HERITAGE BANKSHARES, INC.

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FOR IMMEDIATE RELEASE

Press Release

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Heritage Bankshares, Inc. Announces Record 2013 Net Income and Doubles Quarterly Dividend

Norfolk, Va.: January 31, 2014 – Heritage Bankshares, Inc. ("Heritage"; the "Company") (OTCQB: HBKS), the parent of Heritage Bank (the "Bank"), today announced record unaudited financial results for the fourth quarter and full year 2013. As well, effective the first quarter of 2014, the Company will double its regular quarterly dividend from $0.06 per common share to $0.12 per common share.

The Company's net income for the full year of 2013 was a record $2,521,000, an increase of $193,000 over net income of $2,328,000 for the full year of 2012. Net income available to common shareholders was $2,416,000 for the full year of 2013, an increase of $225,000 from net income available to common shareholders of $2,191,000 for the full year of 2012. For the full year of 2013, the Company's earnings per diluted common share were $1.04 compared to $0.94 for the full year of 2012, an increase of $0.10 per share.

The Company experienced a record fourth quarter net income for the fourth quarter of 2013 of $677,000, compared to net income of $463,000 for the fourth quarter of 2012, an increase of $214,000. Net income available to common shareholders was $658,000 for the fourth quarter of 2013, an increase of $246,000 from net income available to common shareholders of $412,000 for the fourth quarter of 2012. Earnings per diluted common share increased $0.10 to $0.28 for the fourth quarter of 2013 compared to $0.18 for the fourth quarter of 2012.

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

"Today, we announced record net income for 2013. The financial impact of our restructuring played a significant role in our excellent financial results. In 2013, our total noninterest expense was $7,319,000 which represented a 9% decrease from our noninterest expense of $8,080,000 in 2012, and represents our lowest level of noninterest expense in the last five years.

"Our restructuring, which took place over a period of approximately 18 months, is now substantially complete. We expect to receive the full financial benefit of our restructuring on our noninterest expense in 2014.

"In addition, our asset quality continues to be excellent. At June 30, 2010, we had an asset quality "perfect game" - that is no loans past due over 30 days, no nonaccrual loans, and no real

estate owned. At December 31, 2013, we almost replicated our "perfect game" except for holding a former branch site in real estate owned.

"Given the Company's high level of stability, our Board of Directors concluded that we could double our regular quarterly dividend for our stockholders.

"For 2014, we have shifted our focus from our restructuring to loan growth. To assist in this effort, I have assumed direct responsibility for loan growth by serving as our interim Chief Lending Officer as well as Chief Executive Officer. I believe that my direct involvement in loan production on a daily basis will enhance our prospects for loan growth, particularly in the second quarter of 2014 and beyond, as we build our loan pipeline."

Comparison of Operating Results for the Full Years Ended December 31, 2013 and 2012

Overview. The Company's pretax income was $3,491,000 for the full year of 2013, compared to pretax income of $3,249,000 for the full year of 2012, an increase of $242,000. A $761,000 reduction in noninterest expense (which is net of a $142,000 charge-off for furniture and fixtures in two branches that are no longer utilized by the Company) plus a $403,000 increase in noninterest income more than offset a decrease of $922,000 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 $957,000, comparing the full year of 2013 and 2012. Our average loan portfolio increased by $3.6 million, from $215.0 million in the full year of 2012 to $218.6 million in the full year of 2013, while our average certificates of deposit ("CDs") in other financial institutions increased by $38.5 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) decreased by $34.1 million, for a net increase in interest-earning assets of $8.0 million comparing the two twelve-month periods. Average interest-bearing liabilities decreased by $1.3 million from $175.7 million in the twelve months of 2012 to $174.4 million in the twelve months 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 39 basis points from 3.36% in the twelve months of 2012 to 2.97% in the twelve months of 2013, and our net interest margin decreased by 40 basis points from 3.58% in the twelve months of 2012 to 3.18% in the twelve months of 2013.

