HERITAGE BANKSHARES, INC. **150 Granby Street**
Norfolk, Virginia 23510

FOR IMMEDIATE RELEASE

Press Release

Contact: Michael S. Ives
Phone: 757-648-1601

Heritage Bankshares, Inc. Announces First Quarter 2014 Net Income and Quarterly Dividends

Norfolk, Va.: April 25, 2014 – Heritage Bankshares, Inc. ("Heritage"; the "Company") (OTCQB: HBKS), the parent of Heritage Bank (the "Bank"), today announced unaudited financial results for the first quarter of 2014.

The Company's net income for the first quarter of 2014 was $417,000, a decrease of $42,000 over net income of $459,000 for the first quarter of 2013. Net income available to common shareholders was $398,000 for the first quarter of 2014, a decrease of $15,000 from net income available to common shareholders of $413,000 for the first quarter of 2013. For the first quarter of 2014, the Company's earnings per diluted common share were $0.17 compared to $0.18 for the first quarter of 2013.

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

"At Heritage, there can be substantial volatility in our balance sheet and income statement from quarter to quarter. Many of our clients maintain large loan and deposit balances with us. Deposit balance fluctuations and loan originations and repayments from these large clients can have material impacts on our loan and deposit balances in a particular quarter or year.

"The past twelve months show this disproportionate impact on us from large loan prepayments. Our net loans outstanding on March 31, 2014 were $215.5 million compared to $216.1 million on March 31, 2013. On the surface, it would appear that there had been no material change in the outstanding balance of our loan portfolio. However, during this period of time, we had prepayments of approximately $12.4 million on loans that we had purchased from some banks seeking to shrink their assets during the past recession. But for these prepayments of purchased loans, our loan portfolio would have grown by approximately five percent over the past twelve months.

"We felt the impact of these prepayments most acutely in the first quarter of this year. Once again, on the surface, there did not appear to be any material change in the outstanding balance of our loan portfolio from December 31, 2013 to March 31, 2014. However, in January alone, we had prepayments of our higher-yielding purchased loans of approximately $9.57 million, while we had a disproportionately large amount of our loan originations for the first quarter close in the last weeks of March. As a result, the average balance of our loan portfolio

during the first quarter was well below our expectations, which had a significant impact on our interest income from loans in this quarter.

"In the future, we do not expect any major impact on our loan portfolio balance in any particular quarter from prepayments of purchased loans, absent some unusual circumstances. Currently, approximately $12.8 million of purchased loans remain in our loan portfolio from a total loan purchase amount of approximately $31.8 million acquired between December, 2009 and November, 2010. Many of these remaining loans have been renegotiated and re-underwritten by us to make these borrowers core clients of Heritage.

"In addition, over the past six months, we have implemented a new calling program for our lenders. We expect that this calling program will lead to an improvement in total new loan originations in 2014 over the levels of new loan originations in prior years. As evidence of this, subtracting the amount of our first quarter prepayments of purchased loans from our December 31, 2013 loan balance indicates loan growth of approximately four percent in the first quarter of this year."

Comparison of Operating Results for the Three Months Ended March 31, 2014 and 2013

Overview. The Company's pretax income was $568,000 for the first quarter of 2014, compared to pretax income of $628,000 for the first quarter of 2013, a decrease of $60,000. A $185,000 decrease in net interest income after provision for loan losses and a $60,000 decrease in noninterest income was only partially offset by a $185,000 decrease in noninterest expense.

Net Interest Income. The Company's net interest income before provision for loan losses decreased by $185,000, comparing the first quarters of 2014 and 2013. Our average loan portfolio decreased by $9.4 million, from $220.9 in the first quarter of 2013 to $211.5 million in the first quarter of 2014, while our average certificates of deposit ("CDs") in other financial institutions increased by $10.6 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) decreased by $1.9 million, for a net decrease in interest-earning assets of $0.7 million comparing the two quarters. Average interest-bearing liabilities increased by $1.4 million from $183.5 million in the first quarter of 2013 to $184.9 million in the first quarter of 2014. Comparing the two quarters, our net interest rate spread decreased 23 basis points from 3.05% for the first quarter of 2013 to 2.82% for the first quarter of 2014. Our net interest margin decreased from 3.25% for the first quarter of 2013 to 3.01% for the first quarter of 2014, a difference of 24 basis points.

