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

FOR IMMEDIATE RELEASE

Press Release

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

Norfolk, Va.: October 22, 2014 – 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 2014.

The Company's net income was $1,319,000 for the third quarter of 2014 compared to net income of $724,000 for the third quarter of 2013, an increase of $595,000. For the third quarter of 2014, the Company's earnings available to common shareholders were $1,299,000 compared to earnings available to common shareholders of $704,000 for the third quarter of 2013, or $0.55 and $0.30 per diluted common share, respectively.

The Company's net income for the first nine months of 2014 was $2,280,000, an increase of $436,000 from net income of $1,844,000 for the first nine months of 2013. For the first nine months of 2014, the Company's earnings per diluted common share were $0.95 compared to $0.75 per diluted common share for the first nine months of 2013.

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

"Our financial results for the third quarter were driven by nonrecurring items of noninterest income from life insurance proceeds and gains on the sale of securities and, to a much lesser degree, nonrecurring items of noninterest expense. These items together with our ongoing operations increased our tangible book value to $14.26 per share.

Comparing this quarter with the prior quarter on a linked basis, our net interest income increased by $110,000 and our net interest margin increased by six basis points from 3.00% to 3.06%. We expect that continuing material growth in our loan portfolio will result in further improvement in our net interest income and margin."

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

Overview. The Company's pretax income was $1,589,000 for the third quarter of 2014, compared to pretax income of $991,000 for the third quarter of 2013. A $133,000 increase in net interest income after provision for loan losses was partially offset by an $89,000 increase in

noninterest expense. A $554,000 increase in noninterest income was primarily the result of net proceeds of $667,000 from bank-owned life insurance as a result of the death during the third quarter of 2014 of a former employee who was covered under these policies.

Net Interest Income. The Company's net interest income before provision for loan losses increased by $133,000, comparing the third quarters of 2014 and 2013. The average loan balance for the third quarter of 2014 was $228.0 million, an $11.2 million increase from $216.8 million in the third quarter of 2013. Our average certificates of deposit ("CDs") in other financial institutions increased by $9.1 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) decreased by $0.4 million for a net increase in interest-earning assets of $19.9 million. Average interest-bearing liabilities increased by $19.3 million from $170.9 million in the third quarter of 2013 to $190.2 million in the third quarter of 2014, attributable to increased interest-bearing deposits and short-term borrowings at the Federal Home Loan Bank of Atlanta. Comparing the two quarters ended September 30, 2013 and 2014, our net interest rate spread was stable at 2.87%. Our net interest margin decreased from 3.09% for the third quarter of 2013 to 3.06% for the third quarter of 2014. In comparing the second quarter of 2014 to the third quarter of 2014, our interest rate spread increased 6 basis points from 2.81% to 2.87% and our net interest margin increased 6 basis points from 3.00% to 3.06%.

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

Noninterest Income. Total noninterest income increased by $554,000, from $466,000 in the third quarter of 2013 to $1,020,000 in the third quarter of 2014, primarily as the result of an increase in income from bank-owned life insurance. A $190,000 non-recurring gain on sale of other assets in the third quarter of 2013 offset a $198,000 gain on sale of investment securities in the third quarter of 2014.

Noninterest Expense. Total noninterest expense was $1,826,000 for the third quarter of 2014, an $89,000 increase from $1,737,000 in the third quarter of 2013, primarily because of increases of $34,000, 27,000, and $17,000 in compensation, loss on sale or impairment of fixed assets and taxes and licenses, respectively.

Income Taxes. The Company's income tax expense for the third quarter of 2014 was $270,000, reflecting an effective tax rate of 17.0%, compared to income tax expense of $267,000 and an effective tax rate of 27.0%, for the third quarter of 2013. This effective tax rate decrease was attributable to non-taxable life insurance proceeds in the third quarter of 2014.

Net Income Available to Common Stockholders. Net income available to common stockholders was $1,299,000 for the third quarter of 2014, compared to $704,000 for the third quarter of 2013, an increase of $595,000, or $0.25 per diluted common share.

Comparison of Operating Results for the Nine Months Ended September 30, 2014 and 2013

Overview. The Company's pretax income was $2,913,000 for the first nine months of 2014, compared to pretax income of $2,553,000 for the first nine months of 2013, an increase of $360,000. A $162,000 decrease in noninterest expenses more than offset a $138,000 decrease in

net interest income. A $336,000 increase in noninterest income was primarily the result of net proceeds of $667,000 from bank-owned life insurance as a result of the death during the third quarter of 2014 of a former employee who was covered under these policies, partially offset by a $276,000 decrease in non-recurring loan prepayment fees during the first nine months of 2013.

