HERITAGE BANKSHARES, INC.

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FOR IMMEDIATE RELEASE

Press Release

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Heritage Bankshares, Inc. Announces a Record Third Quarter and First Nine Months 2013 Net Income

Norfolk, Va.: October 23, 2013 – Heritage Bankshares, Inc. ("Heritage"; the "Company") (OTCQB: HBKS), the parent of Heritage Bank (the "Bank"), today announced unaudited financial results for the third quarter and first nine months of 2013.

The Company's net income for the third quarter of 2013 was a record $724,000 compared to net income of $693,000 for the third quarter of 2012, an increase of $31,000. Net income available to common shareholders was $704,000 for the third quarter of 2013, an increase of $31,000 from net income available to common shareholders of $673,000 for the third quarter of 2012. Earnings per diluted common share increased $0.01 to $0.30 for the third quarter of 2013 compared to $0.29 for the third quarter of 2012.

The Company's net income for the first nine months of 2013 was $1,844,000, a decrease of $21,000 over net income of $1,865,000 for the first nine months of 2012. For the first nine months of 2013, the Company's earnings per diluted common share were $0.75 compared to $0.76 for the first nine months of 2012, a decrease of $0.01 per share.

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

"During the third quarter, the Company continued to focus on its basic core banking business. In addition, the Company further improved its operating efficiency with the seamless closings of its former Ocean View and Military Highway branches.

"From our various initiatives to become more efficient, we reduced our noninterest expense from $2.00 million in the third quarter of 2012 to $1.74 million in the third quarter of 2013, a decrease of $0.26 million, or 13%. This is the third consecutive year in which there has been a decline in the Company's noninterest expense in the third quarter of the year.

"Finally, we are very pleased to announce that the Company's dividend rate for its Small Business Lending Fund ("SBLF") preferred stock has been locked in at 1% through the end of 2015. The SBLF preferred stock is by far the cheapest form of additional capital for the benefit of our common stockholders for the next two years. Thereafter, the Company plans to redeem its SBLF preferred stock with the then most advantageous combination of retained earnings and/or various other capital or debt instruments."

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

Overview. The Company's pretax income was $991,000 for the third quarter of 2013, compared to pretax income of $981,000 for the third quarter of 2012, an increase of $10,000. A $260,000 decrease in noninterest expense offset a $224,000 decrease in net interest income after provision for loan losses and a $26,000 decrease in noninterest income.

Net Interest Income. The Company's net interest income before provision for loan losses decreased by $224,000, comparing the third quarters of 2013 and 2012. Our average loan portfolio increased by $4.9 million, from $212.0 million in the third quarter of 2012 to $216.9 million in the third quarter of 2013, while our average certificates of deposit ("CDs") in other financial institutions increased by $40.6 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) decreased by $42.0 million, for a net increase in interest-earning assets of $3.5 million comparing the two quarters. Average interest-bearing liabilities decreased by $5.6 million from $176.5 million in the third quarter of 2012 to $170.9 million in the third 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 35 basis points from 3.22% in the third quarter of 2012 to 2.87% in the third quarter of 2013, and our net interest margin decreased by 34 basis points from 3.43% in the third quarter of 2012 to 3.09% in the third quarter of 2013.

Provision for Loan Losses. There was no provision for loan losses or charge-offs in either the quarter ending September 30, 2013 or September 30, 2012.

Noninterest Income. Total noninterest income decreased by $26,000, from $492,000 in the third quarter of 2012 to $466,000 in the third quarter of 2013. During the third quarter of 2013, a $20,000 decrease in service charges on deposit accounts and a $296,000 decrease in net gains from the sale of investment securities were partially offset by a $106,000 increase in various fees on loans plus a nonrecurring $190,000 gain on the sale of the Company's investment in Bankers Insurance.

Noninterest Expense. Total noninterest expense was $1,737,000 for the third quarter of 2013, a $260,000, or 13.0%, decrease from the third quarter of 2012, primarily due to decreases of $96,000, $47,000 and $32,000 in compensation, data processing and occupancy expenses, respectively, as well as a variety of other expenses.

Income Taxes. The Company's income tax expense for the third quarter of 2013 was $267,000, reflecting an effective tax rate of 27.0%, compared to income tax expense of $288,000 and an effective tax rate of 29.4%, for the third quarter of 2012.