Provision for Loan Losses. There was no provision for loan losses in either the quarter ending March 31, 2014 or March 31, 2013. There were net recoveries of $3,000 in the first quarter of 2014.

Noninterest Income. Total noninterest income decreased by $60,000, from $208,000 in the first quarter of 2013 to $148,000 in the first quarter of 2014, primarily as the result of decreases in late charges and other fees on loans and various other noninterest income.

Noninterest Expense. Total noninterest expense was $1,784,000 for the first quarter of 2014, a $185,000 decrease from $1,969,000 in the first quarter of 2013. A $50,000 reduction in a variety of noninterest expenses, including compensation, was further augmented by a

nonrecurring loss on sale or impairment of fixed assets in the first quarter of 2013 of $136,000 related to the impending closure of two bank branches.

Income Taxes. The Company's income tax expense for the first quarter of 2014 was $151,000, reflecting an effective tax rate of 26.6%, compared to income tax expense of $169,000 and an effective tax rate of 26.9%, for the first quarter of 2013.

Net Income Available to Common Stockholders. Net income available to common stockholders was $398,000 for the first quarter of 2014, compared to $413,000 for the first quarter of 2013, a decrease of $15,000, or $0.01 per diluted common share.

Financial Condition of the Company

Total Assets. The Company's total assets at March 31, 2014 were $335.8 million, a $12.9 million increase from $322.9 million at March 31, 2013.

Investments. Overall investments, including overnight interest-earning deposits in other banks, federal funds sold, CDs in other banks, and investments in securities, increased by a net of $15.4 million from $80.3 million at March 31, 2013 to $95.7 million at March 31, 2014. The Company increased investments in securities and interest-bearing deposits in other banks by $6.5 million. CDs in other banks increased by $8.9 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, remained relatively stable, from $216.1 million at March 31, 2013 to $215.5 million at March 31, 2014. Average loans for the three-month period ending March 31, 2014 were $211.5 million, a $9.5 million decrease from average loans of $221.0 million for the three-month period ending March 31, 2013. This decrease in average loan balances was the result of the payoffs of certain loans early in the first quarter of 2014. Loan production late in the first quarter of 2014 replaced those loans by the end of that quarter.

Our overall yield on loans fell 30 basis points from 4.43% for the three months ending March 31, 2013 to 4.13% for the three months ending March 31, 2014. This reduction in yield was primarily because of continued downward pressure on overall interest rates that resulted in large prepayments of higher-yielding loans.

Asset Quality. Nonperforming assets were $743,000, or 0.22% of total assets, at March 31, 2014, compared to $1,777,000 in nonperforming assets, or 0.55% of total assets, at March 31, 2013. There were no nonaccrual loans or accruing loans past due 90 days at March 31, 2014, and other real estate owned consisted only of one bank branch facility that closed in July 2013.

Deposits. Total deposits at March 31, 2014 were $271.8 million compared to $282.3 million at March 31, 2013, a decrease of $10.5 million. Noninterest-bearing deposits increased by $5.8 million to $115.8 million at March 31, 2014, and, as a percentage of total deposits, increased to 42.6% at March 31, 2014 compared to 39.0% at March 31, 2013. Core deposits, which are comprised of noninterest-bearing, money market, NOW and savings deposits,

decreased by $3.3 million from $261.1 million at March 31, 2013 to $257.8 million at March 31, 2014.