Net Interest Income. The Company's net interest income before provision for loan losses decreased by $138,000, comparing the first nine months of 2014 and 2013. Our average loan portfolio was stable - $219.1 million in the first nine months of 2013 and $219.4 million in the first nine months of 2014 - while our average certificates of deposit ("CDs") in other financial institutions increased by $9.5 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) increased by $0.9 million, for a net increase in interest-earning assets of $10.7 million comparing the two nine-month periods. Average interest-bearing liabilities increased by $11.8 million from $175.2 million in the first nine months of 2013 to $187.0 million in the first nine months of 2014. Comparing the two nine-month periods, our net interest rate spread decreased 16 basis points from 2.99% for the first nine months of 2013 to 2.83% for the first nine months of 2014. Our net interest margin decreased from 3.19% for the first nine months of 2013 to 3.02% for the first nine months of 2014, a difference of 17 basis points.

Provision for Loan Losses. There was no provision for loan losses in either the nine-month period ending September 30, 2014 or September 30, 2013. There were net recoveries of $9,000 in the first nine months of 2014.

Noninterest Income. Total noninterest income increased by $336,000, from $992,000 in the first nine months of 2013 to $1,328,000 in the first nine months of 2014. A $668,000 increase in income from bank-owned life insurance was partially offset by a $276,000 decrease in loan prepayment fees.

Noninterest Expense. Total noninterest expense was $5,300,000 for the first nine months of 2014, a $162,000 decrease from $5,462,000 in the first nine months of 2013. This decrease is mostly attributable to a $107,000 reduction in a nonrecurring loss on sale or impairment of fixed assets in the first nine months of 2013 related to the closure of two bank branches, and was further augmented by decreases in a variety of noninterest expenses.

Income Taxes. The Company's income tax expense for the first nine months of 2014 was $633,000, reflecting an effective tax rate of 21.7%, compared to income tax expense of $709,000 and an effective tax rate of 27.8%, for the first nine months of 2013, a rate decrease that is attributable to non-taxable life insurance proceeds.

Net Income Available to Common Stockholders. Net income available to common stockholders was $2,221,000 for the first nine months of 2014, compared to $1,759,000 for the first nine months of 2013, an increase of $462,000, or $0.20 per diluted common share.

Financial Condition of the Company

Total Assets. The Company's total assets at September 30, 2014 were $342.5 million, a $30.1 million increase from $312.4 million at September 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 $21.9 million from $72.0 million at September 30, 2013 to $93.9 million at September 30, 2014. The Company decreased its overnight interest-earning deposits in other banks by $5.3 million and increased its investments in securities available for sale by $18.0 million. CDs in other banks increased by $9.2 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 $9.7 million, from $213.5 million at September 30, 2013 to $223.2 million at September 30, 2014.

Asset Quality. Nonperforming assets were $743,000, or 0.22% of total assets, at September 30, 2014, compared to $1,292,000 in nonperforming assets, or 0.41% of total assets, at September 30, 2013. There were no nonaccrual loans or accruing loans past due 90 days at September 30, 2014, and other real estate owned consisted only of one bank branch facility that closed in July 2013.

Deposits. Total deposits at September 30, 2014 were $273.7 million compared to $270.8 million at September 30, 2013, an increase of $2.9 million. Core deposits, which are comprised of noninterest-bearing, money market, NOW and savings deposits, increased by $3.6 million from $253.7 million at September 30, 2013 to $257.3 million at September 30, 2014, while CDs decreased by $0.7 million from period-end to period-end. Noninterest bearing deposits decreased by $0.5 million to $104.5 million at September 30, 2014 and dropped from 38.8% of total deposits at September 30, 2013 to 38.2% at September 30, 2014.

Average total deposits decreased by $8.4 million from $280.6 million for the nine-month period ended September 30, 2013 to $272.2 million for the nine-month period ended September 30, 2014. Average core deposits, decreased by $3.5 million over the comparable nine-month periods, while average CDs decreased by $4.9 million during that same time period. Average noninterest-bearing deposits decreased by $4.1 million, from $108.1 million in the nine-month period ending September 30, 2013 to $104.0 million in the nine-month period ending September 30, 2014, and, as a percentage of average total deposits, average noninterest-bearing deposits decreased from 38.5% at September 30, 2013 to 38.2% at September 30, 2014.