Net Income Available to Common Stockholders. Because of qualified loan production as of September 30, 2013, the dividend rate on our SBLF preferred stock will be 1.0% through December 31, 2015. Net income available to common stockholders was $704,000 for the third quarter of 2013, compared to $673,000 for the third quarter of 2012, an increase of $31,000, or $0.01 per diluted common share.

Comparison of Operating Results for the Nine Months Ended September 30, 2013 and 2012

Overview. The Company's pretax income was $2,553,000 for the first nine months of 2013, compared to pretax income of $2,614,000 for the first nine months of 2012, a decrease of $61,000. A $684,000 reduction in noninterest expense (which is net of a $127,000 charge-off for furniture and fixtures in two branches that will no longer be utilized by the Company) plus a $34,000 increase in noninterest income only partially offset a decrease of $779,000 in net interest income after provision for loan losses.

Net Interest Income. The Company's net interest income before provision for loan losses decreased by $814,000, comparing the first nine months of 2013 and 2012. Our average loan portfolio increased by $4.1 million, from $215.0 million in the first nine months of 2012 to $219.1 million in the first nine months of 2013, while our average CDs in other financial institutions increased by $44.0 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) decreased by $31.7 million, for a net increase in interest-earning assets of $16.4 million comparing the two nine-month periods. Average interest-bearing liabilities increased by $3.6 million from $171.6 million in the first nine months of 2012 to $175.2 million in the first nine months of 2013, resulting primarily from a $4.8 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 53 basis points from 3.52% in the first nine months of 2012 to 2.99% in the first nine months of 2013, and our net interest margin decreased by 56 basis points from 3.75% in the first nine months of 2012 to 3.19% in the first nine months of 2013.

Provision for Loan Losses. There was no provision for loan losses or charge-offs in the first nine months ending September 30, 2013 compared to a $35,000 provision and net charge-offs of $51,000 for the first nine months ending September 30, 2012.

Noninterest Income. Total noninterest income increased by $34,000, from $958,000 in the first nine months of 2012 to $992,000 in the first nine months of 2013. A $234,000 increase in various fees on loans plus a $190,000 gain on the sale of other assets was partially offset by a $292,000 decrease in gains on the sale of investment securities in the first nine months of 2012 and a $49,000 decrease in service charges on deposit accounts between the two periods.

Noninterest Expense. Total noninterest expense was $5.462 million for the first nine months of 2013, a $684,000 decrease from $6.146 million in the first nine months of 2012. This reduction is primarily due to decreases of $401,000, $145,000, and $79,000 in compensation, data processing, and occupancy expenses, respectively, as well as a variety of other expenses. These decreases were offset by a $127,000 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 nine months of 2013 was $709,000, reflecting an effective tax rate of 27.8%, compared to income tax expense of $749,000 and an effective tax rate of 28.6%, for the first nine months of 2012.

Net Income Available to Common Stockholders. The dividend rate on our SBLF preferred stock was 1.46% for the first nine months of 2013, resulting in an SBLF preferred stock dividend expense of $86,000, unchanged from the first nine months of 2012. Net income available to common stockholders was $1,759,000 for the first nine months of 2013, compared to $1,779,000 for the first nine months of 2012, a decrease of $20,000, or $0.01 per diluted common share.

Financial Condition of the Company

Total Assets. The Company's total assets remained relatively stable between the two periods, decreasing $325,000 from $312.7 million at September 30, 2012 to $312.4 million at September 30, 2013.

Investments. Overall investments, including overnight interest-bearing deposits in other banks, federal funds sold, CDs in other banks, and investments in securities, decreased by a net of $1.4 million from $73.4 million at September 30, 2012 to $72.0 million at September 30, 2013. The Company decreased investments in securities and interest-bearing deposits in other banks by $36.4 million. CDs in other banks increased by $35.0 million. We made additional investments of our excess liquidity into CDs at other financial institutions because CDs offered 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, remained stable comparing the two period ends, and were $213.5 million at September 30, 2013 and $213.1 million at September 30, 2012.

Asset Quality. Nonperforming assets were $1.3 million, or 0.41% of total assets, at September 30, 2013, compared to $591,000 in nonperforming assets, or 0.19% of total assets, at September 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 September 30, 2013 were $270.8 million compared to $272.6 million at September 30, 2012, a decrease of $1.8 million. Core deposits, which are comprised of noninterest-bearing, money market, NOW and savings deposits, increased by $6.1 million, or 2.5%, from $247.6 million at September 30, 2012 to $253.7 million at September 30, 2013. Noninterest-bearing deposits increased by $4.0 million to $105.0 million at September 30, 2013 and, as a percentage of total deposits, noninterest-bearing deposits increased from 37.0% at September 30, 2012 to 38.8% at September 30, 2013.