Provision for Loan Losses. There was no provision for loan losses in the year ending December 31, 2013 compared to a $35,000 provision in the year ending December 31, 2012. Net charge-offs during the year ending December 31, 2013 were $145,000 compared to net charge-offs of $51,000 for the year ending December 31, 2012.

Noninterest Income. Total noninterest income increased by $403,000, from $1,115,000 in the twelve months of 2012 to $1,518,000 in the twelve months of 2013. A $419,000 increase in gain on sale of other real estate owned was the result of the sale of two bank branch sites during the last quarter of 2013. A $222,000 increase in various fees on loans plus a $190,000 increase in gain on the sale of other assets was partially offset by a $292,000 decrease in gains on the sale of investment securities, comparing the two twelve-month periods.

Noninterest Expense. Total noninterest expense was $7.319 million for the twelve months of 2013, a $761,000 decrease from $8.080 million in the twelve months of 2012. This reduction is primarily due to decreases of $308,000, $193,000, and $113,000 in compensation, data processing, and occupancy expenses, respectively, as well as a variety of other expenses. These decreases were partially offset by a $142,000 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 twelve months of 2013 was $970,000, reflecting an effective tax rate of 27.8%, compared to income tax expense of $921,000 and an effective tax rate of 28.3%, for the twelve months 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. The average dividend rate on our SBLF preferred stock was 1.34% for the twelve months of 2013, resulting in an SBLF preferred stock dividend of $105,000, a $32,000 decrease from the twelve months of 2012. The average SBLF preferred stock dividend rate for the twelve months of 2012 was 1.75%, resulting in a preferred stock dividend of $137,000. Net income available to common stockholders was $2,416,000 for the twelve months of 2013, compared to $2,191,000 for the twelve months of 2012, an increase of $225,000, or $0.10 per diluted common share.

Comparison of Operating Results for the Three Months Ended December 31, 2013 and 2012

Overview. The Company's pretax income was $938,000 for the fourth quarter of 2013, compared to pretax income of $635,000 for the fourth quarter of 2012, an increase of $303,000. A $117,000 decrease in noninterest expense and a $329,000 increase in noninterest income offset a $143,000 decrease 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 $143,000, comparing the fourth quarters of 2013 and 2012. Our average loan portfolio increased by $2.3 million, from $214.7 in the fourth quarter of 2012 to $217.0 million in the fourth quarter of 2013, while our average CDs in other financial institutions increased by $22.0 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) decreased by $41.4 million, for a net decrease in interest-earning assets of $17.1 million comparing the two quarters. Average interest-bearing liabilities decreased by $16.1 million from $188.0 million in the fourth quarter of 2012 to $171.9 million in the fourth quarter of 2013. Comparing the two quarters, our net interest rate spread is unchanged at 2.92%, while our net interest margin remained approximately stable at 3.14% in the fourth quarter of 2012 and 3.12% in the fourth quarter of 2013.

Provision for Loan Losses. There was no provision for loan losses in either the quarter ending December 31, 2013 or December 31, 2012. There were net charge-offs of $145,000 in the fourth quarter of 2013.

Noninterest Income. Total noninterest income increased by $329,000, from $197,000 in the fourth quarter of 2012 to $526,000 in the fourth quarter of 2013. During the fourth quarter of 2013, two bank branch sites were sold for a net gain on sale of other real estate owned of

$349,000, compared to a $30,000 net loss on sale of other real estate owned in the fourth quarter of 2012.

Noninterest Expense. Total noninterest expense was $1,857,000 for the fourth quarter of 2013, a $117,000 decrease from the fourth quarter of 2012, primarily due to decreases of $46,000 and $34,000 in data processing and occupancy expenses, respectively, as well as a variety of other expenses.

Income Taxes. The Company's income tax expense for the fourth quarter of 2013 was $261,000, reflecting an effective tax rate of 27.8%, compared to income tax expense of $172,000 and an effective tax rate of 27.1%, for the fourth quarter of 2012.

Net Income Available to Common Stockholders. Net income available to common stockholders was $658,000 for the fourth quarter of 2013, compared to $412,000 for the fourth quarter of 2012, an increase of $246,000, or $0.10 per diluted common share.

