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

Press Release

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Heritage Bankshares, Inc. Announces Second Quarter 2014 and First Six Months 2014 Net Income; Quarterly Dividends

Norfolk, Va.: July 23, 2014 – 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 2014.

The Company's net income was $544,000 for the second quarter of 2014 compared to net income of $661,000 for the second quarter of 2013, a decrease of $117,000. For the second quarter of 2014, the Company's earnings available to common shareholders were $524,000 compared to earnings available to common shareholders of $641,000 for the second quarter of 2013, or $0.22 and $0.27 per diluted common share, respectively. This decrease in net income is mainly attributable to approximately $100,000 after-tax loan prepayment fees in the second quarter of 2013 that did not recur in the second quarter of 2014.

The Company has experienced improvement in its net interest income during the second quarter of 2014 compared to the first quarter of 2014. Loan fundings of $8.7 million occurring late March, 2014 contributed $95,000 to interest income in the second quarter of this year. Additional loan fundings late in June, 2014 will augment interest income during the third quarter of 2014.

The Company's net income for the first six months of 2014 was $961,000, a decrease of $159,000 from net income of $1,120,000 for the first six months of 2013. For the first six months of 2014, the Company's earnings per diluted common share were $0.39 compared to $0.45 per diluted common share for the first six months of 2013.

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

"Yogi Berra supposedly coined the phrase "it's déjà vu all over again" to describe a recurring event. I had the same thought when I compared our fundings from loan closings in the first and second quarters of this year.

Our net loans outstanding grew from $215.5 million on March 31, 2014 to $224.4 million on June 30, 2014, an increase of $8.9 million, or 4.1 %, in just one quarter. However the impact of this increase in our net loans outstanding on our net interest income during the second quarter was minimal because our growth in our net loans outstanding stemmed from $9.7 million of

fundings from new loans closed in the last two weeks of the quarter. This is the same loan funding pattern that we had in the first quarter when we had $8.7 million of fundings from new loans closed in the last four business days of March.

In any event, we expect that this increase in our net loans outstanding at the end of June will have a noticeable positive impact on our net interest income in the third quarter. Furthermore, our net loans outstanding have continued to grow with net loans outstanding of $226.3 million as of July 15, 2014."

Comparison of Operating Results for the Three Months Ended June 30, 2014 and 2013

Overview. The Company's pretax income was $755,000 for the second quarter of 2014, compared to pretax income of $934,000 for the second quarter of 2013, a decrease of $179,000. An $88,000 decrease in net interest income after provision for loan losses was mostly offset by a $67,000 decrease in noninterest expense, while a $158,000 decrease in noninterest revenue, mostly attributable to $150,000 of nonrecurring loan prepayment fees in the second quarter of 2013, represents the bulk of the decrease in pretax income.

Net Interest Income. The Company's net interest income before provision for loan losses decreased by $88,000, comparing the second quarters of 2014 and 2013. Average loan balances for the first quarter of 2014 were $9.4 million less than comparable balances for the first quarter of 2013. Loan production at the end of the first quarter of 2014 improved the average loan balance for the second quarter of 2014 to only a $1.2 million decrease, from $219.6 million in the second quarter of 2013 to $218.4 million in the second quarter of 2014. Our average certificates of deposit ("CDs") in other financial institutions increased by $8.7 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) increased by $5.1 million, for a net increase in interest-earning assets of $12.6 million comparing the two quarters. Average interest-bearing liabilities increased by $14.4 million from $171.4 million in the second quarter of 2013 to $185.8 million in the second quarter of 2014, largely attributable to increased short-term borrowings at the Federal Home Loan Bank. Comparing the two quarters, our net interest rate spread decreased 23 basis points from 3.04% for the second quarter of 2013 to 2.81% for the second quarter of 2014. Our net interest margin decreased from 3.25% for the second quarter of 2013 to 3.00% for the second quarter of 2014.

Provision for Loan Losses. There was no provision for loan losses in either quarter ending June 30, 2014 or June 30, 2013. There were net recoveries of $3,000 in the second quarter of 2014.