Average total deposits increased by $15.2 from $265.4 million for the nine-month period ended September 30, 2012 to $280.6 million for the nine-month period ended September 30, 2013. Average core deposits increased by $27.9 million over the comparable nine-month periods, while CDs decreased by $12.7 million during that same time period. Average noninterest-bearing deposits increased by $10.4 million, from $97.7 million in the nine-month period ending September 30, 2012 to $108.1 million in the nine-month period ending September 30, 2013. As a percentage of average total deposits, average noninterest-bearing deposits increased from 36.8% at September 30, 2012 to 38.5% at September 30, 2013.

Borrowed Funds. Borrowed funds increased by $448,000, from $757,000 at September 30, 2012 to $1.2 million at September 30, 2013.

Capital. Stockholders' equity increased by $1.1 million, from $37.205 million at September 30, 2012 to $38.263 million at September 30, 2013, primarily due to a $1.2 million increase in retained earnings, partially offset by a $139,000 decrease in accumulated other comprehensive income primarily 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, and declared an additional special dividend of $0.12 per share for a total dividend per share of $0.36.

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 January 2, 2014 to the holders of the SBLF preferred stock of record on December 19, 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 two 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.

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 September 30, 2013 (unaudited)	At September 30, 2012 (unaudited)
ASSETS		
Cash and due from banks	$ 7,192	$ 5,693
Interest-bearing deposits in other banks	9,558	33,502
Federal funds sold	25	28
Total cash and cash equivalents	16,775	39,223
Certificates of deposit in other banks	48,633	13,695
Securities available for sale, at fair value	10,380	26,188
Securities held to maturity, at cost	3,379	-
Loans, net		
Held for investment, net of allowance for loan losses	213,466	213,082
Accrued interest receivable	467	588
Stock in Federal Reserve Bank, at cost	597	594
Stock in Federal Home Loan Bank of Atlanta, at cost	469	440
Premises and equipment, net	9,445	10,743
Other real estate owned	1,292	591
Bank-owned life insurance	5,832	5,648
Other assets	1,636	1,904
Total assets	$ 312,371	$ 312,696
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 104,980	$ 100,960
Interest-bearing	165,801	171,664
Total deposits	270,781	272,624
Federal Home Loan Bank Advances	-	-
Securities sold under agreements to repurchase	986	212
Other borrowings	219	545
Accrued interest payable	21	36
Other liabilities	2,101	2,074
Total liabilities	274,108	275,491
Stockholders' equity		
Senior non-cumulative perpetual preferred stock, Series C, 7,800 shares and outstanding at both September 30, 2013 and September 30, 2012, respectively	7,800	7,800
Common stock, $5 par value - 6,000,000 shares authorized; 2,274,550 and 2,275,891 shares issued and outstanding at September 30, 2013 and September 30, 2012, respectively	11,373	11,379
Additional paid-in capital	6,766	6,732
Retained earnings	12,338	11,169
Accumulated other comprehensive income(loss), net	(14)	125
Total stockholders' equity	38,263	37,205
Total liabilities and stockholders' equity	$ 312,371	$ 312,696