Financial Condition of the Company

Total Assets. The Company's total assets at December 31, 2013 were $309.0 million, a $27.6 million decrease from $336.6 million at December 31, 2012.

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 $21.4 million from $89.8 million at December 31, 2012 to $68.4 million at December 31, 2013. The Company decreased investments in securities and interest-bearing deposits in other banks by $34.2 million. CDs in other banks increased by $12.9 million because this type of investment 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, decreased $4.6 million comparing the two period ends, from $221.0 million at December 31, 2012 to $216.4 million at December 31, 2013, as the result of loan payoffs at the end of 2013. Average loans for the twelve-month period ending December 31, 2013 were $218.6 million, a $3.6 million increase from average loans of $215.0 million for the twelve-month period ending December 31, 2012.

Asset Quality. Nonperforming assets were $743,000, or 0.24% of total assets, at December 31, 2013, compared to $699,000 in nonperforming assets, or 0.21% of total assets, at December 31, 2012. There were no nonaccrual loans or accruing loans past due 90 days, and other real estate owned consisted only of one bank branch site that closed in July 2013.

Deposits. Average total deposits increased by $6.3 million from $272.4 million for the twelve-month period ended December 31, 2012 to $278.7 million for the twelve-month period ended December 31, 2013. Average core deposits, which are comprised of noninterest-bearing, money market, NOW and savings deposits, increased by $17.8 million over the comparable twelve-month periods, while CDs decreased by $11.5 million during that same time period. Average noninterest-bearing deposits increased by $6.9 million, from $100.1 million in the twelve-month period ending December 31, 2012 to $107.0 million in the twelve-month period

ending December 31, 2013. As a percentage of average total deposits, average noninterest-bearing deposits increased from 36.8% at December 31, 2012 to 38.4% at December 31, 2013.

Total deposits at December 31, 2013 were $263.6 million compared to $295.1 million at December 31, 2012, a decrease of $31.5 million. Core deposits decreased by $24.6 million, or 9.0%, from $271.5 million at December 31, 2012 to $246.9 million at December 31, 2013. Noninterest-bearing deposits decreased by $12.2 million to $99.3 million at December 31, 2013, while, as a percentage of total deposits, noninterest-bearing deposits remained stable, 37.7% at December 31, 2013 compared to 37.8% at December 31, 2012.

Borrowed Funds. Borrowed funds, which consist of Federal Home Loan Bank advances, securities sold under agreements to repurchase, and other borrowings, increased by $1.6 million, from $3.1 million at December 31, 2012 to $4.7 million at December 31, 2013, primarily from increased overnight advances from the Federal Home Loan Bank of Atlanta.

Capital. Stockholders' equity increased by $2.2 million, from $36.7 million at December 31, 2012 to $38.9 million at December 31, 2013, primarily due to a $2.4 million increase in retained earnings, partially offset by a $183,000 decrease in accumulated other comprehensive income related to changes in our securities available for sale portfolio, and the accompanying market adjustments. In December 2012, the Company accelerated its normal payment of dividends of $0.06 per share per quarter, or $0.24 per share per year, 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

On January 31, 2014, our Board of Directors doubled the Company's regular quarterly dividend by declaring a $0.12 per share dividend on our common stock. The dividend will be paid on February 28, 2014 to common shareholders of record on February 14, 2014.