Noninterest Income. Total noninterest income decreased by $158,000, from $318,000 in the second quarter of 2013 to $160,000 in the second quarter of 2014, primarily as the result of decreases in late charges and other fees on loans. These decreases were related to a $150,000 decrease in loan prepayment fees paid in the second quarter of 2013 that did not recur in the second quarter of 2014.

Noninterest Expense. Total noninterest expense was $1,690,000 for the second quarter of 2014, a $67,000 decrease from $1,757,000 in the second quarter of 2013, primarily because of reductions of $42,000 and a $26,000 in compensation and professional fees, respectively.

Income Taxes. The Company's income tax expense for the second quarter of 2014 was $211,000, reflecting an effective tax rate of 28.0%, compared to income tax expense of $273,000 and an effective tax rate of 29.2%, for the second quarter of 2013.

Net Income Available to Common Stockholders. Net income available to common stockholders was $524,000 for the second quarter of 2014, compared to $641,000 for the second quarter of 2013, a decrease of $117,000, or $0.05 per diluted common share.

Comparison of Operating Results for the Six Months Ended June 30, 2014 and 2013

Overview. The Company's pretax income was $1,323,000 for the first six months of 2014, compared to pretax income of $1,561,000 for the first six months of 2013, a decrease of $238,000. Loan prepayment fees during the first six months of 2013 contributed $180,000 in nonrecurring revenue to the noninterest income of the first six months of 2013.

During the first six months of 2014, net income was negatively affected by several factors. First, several large loans, purchased from other banks in 2010, were repaid during the second half of the year 2013 through the first month of 2014. In addition, interest rate modifications during 2013 applied downward pressure on the yield of our loan portfolio in the first half of 2014. Loan production at the end of the first quarter of 2014 offset a portion of these impacts, but the net effect on our net interest income was a $272,000 decrease during the first half of 2014 compared to the first half of 2013. Conversely, this decrease in net interest income was largely offset by a $252,000 decrease in noninterest expense during the first six months of 2014 compared to the first six months of 2013. This decrease was primarily because of a $59,000 reduction in compensation expense and a $134,000 non-recurring charge in the first six months of 2013 for the impending closure of two bank branches. Finally, a $218,000 decrease in noninterest income, comparing the first six months of 2013 to the first six months of 2014, represented the bulk of the overall decline in net income.

Net Interest Income. The Company's net interest income before provision for loan losses decreased by $272,000, comparing the first six months of 2014 and 2013. Our average loan portfolio decreased by $5.3 million, from $220.3 in the first six months of 2013 to $215.0 million in the first six months of 2014, while our average certificates of deposit ("CDs") in other financial institutions increased by $9.7 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) increased by $1.6 million, for a net increase in interest-earning assets of $6.0 million comparing the two six-month periods. Average interest-bearing liabilities increased by $7.9 million from $177.5 million in the first six months of 2013 to $185.4 million in the first six months of 2014. Comparing the two six-month periods, our net interest rate spread decreased 23 basis points from 3.04% for the first six months of 2013 to 2.81% for the first six months of 2014. Our net interest margin decreased from 3.25% for the first six months of 2013 to 3.01% for the first six months of 2014, a difference of 24 basis points.

Provision for Loan Losses. There was no provision for loan losses in either the six-month period ending June 30, 2014 or June 30, 2013. There were net recoveries of $6,000 in the first six months of 2014.

Noninterest Income. Total noninterest income decreased by $218,000, from $526,000 in the first six months of 2013 to $308,000 in the first six months of 2014, primarily related to a $180,000 decrease in loan prepayment fees and various other noninterest income.

Noninterest Expense. Total noninterest expense was $3,474,000 for the first six months of 2014, a $252,000 decrease from $3,726,000 in the first six months of 2013. A $139,000 reduction in a variety of noninterest expenses, including compensation and professional fees, was further augmented by a nonrecurring loss on sale or impairment of fixed assets in the first six months of 2013 of $134,000 related to the impending closure of two bank branches.

Income Taxes. The Company's income tax expense for the first six months of 2014 was $362,000, reflecting an effective tax rate of 27.4%, compared to income tax expense of $441,000 and an effective tax rate of 28.3%, for the first six months of 2013.