Average total deposits decreased by $23.8 million from $286.5 million for the three-month period ended March 31, 2013 to $262.7 million for the three-month period ended March 31, 2014. Average core deposits, decreased by $17.0 million over the comparable three-month periods, while average CDs decreased by $6.8 million during that same time period. Average noninterest-bearing deposits decreased by $6.2 million, from $105.1 million in the three-month period ending March 31, 2013 to $98.9 million in the three-month period ending March 31, 2014, but, as a percentage of average total deposits, average noninterest-bearing deposits increased from 36.7% at March 31, 2013 to 37.7% at March 31, 2014.

Borrowed Funds. Borrowed funds, which consist of Federal Home Loan Bank advances, customer repurchase agreements, and other borrowings, increased by $21.4 million, from $1.5 million at March 31, 2013 to $22.9 million at March 31, 2014, primarily from increased short-term advances from the Federal Home Loan Bank of Atlanta. These advances at a cost of 25 basis points replaced lost interest-bearing deposits at a cost of 51 basis points, lowering our overall cost of funds by 2 basis points during the first quarter of 2014 compared to the first quarter of 2013.

Capital. Stockholders' equity increased by $2.1 million, from $37.0 million at March 31, 2013 to $39.1 million at March 31, 2014, primarily due to a $2.1 million increase in retained earnings, partially offset by a $79,000 decrease in accumulated other comprehensive income related to changes in our securities available for sale portfolio, and the accompanying market adjustments.

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 April 23, 2014, our Board of Directors declared the Company's regular quarterly dividend of $0.12 per share dividend on our common stock. The dividend will be paid on May 16, 2014 to common shareholders of record on May 5, 2014.

The Company will 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 July 1, 2014 to the holders of the SBLF preferred stock of record on June 19, 2014 (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 March 31, 2014 (unaudited)	At March 31, 2013 (unaudited)
ASSETS		
Cash and due from banks	$ 4,704	$ 6,288
Interest-earning deposits in other banks	11,138	13,322
Federal funds sold	27	21
Total cash and cash equivalents	15,869	19,631
Certificates of deposit in other banks	56,915	48,073
Securities available for sale, at fair value	24,268	15,486
Securities held to maturity, at cost	3,338	3,421
Loans, held for investment, net of allowance for loan losses	215,471	216,111
Accrued interest receivable	604	555
Stock in Federal Reserve Bank, at cost	600	597
Stock in Federal Home Loan Bank of Atlanta, at cost	1,265	501
Premises and equipment, net	9,237	9,316
Other real estate owned	743	1,292
Bank-owned life insurance	5,807	5,743
Other assets	1,697	2,144
Total assets	$ 335,814	$ 322,870
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 115,790	$ 109,981
Interest-bearing	156,028	172,376
Total deposits	271,818	282,357
Federal Home Loan Bank Advances	20,300	-
Customers repurchase agreements	2,559	1,153
Other borrowings	50	383
Accrued interest payable	27	30
Other liabilities	1,996	1,984
Total liabilities	296,750	285,907
Stockholders' equity		
Senior non-cumulative perpetual preferred stock, Series C, 7,800 shares and outstanding at both March 31, 2014 and March 31, 2013, respectively	7,800	7,800
Common stock, $5 par value - 6,000,000 shares authorized; 2,281,238 and 2,276,617 shares issued and outstanding at March 31, 2014 and March 31, 2013, respectively	11,406	11,383
Additional paid-in capital	6,774	6,721
Retained earnings	13,107	11,003
Accumulated other comprehensive income(loss), net	(23)	56
Total stockholders' equity	39,064	36,963
Total liabilities and stockholders' equity	$ 335,814	$ 322,870