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 April 1, 2014 to the holders of the SBLF preferred stock of record on March 20, 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 December 31,	
	2013	**2012**
	(unaudited)	(audited)
ASSETS		
Cash and due from banks	$ 4,897	$ 5,746
Interest-bearing deposits in other banks	5,919	32,717
Federal funds sold	110	25
Total cash and cash equivalents	10,926	38,488
Certificates of deposit in other banks	48,767	35,892
Securities available for sale, at fair value	10,287	21,162
Securities held to maturity, at cost	3,358	-
Loans, net		
Held for investment, net of allowance for loan losses	216,412	220,962
Accrued interest receivable	517	624
Stock in Federal Reserve Bank, at cost	597	594
Stock in Federal Home Loan Bank of Atlanta, at cost	582	440
Premises and equipment, net	9,325	10,602
Other real estate owned	743	210
Bank-owned life insurance	5,757	5,690
Other assets	1,690	1,954
Total assets	$ 308,961	$ 336,618
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 99,322	$ 111,518
Interest-bearing	164,270	183,628
Total deposits	263,592	295,146
Federal Home Loan Bank Advances	4,000	-
Securities sold under agreements to repurchase	511	2,605
Other borrowings	135	465
Accrued interest payable	21	33
Other liabilities	1,817	1,695
Total liabilities	270,076	299,944
Stockholders' equity		
Senior non-cumulative perpetual preferred stock, Series C, 7,800 shares and outstanding at both December 31, 2013 and December 31, 2012, respectively	7,800	7,800
Common stock, $5 par value - 6,000,000 shares authorized; 2,274,507 and 2,275,891 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively	11,373	11,380
Additional paid-in capital	6,792	6,761
Retained earnings	12,995	10,625
Accumulated other comprehensive income(loss), net	(75)	108
Total stockholders' equity	38,885	36,674
Total liabilities and stockholders' equity	$ 308,961	$ 336,618

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (audited)
Interest income				
Interest income and fees on loans	$ 2,249	$ 2,426	$ 9,171	$ 10,166
Interest on taxable investment securities	66	108	335	824
Other interest and dividend income	172	125	663	231
Total interest income	2,487	2,659	10,169	11,221
Interest expense				
Deposits	215	242	860	943
Borrowings	3	5	17	29
Total interest expense	218	247	877	972
Net interest income	2,269	2,412	9,292	10,249
Provision for loan losses	-	-	-	35
Net interest income after provision for loan losses	2,269	2,412	9,292	10,214
Noninterest income				
Service charges on deposit accounts	46	56	191	252
Late charges and other fees on loans	8	21	320	98
Gain on sale of investment securities	-	-	(8)	284
Gain on sale of other assets	-	-	190	-
Gain on sale of other real estate owned	349	(30)	349	(70)
Income from bank-owned life insurance	62	42	194	203
Other	61	108	282	348
Total noninterest income	526	197	1,518	1,115
Noninterest expense				
Compensation	1,065	972	3,843	4,151
Data processing	113	159	437	630
Occupancy	185	219	774	887
Furniture and equipment	148	132	570	579
Taxes and licenses	67	79	269	318
Professional fees	67	94	268	373
FDIC assessment	38	39	164	155
Loss on sale or impairment of fixed assets	15	-	142	-
Other	159	280	852	987
Total noninterest expense	1,857	1,974	7,319	8,080
Income before provision for income taxes	938	635	3,491	3,249
Provision for income taxes	261	172	970	921
Net income	$ 677	$ 463	$ 2,521	$ 2,328
Preferred stock dividend	$ (19)	$ (51)	$ (105)	$ (137)
Net income available to common stockholders	$ 658	$ 412	$ 2,416	$ 2,191
Earnings per common share				
Basic	$ 0.29	$ 0.18	$ 1.06	$ 0.96
Diluted	$ 0.28	$ 0.18	$ 1.04	$ 0.94
Dividends per share	$ -	$ 0.42	$ -	$ 0.60
Weighted average shares outstanding - basic	2,274,543	2,275,891	2,275,779	2,290,533
Effect of dilutive equity awards	57,103	52,650	57,639	50,201
Weighted average shares outstanding - diluted	2,331,646	2,328,541	2,333,418	2,340,734