Net Income Available to Common Stockholders. Net income available to common stockholders was $922,000 for the first six months of 2014, compared to $1,054,000 for the first six months of 2013, a decrease of $132,000, or $0.06 per diluted common share.

Financial Condition of the Company

Total Assets. The Company's total assets at June 30, 2014 were $340.7 million, a $17.3 million increase from $323.4 million at June 30, 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 $12.0 million from $78.0 million at June 30, 2013 to $90.0 million at June 30, 2014. The Company decreased its overnight interest-earning deposits in other banks by $5.2 million and increased its investments in securities available for sale by $8.1 million. CDs in other banks increased by $9.1 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, increased by $5.1 million, from $219.3 million at June 30, 2013 to $224.4 million at June 30, 2014. Average loans for the six-month period ending June 30, 2014 were $215.0 million, a $5.3 million decrease from average loans of $220.3 million for the six-month period ending June 30, 2013. This decrease in average loan balances was primarily the result of the payoffs of two large purchased loans early in the first quarter of 2014 that were included in the average loan balances for the first six months of 2013. Loan production late in each of the first and second quarters of 2014 have more than replaced those loan payoffs.

Our overall yield on loans fell 30 basis points from 4.39% for the six months ending June 30, 2013 to 4.09% for the six months ending June 30, 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 during 2013 and early 2014.

Asset Quality. Nonperforming assets were $743,000, or 0.22% of total assets, at June 30, 2014, compared to $1,292,000 in nonperforming assets, or 0.40% of total assets, at June 30,

2013. There were no nonaccrual loans or accruing loans past due 90 days at June 30, 2014, and other real estate owned consisted only of one bank branch facility that closed in July 2013.

Deposits. Total deposits at June 30, 2014 were $272.8 million compared to $281.7 million at June 30, 2013, a decrease of $8.9 million. Core deposits, which are comprised of noninterest-bearing, money market, NOW and savings deposits, decreased by $5.2 million from $263.1 million at June 30, 2013 to $257.9 million at June 30, 2014, while CDs decreased by $3.7 million from period-end to period-end. Noninterest bearing deposits decreased by $16.4 million to $104.2 million and dropped from 42.8% of total deposits at June 30, 2013 to 38.2% at June 30, 2014.

Average total deposits decreased by $15.5 million from $282.8 million for the six-month period ended June 30, 2013 to $267.3 million for the six-month period ended June 30, 2014. Average core deposits, decreased by $9.4 million over the comparable six-month periods, while average CDs decreased by $6.1 million during that same time period. Average noninterest-bearing deposits decreased by $5.4 million, from $108.0 million in the six-month period ending June 30, 2013 to $102.6 million in the six-month period ending June 30, 2014, but, as a percentage of average total deposits, average noninterest-bearing deposits increased from 38.2% at June 30, 2013 to 38.4% at June 30, 2014.

Borrowed Funds. Borrowed funds, which consist of Federal Home Loan Bank advances, customer repurchase agreements, and other borrowings, increased by $24.3 million, from $2.2 million at June 30, 2013 to $26.5 million at June 30, 2014, primarily from increased short-term advances from the Federal Home Loan Bank of Atlanta. These advances at an average cost of 25 basis points replaced lost interest-bearing deposits at an average cost of 50 basis points, lowering our overall cost of funds by 2 basis points during the first six months of 2014 compared to the first six months of 2013.

Capital. Stockholders' equity increased by $1.925 million, from $37.532 million at June 30, 2013 to $39.457 million at June 30, 2014, primarily due to a $1.721 million increase in retained earnings.