HERITAGE BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income				
Interest income and fees on loans	$ 2,236	$ 2,485	$ 6,922	$ 7,740
Interest on taxable investment securities	72	174	269	716
Other interest and dividend income	172	61	491	106
Total interest income	2,480	2,720	7,682	8,562
Interest expense				
Deposits	214	228	645	702
Borrowings	4	6	14	23
Total interest expense	218	234	659	725
Net interest income	2,262	2,486	7,023	7,837
Provision for loan losses	-	-	-	35
Net interest income after provision for loan losses	2,262	2,486	7,023	7,802
Noninterest income				
Service charges on deposit accounts	47	67	146	195
Late charges and other fees on loans	117	11	311	77
Gain on sale of investment securities	(12)	284	(8)	284
Gain on sale of other assets	190	-	190	-
Income from bank-owned life insurance	45	43	131	161
Other	79	87	222	241
Total noninterest income	466	492	992	958
Noninterest expense				
Compensation	912	1,008	2,778	3,179
Data processing	113	160	326	471
Occupancy	189	221	589	668
Furniture and equipment	136	161	422	446
Taxes and licenses	67	79	202	239
Professional fees	56	57	193	243
FDIC assessment	36	39	126	116
Loss on sale or impairment of fixed assets	(7)	-	127	-
Loss on sale or impairment of other real estate owned	-	(10)	-	41
Other	235	282	699	743
Total noninterest expense	1,737	1,997	5,462	6,146
Income before provision for income taxes	991	981	2,553	2,614
Provision for income taxes	267	288	709	749
Net income	$ 724	$ 693	$ 1,844	$ 1,865
Preferred stock dividend	$ (20)	$ (20)	$ (85)	$ (86)
Net income available to common stockholders	$ 704	$ 673	$ 1,759	$ 1,779
Earnings per common share				
Basic	$ 0.31	$ 0.30	$ 0.77	$ 0.77
Diluted	$ 0.30	$ 0.29	$ 0.75	$ 0.76
Dividends per share	$ -	$ 0.06	$ -	$ 0.18
Weighted average shares outstanding - basic	2,274,709	2,275,891	2,276,191	2,295,413
Effect of dilutive equity awards	63,236	54,362	57,817	49,385
Weighted average shares outstanding - diluted	2,337,945	2,330,253	2,334,008	2,344,798

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Financial ratios				
Annualized return on average assets [1]	0.90%	0.86%	0.76%	0.81%
Annualized return on average common equity [2]	9.54%	9.38%	8.32%	8.51%
Average equity to average assets	11.88%	11.66%	11.60%	11.99%
Equity to assets, at period-end	12.25%	11.90%	12.25%	11.90%
Net interest margin [3]	3.09%	3.43%	3.19%	3.75%
Per common share				
Earnings per share - basic	$ 0.31	$ 0.30	$ 0.77	$ 0.77
Earnings per share - diluted	$ 0.30	$ 0.29	$ 0.75	$ 0.76
Book value per share	$ 13.39	$ 12.92	13.39	$ 12.92
Dividends declared per share	$ -	$ 0.06	$ -	$ 0.18
Common stock outstanding	2,274,550	2,275,891	2,274,550	2,275,891
Weighted average shares outstanding - basic	2,274,709	2,275,891	2,276,191	2,295,413
Weighted average shares outstanding - diluted	2,337,945	2,330,253	2,334,008	2,344,798
Asset quality				
Nonaccrual loans	$ -	$ -	$ -	$ -
Accruing loans past due 90 days or more	-	-	-	-
Total nonperforming loans	-	-	-	-
Other real estate owned, net	1,292	591	1,292	591
Total nonperforming assets	$ 1,292	$ 591	$ 1,292	$ 591
Nonperforming assets to total assets	0.41%	0.19%	0.41%	0.19%
Allowance for loan losses				
Balance, beginning of period	$ 2,075	$ 2,115	$ 2,075	$ 2,091
Provision for loan losses	-	-	-	35
Loans charged-off	-	(40)	-	(71)
Recoveries	-	-	-	20
Balance, end of period	$ 2,075	$ 2,075	$ 2,075	$ 2,075
Allowance for loan losses to gross loans held for investment, net of unearned fees and costs	0.96%	0.96%	0.96%	0.96%

[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.

HERITAGE BANKSHARES, INC.
OTHER SELECTED INFORMATION (continued)
(Unaudited)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
Average balances				
Assets				
Loans	216,865	211,956	219,126	215,025
Investment securities	15,070	31,317	18,836	40,133
Certificates of deposits in other banks	48,556	7,913	46,648	2,657
Other investments	17,106	42,855	16,115	26,477
Total interest-earning assets	297,597	294,041	300,725	284,292
Liabilities				
Noninterest-bearing deposits	108,369	102,077	108,114	97,669
Money market	131,464	130,332	133,465	116,664
NOW accounts	14,579	13,995	15,025	14,228
Savings	4,119	4,151	4,133	4,229
Certificates of deposit	17,639	26,242	19,848	32,587
Total interest-bearing deposits	167,801	174,720	172,471	167,708
Total deposits	276,170	276,797	280,585	265,377
Other borrowings	3,072	1,815	2,774	3,860
Total interest-bearing liabilities	170,873	176,535	175,245	171,568