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2013	2012	2013	2012
Financial ratios				
Annualized return on average assets [1]	0.85%	0.55%	0.78%	0.74%
Annualized return on average common equity [2]	8.71%	6.24%	8.42%	7.96%
Average equity to average assets	12.21%	11.11%	11.75%	11.76%
Equity to assets, at period-end	12.59%	10.89%	12.59%	10.89%
Per common share				
Earnings per share - basic	$ 0.29	$ 0.18	$ 1.06	$ 0.96
Earnings per share - diluted	$ 0.28	$ 0.18	$ 1.04	$ 0.94
Book value per share	$ 13.67	$ 12.69	13.67	$ 12.69
Dividends declared per share	$ -	$ 0.42	$ -	$ 0.60
Common stock outstanding	2,274,507	2,275,891	2,274,507	2,275,891
Weighted average shares outstanding - basic	2,274,543	2,275,891	2,275,779	2,290,533
Weighted average shares outstanding - diluted	2,331,646	2,328,541	2,333,418	2,340,734
Asset quality				
Nonaccrual loans	$ -	$ -	$ -	$ -
Accruing loans past due 90 days or more	-	489	-	489
Total nonperforming loans	-	489	-	489
Other real estate owned, net	743	210	743	210
Total nonperforming assets	$ 743	$ 699	$ 743	$ 699
Nonperforming assets to total assets	0.24%	0.21%	0.24%	0.21%
Allowance for loan losses				
Balance, beginning of period	$ 2,075	$ 2,075	$ 2,075	$ 2,091
Provision for loan losses	-	-	-	35
Loans charged-off	(148)	-	(148)	(71)
Recoveries	3	-	3	20
Balance, end of period	$ 1,930	$ 2,075	$ 1,930	$ 2,075
Allowance for loan losses to gross loans held for investment, net of unearned fees and costs	0.88%	0.93%	0.88%	0.93%

[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.

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

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2013		2012		2013		2012	
Yields on average balances	Average		Average		Average		Average	
Assets	Balance [1]	Yield	Balance [1]	Yield	Balance [1]	Yield	Balance [1]	Yield
Loans [2]	217,041	4.21%	214,747	4.58%	218,600	4.29%	214,956	4.82%
Investment securities	13,743	1.91%	22,429	1.93%	17,552	1.90%	35,682	2.31%
Certificates of deposits in other banks	48,697	1.23%	26,691	1.23%	47,164	1.23%	8,698	1.22%
Other investments	15,583	0.53%	48,332	0.34%	15,982	0.52%	31,971	0.39%
Total interest-earning assets	295,064	3.42%	312,199	3.45%	299,298	3.47%	291,307	3.92%
Liabilities								
Noninterest-bearing deposits	103,792	-	107,531	-	107,024	-	100,147	
Money market	134,123	0.56%	142,869	0.56%	133,631	0.56%	123,251	0.56%
NOW accounts	14,252	0.05%	14,315	0.04%	14,830	0.05%	14,250	0.05%
Savings	4,176	0.15%	4,233	0.15%	4,144	0.15%	4,230	0.15%
Certificates of deposit	16,719	0.49%	24,342	0.62%	19,059	0.52%	30,515	0.80%
Total interest-bearing deposits	169,270	0.50%	185,759	0.52%	171,664	0.50%	172,246	0.55%
Total deposits	273,062		293,290		278,688		272,393	
Other borrowings	2,643	0.45%	2,228	0.98%	2,741	0.61%	3,449	0.82%
Total interest-bearing liabilities	171,913	0.50%	187,987	0.53%	174,405	0.50%	175,695	0.56%
Net interest spread [3]		2.92%		2.92%		2.97%		3.36%
Net interest margin [3]		3.12%		3.14%		3.18%		3.58%
Capital Ratios								
Consolidated company								
Total capital to risk-weighted assets	16.38%		15.54%		16.38%		15.54%	
Tier 1 capital to risk-weighted assets	15.61%		14.71%		15.61%		14.71%	
Tier 1 capital to average assets	12.31%		10.91%		12.31%		10.91%	
Bank								
Total capital to risk-weighted assets	14.71%		14.70%		14.71%		14.70%	
Tier 1 capital to risk-weighted assets	13.93%		13.86%		13.93%		13.86%	
Tier 1 capital to average assets	11.09%		10.33%		11.09%		10.33%	

[1] The calculations are based on daily average balances.

[2] Yields are stated on a taxable-equivalent basis assuming tax rates in effect for the periods presented.

[3] Tax equivalency calculations have been included in the computation of net interest margin and net interest spread.