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 July 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 August 15, 2014 to common shareholders of record on August 4, 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 October 1, 2014 to the holders of the SBLF preferred stock of record on September 18, 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 June 30,	
	2014	**2013**
	(unaudited)	(unaudited)
ASSETS		
Cash and due from banks	$ 6,402	$ 6,422
Interest-earning deposits in other banks	5,668	10,829
Federal funds sold	23	23
Total cash and cash equivalents	12,093	17,274
Certificates of deposit in other banks	57,571	48,447
Securities available for sale, at fair value	23,451	15,369
Securities held to maturity, at cost	3,316	3,399
Loans, held for investment, net of allowance for loan losses	224,340	219,291
Accrued interest receivable	545	609
Stock in Federal Reserve Bank, at cost	600	597
Stock in Federal Home Loan Bank of Atlanta, at cost	1,400	402
Premises and equipment, net	9,181	9,396
Other real estate owned	743	1,292
Bank-owned life insurance	5,850	5,787
Other assets	1,610	1,559
Total assets	$ 340,700	$ 323,422
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 104,186	$ 120,612
Interest-bearing	168,572	161,084
Total deposits	272,758	281,696
Federal Home Loan Bank Advances	25,000	-
Customers repurchase agreements	1,471	1,932
Other borrowings	-	301
Accrued interest payable	21	25
Other liabilities	1,993	1,936
Total liabilities	301,243	285,890
Stockholders' equity		
Senior non-cumulative perpetual preferred stock, Series C, 7,800 shares and outstanding at both June 30, 2014 and June 30, 2013, respectively	7,800	7,800
Common stock, $5 par value - 6,000,000 shares authorized; 2,281,232 and 2,275,029 shares issued and outstanding at June 30, 2014 and June 30, 2013, respectively	11,406	11,375
Additional paid-in capital	6,799	6,742
Retained earnings	13,357	11,636
Accumulated other comprehensive income(loss), net	95	(21)
Total stockholders' equity	39,457	37,532
Total liabilities and stockholders' equity	$ 340,700	$ 323,422

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income				
Interest income and fees on loans	$ 2,150	$ 2,329	$ 4,252	$ 4,686
Interest on taxable investment securities	140	87	270	197
Other interest and dividend income	218	167	409	318
Total interest income	2,508	2,583	4,931	5,201
Interest expense				
Deposits	212	205	417	430
Borrowings	11	5	25	10
Total interest expense	223	210	442	440
Net interest income	2,285	2,373	4,489	4,761
Provision for loan losses	-	-	-	-
Net interest income after provision for loan losses	2,285	2,373	4,489	4,761
Noninterest income				
Service charges on deposit accounts	40	49	82	99
Late charges and other fees on loans	13	158	25	194
Income from bank-owned life insurance	47	44	89	87
Other	60	67	112	146
Total noninterest income	160	318	308	526
Noninterest expense				
Compensation	861	903	1,807	1,866
Data processing	110	99	216	213
Occupancy	185	190	391	400
Furniture and equipment	150	150	291	286
Taxes and licenses	81	69	167	135
Professional fees	48	74	115	144
FDIC assessment	42	45	80	90
Loss on sale or impairment of fixed assets	-	(1)	-	134
Other	213	228	407	458
Total noninterest expense	1,690	1,757	3,474	3,726
Income before provision for income taxes	755	934	1,323	1,561
Provision for income taxes	211	273	362	441
Net income	$ 544	$ 661	$ 961	$ 1,120
Preferred stock dividend	$ (20)	$ (20)	$ (39)	$ (66)
Net income available to common stockholders	$ 524	$ 641	$ 922	$ 1,054
Earnings per common share				
Basic	$ 0.23	$ 0.28	$ 0.40	$ 0.46
Diluted	$ 0.22	$ 0.27	$ 0.39	$ 0.45
Dividends per share	$ 0.12	$ -	$ 0.24	$ -
Weighted average shares outstanding - basic	2,281,232	2,276,418	2,280,067	2,276,933
Effect of dilutive equity awards	63,649	57,007	58,833	55,107
Weighted average shares outstanding - diluted	2,344,881	2,333,425	2,338,900	2,332,040