Borrowed Funds. Borrowed funds, which consist of Federal Home Loan Bank advances, customer repurchase agreements, and other borrowings, increased by $25.3 million, from $1.2 million at September 30, 2013 to $26.5 million at September 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 interest-bearing deposits at an average cost of 51 basis points, lowering our overall cost of funds by 2 basis points during the first nine months of 2014 compared to the first nine months of 2013.

Capital. Stockholders' equity increased by $2.0 million, from $38.3 million at September 30, 2013 to $40.3 million at September 30, 2014, primarily due to a $2.0 million increase in retained earnings.

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

Dividends

On October 22, 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 November 14, 2014 to common shareholders of record on November 3, 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 January 2, 2015 to the holders of the SBLF preferred stock of record on December 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 September 30,	
	2014	**2013**
	(unaudited)	(unaudited)
ASSETS		
Cash and due from banks	$ 4,840	$ 7,192
Interest-earning deposits in other banks	4,234	9,558
Federal funds sold	151	25
Total cash and cash equivalents	9,225	16,775
Certificates of deposit in other banks	57,802	48,633
Securities available for sale, at fair value	28,383	10,380
Securities held to maturity, at cost	3,295	3,379
Loans, held for investment, net of allowance for loan losses	223,203	213,466
Accrued interest receivable	480	467
Stock in Federal Reserve Bank, at cost	600	597
Stock in Federal Home Loan Bank of Atlanta, at cost	1,432	469
Premises and equipment, net	9,096	9,445
Other real estate owned	743	1,292
Bank-owned life insurance	5,459	5,832
Other assets	2,767	1,636
Total assets	$ 342,485	$ 312,371
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 104,478	$ 104,980
Interest-bearing	169,177	165,801
Total deposits	273,655	270,781
Federal Home Loan Bank Advances	25,700	-
Customers repurchase agreements	763	986
Other borrowings	-	219
Accrued interest payable	26	21
Other liabilities	2,007	2,101
Total liabilities	302,151	274,108
Stockholders' equity		
Senior non-cumulative perpetual preferred stock, Series C, 7,800 shares and outstanding at both September 30, 2014 and September 30, 2013, respectively	7,800	7,800
Common stock, $5 par value - 6,000,000 shares authorized; 2,281,232 and 2,274,550 shares issued and outstanding at September 30, 2014 and September 30, 2013, respectively	11,406	11,373
Additional paid-in capital	6,850	6,766
Retained earnings	14,383	12,338
Accumulated other comprehensive income(loss), net	(105)	(14)
Total stockholders' equity	40,334	38,263
Total liabilities and stockholders' equity	$ 342,485	$ 312,371

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income				
Interest income and fees on loans	$ 2,277	$ 2,236	$ 6,529	$ 6,922
Interest on taxable investment securities	124	72	395	269
Other interest and dividend income	227	172	636	491
Total interest income	2,628	2,480	7,560	7,682
Interest expense				
Deposits	222	214	639	645
Borrowings	11	4	36	14
Total interest expense	233	218	675	659
Net interest income	2,395	2,262	6,885	7,023
Provision for loan losses	-	-	-	-
Net interest income after provision for loan losses	2,395	2,262	6,885	7,023
Noninterest income				
Service charges on deposit accounts	41	47	122	146
Late charges and other fees on loans	9	117	35	311
Gain on sale of investment securities	198	(12)	198	(8)
Gain on sale of other assets	-	190	-	190
Income from bank-owned life insurance	710	45	799	131
Other	62	79	174	222
Total noninterest income	1,020	466	1,328	992
Noninterest expense				
Compensation	946	912	2,752	2,778
Data processing	111	113	328	326
Occupancy	184	189	575	589
Furniture and equipment	142	136	433	422
Taxes and licenses	84	67	251	202
Professional fees	62	56	177	193
FDIC assessment	43	36	123	126
Loss on sale or impairment of fixed assets	20	(7)	20	127
Loss on early extinquishment of debt	3	-	3	-
Other	231	235	638	699
Total noninterest expense	1,826	1,737	5,300	5,462
Income before provision for income taxes	1,589	991	2,913	2,553
Provision for income taxes	270	267	633	709
Net income	$ 1,319	$ 724	$ 2,280	$ 1,844
Preferred stock dividend	$ (20)	$ (20)	$ (59)	$ (85)
Net income available to common stockholders	$ 1,299	$ 704	$ 2,221	$ 1,759
Earnings per common share				
Basic	$ 0.57	$ 0.31	$ 0.97	$ 0.77
Diluted	$ 0.55	$ 0.30	$ 0.95	$ 0.75
Dividends per share	$ 0.12	$ -	$ 0.36	$ -
Weighted average shares outstanding - basic	2,281,232	2,274,709	2,280,455	2,276,191
Effect of dilutive equity awards	66,182	63,236	61,283	57,817
Weighted average shares outstanding - diluted	2,347,414	2,337,945	2,341,738	2,334,008