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

	Three Months Ended March 31,	
	2014	**2013**
	(unaudited)	(unaudited)
Interest income		
Interest income and fees on loans	$ 2,101	$ 2,357
Interest on taxable investment securities	131	110
Other interest and dividend income	191	152
Total interest income	2,423	2,619
Interest expense		
Deposits	206	225
Borrowings	13	5
Total interest expense	219	230
Net interest income	2,204	2,389
Provision for loan losses	-	-
Net interest income after provision for loan losses	2,204	2,389
Noninterest income		
Service charges on deposit accounts	42	49
Late charges and other fees on loans	12	36
Income from bank-owned life insurance	42	43
Other	52	80
Total noninterest income	148	208
Noninterest expense		
Compensation	946	963
Data processing	106	114
Occupancy	206	210
Furniture and equipment	141	136
Taxes and licenses	86	66
Professional fees	67	70
FDIC assessment	38	45
Loss on sale or impairment of fixed assets	-	136
Other	194	229
Total noninterest expense	1,784	1,969
Income before provision for income taxes	568	628
Provision for income taxes	151	169
Net income	$ 417	$ 459
Preferred stock dividend	$ (19)	$ (46)
Net income available to common stockholders	$ 398	$ 413
Earnings per common share		
Basic	$ 0.17	$ 0.18
Diluted	$ 0.17	$ 0.18
Dividends per share	$ 0.12	$ -
Weighted average shares outstanding - basic	2,278,901	2,277,447
Effect of dilutive equity awards	54,017	53,207
Weighted average shares outstanding - diluted	2,332,918	2,330,654

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

	Three Months Ended March 31,	
	2014	**2013**
Financial ratios		
Annualized return on average assets [1]	0.52%	0.57%
Annualized return on average common equity [2]	5.41%	6.39%
Average equity to average assets	12.02%	11.28%
Equity to assets, at period-end	11.63%	11.45%
Per common share		
Earnings per share - basic	$ 0.17	$ 0.18
Earnings per share - diluted	$ 0.17	$ 0.18
Book value per share	$ 13.70	$ 12.81
Dividends declared per share	$ 0.12	$ -
Common stock outstanding	2,281,238	2,276,617
Weighted average shares outstanding - basic	2,278,901	2,277,447
Weighted average shares outstanding - diluted	2,332,918	2,330,654
Asset quality		
Nonaccrual loans	$ -	$ -
Accruing loans past due 90 days or more	-	485
Total nonperforming loans	-	485
Other real estate owned, net	743	1,292
Total nonperforming assets	$ 743	$ 1,777
Nonperforming assets to total assets	0.22%	0.55%
Allowance for loan losses		
Balance, beginning of period	$ 1,930	$ 2,075
Provision for loan losses	-	-
Loans charged-off	-	-
Recoveries	3	-
Balance, end of period	$ 1,933	$ 2,075
Allowance for loan losses to gross loans held for investment, net of unearned fees and costs	0.89%	0.95%

[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 March 31,			
	2014		2013	
Yields on average balances	**Average**		**Average**	
Assets	**Balance [1]**	**Yield**	**Balance [1]**	**Yield**
Loans [2]	211,529	4.13%	220,951	4.43%
Investment securities	25,533	2.05%	22,640	1.94%
Certificates of deposits in other banks	53,557	1.29%	42,972	1.22%
Other investments	13,842	0.60%	18,661	0.48%
Total interest-earning assets	304,461	3.30%	305,224	3.55%
Liabilities				
Noninterest-bearing deposits	98,923	-	105,072	-
Money market	131,666	0.57%	139,841	0.55%
NOW accounts	12,861	0.04%	15,588	0.04%
Savings	4,108	0.15%	4,052	0.15%
Certificates of deposit	15,185	0.49%	21,983	0.57%
Total interest-bearing deposits	163,820	0.51%	181,464	0.50%
Total deposits	262,743		286,536	
Other borrowings	21,115	0.25%	2,096	0.92%
Total interest-bearing liabilities	184,935	0.48%	183,560	0.50%
Net interest spread [3]		2.82%		3.05%
Net interest margin [3]		3.01%		3.25%
Capital Ratios				
Consolidated company				
Total capital to risk-weighted assets	16.16%		15.61%	
Tier 1 capital to risk-weighted assets	15.40%		14.77%	
Tier 1 capital to average assets	12.02%		11.19%	
Bank				
Total capital to risk-weighted assets	14.53%		14.74%	
Tier 1 capital to risk-weighted assets	13.77%		13.90%	
Tier 1 capital to average assets	10.84%		10.57%	

[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.