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,	
	2014	**2013**	**2014**	**2013**
Financial ratios				
Annualized return on average assets [1]	0.65%	0.82%	0.59%	0.70%
Annualized return on average common equity [2]	6.92%	8.95%	6.17%	7.69%
Average equity to average assets	11.79%	11.63%	11.90%	11.46%
Equity to assets, at period-end	11.58%	11.60%	11.58%	11.60%
Per common share				
Earnings per share - basic	$ 0.23	$ 0.28	$ 0.40	$ 0.46
Earnings per share - diluted	$ 0.22	$ 0.27	$ 0.39	$ 0.45
Book value per share	$ 13.88	$ 13.07	13.88	$ 13.07
Dividends declared per share	$ 0.12	$ -	$ 0.24	$ -
Common stock outstanding	2,281,232	2,275,029	2,281,232	2,275,029
Weighted average shares outstanding - basic	2,281,232	2,276,418	2,280,067	2,276,933
Weighted average shares outstanding - diluted	2,344,881	2,333,425	2,338,900	2,332,040
Asset quality				
Nonaccrual loans	$ -	$ -	$ -	$ -
Accruing loans past due 90 days or more	-	-	-	-
Total nonperforming loans	-	-	-	-
Other real estate owned, net	743	1,292	743	1,292
Total nonperforming assets	$ 743	$ 1,292	$ 743	$ 1,292
Nonperforming assets to total assets	0.22%	0.40%	0.22%	0.40%
Allowance for loan losses				
Balance, beginning of period	$ 1,933	$ 2,075	$ 1,930	$ 2,075
Provision for loan losses	-	-	-	-
Loans charged-off	-	-	-	-
Recoveries	3	-	6	-
Balance, end of period	$ 1,936	$ 2,075	$ 1,936	$ 2,075
Allowance for loan losses to gross loans held for investment, net of unearned fees and costs	0.86%	0.94%	0.86%	0.94%

[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 June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Yields on average balances	**Average**		**Average**		**Average**		**Average**	
Assets	**Balance [1]**	**Yield**	**Balance [1]**	**Yield**	**Balance [1]**	**Yield**	**Balance [1]**	**Yield**
Loans [2]	218,434	4.05%	219,606	4.35%	215,001	4.09%	220,275	4.39%
Investment securities	26,890	2.08%	18,881	1.84%	26,215	2.06%	20,750	1.90%
Certificates of deposits in other banks	57,091	1.35%	48,354	1.23%	55,334	1.32%	45,678	1.23%
Other investments	9,645	1.09%	12,597	0.58%	11,732	0.80%	15,612	0.52%
Total interest-earning assets	312,060	3.29%	299,438	3.53%	308,282	3.29%	302,315	3.54%
Liabilities								
Noninterest-bearing deposits	106,245	-	110,864	-	102,604	-	107,984	-
Money market	134,567	0.57%	129,183	0.55%	133,125	0.57%	134,482	0.55%
NOW accounts	12,375	0.04%	14,919	0.05%	12,616	0.04%	15,252	0.05%
Savings	4,151	0.15%	4,228	0.15%	4,130	0.15%	4,141	0.15%
Certificates of deposit	14,410	0.52%	19,968	0.52%	14,796	0.50%	20,970	0.55%
Total interest-bearing deposits	165,503	0.51%	168,298	0.49%	164,667	0.51%	174,845	0.50%
Total deposits	271,748		279,162		267,271		282,829	
Other borrowings	20,342	0.23%	3,143	0.62%	20,726	0.24%	2,622	0.74%
Total interest-bearing liabilities	185,845	0.48%	171,441	0.49%	185,393	0.48%	177,467	0.50%
Net interest spread [3]		2.81%		3.04%		2.81%		3.04%
Net interest margin [3]		3.00%		3.25%		3.01%		3.25%
Capital Ratios								
Consolidated company								
Total capital to risk-weighted assets	15.74%		15.73%		15.74%		15.73%	
Tier 1 capital to risk-weighted assets	15.00%		14.90%		15.00%		14.90%	
Tier 1 capital to average assets	11.81%		11.68%		11.81%		11.68%	
Bank								
Total capital to risk-weighted assets	14.08%		14.55%		14.08%		14.55%	
Tier 1 capital to risk-weighted assets	13.34%		13.72%		13.34%		13.72%	
Tier 1 capital to average assets	10.60%		10.80%		10.60%		10.80%	

[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.