ocean View and Military Highway branches, Heritage Bank will have two full-service branches in the city of Norfolk.

Forward Looking Statements

The press release contains statements that constitute "forward-looking statements". Forward-looking statements address future events, developments or results and typically use words such as believe, anticipate, expect, intend, plan, forecast, outlook, or estimate. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Heritage's actual results, performance, achievements, and business strategy to differ materially from the anticipated results, performance, achievements or business strategy expressed or implied by such forward-looking statements Heritage disclaims any intention or obligation to

update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

HERITAGE BANKSHARES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	At June 30,	
	2013	**2012**
	(unaudited)	(unaudited)
ASSETS		
Cash and due from banks	$ 6,422	$ 5,204
Interest-bearing deposits in other banks	10,829	37,988
Federal funds sold	23	25
Total cash and cash equivalents	17,274	43,217
Certificates of deposit in other banks	48,447	-
Securities available for sale, at fair value	15,369	32,349
Securities held to maturity, at cost	3,399	-
Loans, net		
Held for investment, net of allowance for loan losses	219,291	215,968
Accrued interest receivable	609	652
Stock in Federal Reserve Bank, at cost	597	594
Stock in Federal Home Loan Bank of Atlanta, at cost	402	579
Premises and equipment, net	9,396	10,874
Other real estate owned	1,292	1,666
Bank-owned life insurance	5,787	5,604
Other assets	1,559	1,768
Total assets	$ 323,422	$ 313,271
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 120,612	$ 104,903
Interest-bearing	161,084	167,459
Total deposits	281,696	272,362
Federal Home Loan Bank Advances	-	-
Securities sold under agreements to repurchase	1,932	1,067
Other borrowings	301	624
Accrued interest payable	25	43
Other liabilities	1,936	2,303
Total liabilities	285,890	276,399
Stockholders' equity		
Senior non-cumulative perpetual preferred stock, Series C, 7,800 shares and outstanding at both June 30, 2013 and June 30, 2012, respectively	7,800	7,800
Common stock, $5 par value - 6,000,000 shares authorized; 2,275,029 and 2,275,891 shares issued and outstanding at June 30, 2013 and June 30, 2012, respectively	11,375	11,379
Additional paid-in capital	6,742	6,705
Retained earnings	11,636	10,632
Accumulated other comprehensive income(loss), net	(21)	356
Total stockholders' equity	37,532	36,872
Total liabilities and stockholders' equity	$ 323,422	$ 313,271

HERITAGE BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income				
Interest income and fees on loans	$ 2,329	$ 2,587	$ 4,686	$ 5,255
Interest on taxable investment securities	87	267	197	543
Other interest and dividend income	167	26	318	45
Total interest income	2,583	2,880	5,201	5,843
Interest expense				
Deposits	205	223	430	475
Borrowings	5	8	10	17
Total interest expense	210	231	440	492
Net interest income	2,373	2,649	4,761	5,351
Provision for loan losses	-	35	-	35
Net interest income after provision for loan losses	2,373	2,614	4,761	5,316
Noninterest income				
Service charges on deposit accounts	49	61	99	129
Late charges and other fees on loans	158	19	194	66
Income from bank-owned life insurance	44	52	87	117
Other	67	73	146	154
Total noninterest income	318	205	526	466
Noninterest expense				
Compensation	903	1,072	1,866	2,171
Data processing	99	156	213	311
Occupancy	190	224	400	447
Furniture and equipment	150	148	286	286
Taxes and licenses	69	80	135	159
Professional fees	71	79	137	186
FDIC assessment	45	37	90	77
Loss on sale or impairment of fixed assets	(1)	-	134	-
Loss on sale or impairment of other real estate owned	-	16	-	53
Other	231	257	465	459
Total noninterest expense	1,757	2,069	3,726	4,149
Income before provision for income taxes	934	750	1,561	1,633
Provision for income taxes	273	209	441	461
Net income	$ 661	$ 541	$ 1,120	$ 1,172
Preferred stock dividend and accretion of discount	$ (20)	$ (19)	$ (66)	$ (67)
Net income available to common stockholders	$ 641	$ 522	$ 1,054	$ 1,105
Earnings per common share				
Basic	$ 0.28	$ 0.23	$ 0.46	$ 0.48
Diluted	$ 0.27	$ 0.22	$ 0.45	$ 0.47
Dividends per share	$ -	$ 0.06	$ -	$ 0.12
Weighted average shares outstanding - basic	2,276,418	2,304,529	2,276,933	2,305,174
Effect of dilutive equity awards	57,007	54,553	55,107	46,896
Weighted average shares outstanding - diluted	2,333,425	2,359,082	2,332,040	2,352,070

HERITAGE BANKSHARES, INC.
OTHER SELECTED FINANCIAL INFORMATION
(Unaudited)
(in thousands, except share, per share data, and ratios)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Financial ratios				
Annualized return on average assets [1]	0.82%	0.70%	0.70%	0.77%
Annualized return on average common equity [2]	8.95%	7.41%	7.69%	8.07%
Average equity to average assets	11.63%	12.01%	11.46%	12.17%
Equity to assets, at period-end	11.60%	11.77%	11.60%	11.77%
Net interest margin [3]	3.25%	3.81%	3.25%	3.92%
Per common share				
Earnings per share - basic	$ 0.28	$ 0.23	$ 0.46	$ 0.48
Earnings per share - diluted	$ 0.27	$ 0.22	$ 0.45	$ 0.47
Book value per share	$ 13.07	$ 12.77	13.07	$ 12.77
Dividends declared per share	$ -	$ 0.06	$ -	$ 0.12
Common stock outstanding	2,275,029	2,275,891	2,275,029	2,275,891
Weighted average shares outstanding - basic	2,276,418	2,304,529	2,276,933	2,305,174
Weighted average shares outstanding - diluted	2,333,425	2,359,082	2,332,040	2,352,070
Asset quality				
Nonaccrual loans	$ -	$ 139	$ -	$ 139
Accruing loans past due 90 days or more	-	-	-	-
Total nonperforming loans	-	139	-	139
Other real estate owned, net	1,292	1,666	1,292	1,666
Total nonperforming assets	$ 1,292	$ 1,805	$ 1,292	$ 1,805
Nonperforming assets to total assets	0.40%	0.58%	0.40%	0.58%
Allowance for loan losses				
Balance, beginning of period	$ 2,075	$ 2,110	$ 2,075	$ 2,091
Provision for loan losses	-	35	-	35
Loans charged-off	-	(30)	-	(31)
Recoveries	-	-	-	20
Balance, end of period	$ 2,075	$ 2,115	$ 2,075	$ 2,115
Allowance for loan losses to gross loans held for investment, net of unearned fees and costs	0.94%	0.97%	0.94%	0.97%

[1] Return is defined as net income, after tax, before preferred stock dividend divided by average total assets.
[2] Return is defined as net income, after tax, before preferred stock dividend divided by average common equity.
[3] Tax equivalency calculations have been included in the computation of net interest margin and net interest spread.