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,	
	2014	**2013**	**2014**	**2013**
Financial ratios				
Annualized return on average assets [1]	1.54%	0.90%	0.92%	0.76%
Annualized return on average common equity [2]	16.42%	9.54%	9.66%	8.32%
Average equity to average assets	11.71%	11.88%	11.83%	11.60%
Equity to assets, at period-end	11.78%	12.25%	11.78%	12.25%
Per common share				
Earnings per share - basic	$ 0.57	$ 0.31	$ 0.97	$ 0.77
Earnings per share - diluted	$ 0.55	$ 0.30	$ 0.95	$ 0.75
Book value per share	$ 14.26	$ 13.39	14.26	$ 13.39
Dividends declared per share	$ 0.12	$ -	$ 0.36	$ -
Common stock outstanding	2,281,232	2,274,550	2,281,232	2,274,550
Weighted average shares outstanding - basic	2,281,232	2,274,709	2,280,455	2,276,191
Weighted average shares outstanding - diluted	2,347,414	2,337,945	2,341,738	2,334,008
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%	0.41%	0.22%	0.41%
Allowance for loan losses				
Balance, beginning of period	$ 1,936	$ 2,075	$ 1,930	$ 2,075
Provision for loan losses	-	-	-	-
Loans charged-off	-	-	-	-
Recoveries	3	-	9	-
Balance, end of period	$ 1,939	$ 2,075	$ 1,939	$ 2,075
Allowance for loan losses to gross loans held for investment, net of unearned fees and costs	0.86%	0.96%	0.86%	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.

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

	Three Months Ended September 30,				Nine Months Ended September 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]	228,033	4.05%	216,865	4.19%	219,393	4.07%	219,126	4.32%
Investment securities	26,318	1.88%	15,070	1.90%	26,250	2.00%	18,836	1.90%
Certificates of deposits in other banks	57,703	1.35%	48,556	1.23%	56,132	1.33%	46,648	1.23%
Other investments	5,445	2.26%	17,106	0.50%	9,613	1.08%	16,115	0.51%
Total interest-earning assets	317,499	3.35%	297,597	3.38%	311,388	3.31%	300,725	3.49%
Liabilities								
Noninterest-bearing deposits	106,733	-	108,369	-	103,996	-	108,114	-
Money market	141,722	0.55%	131,464	0.57%	136,022	0.56%	133,465	0.56%
NOW accounts	14,326	0.05%	14,579	0.05%	13,192	0.05%	15,025	0.05%
Savings	3,938	0.15%	4,119	0.15%	4,065	0.15%	4,133	0.15%
Certificates of deposit	15,149	0.55%	17,639	0.49%	14,915	0.52%	19,848	0.53%
Total interest-bearing deposits	175,135	0.50%	167,801	0.51%	168,194	0.51%	172,471	0.50%
Total deposits	281,868		276,170		272,190		280,585	
Other borrowings	15,092	0.30%	3,072	0.54%	18,828	0.25%	2,774	0.67%
Total interest-bearing liabilities	190,227	0.48%	170,873	0.51%	187,022	0.48%	175,245	0.50%
Net interest spread [3]		2.87%		2.87%		2.83%		2.99%
Net interest margin [3]		3.06%		3.09%		3.02%		3.19%
Capital Ratios								
Consolidated company								
Total capital to risk-weighted assets	16.18%		16.23%		16.18%		16.23%	
Tier 1 capital to risk-weighted assets	15.44%		15.39%		15.44%		15.39%	
Tier 1 capital to average assets	11.94%		11.99%		11.94%		11.99%	
Bank								
Total capital to risk-weighted assets	14.37%		14.81%		14.37%		14.81%	
Tier 1 capital to risk-weighted assets	13.62%		13.98%		13.62%		13.98%	
Tier 1 capital to average assets	10.63%		10.96%		10.63%		10.96%	

[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.