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

FOR IMMEDIATE RELEASE

Press Release

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Heritage Bankshares, Inc. Announces Record Full Year 2014 and Fourth Quarter 2014 Net Income; Quarterly Dividends

Norfolk, Va.: January 28, 2015 – Heritage Bankshares, Inc. ("Heritage"; the "Company") (OTCQB: HBKS), the parent of Heritage Bank (the "Bank"), today announced unaudited financial results for the fourth quarter and the full year of 2014.

The Company's net income for the full year of 2014 was a record $2,872,000, an increase of $351,000 from net income of $2,521,000 for the full year of 2013. For the full year of 2014, the Company's earnings per diluted common share were $1.19 compared to $1.04 per diluted common share for the full year of 2013.

The Company's net income was $593,000 for the fourth quarter of 2014 compared to net income of $677,000 for the fourth quarter of 2013, a decrease of $84,000. For the fourth quarter of 2014, the Company's earnings available to common shareholders were $574,000 compared to earnings available to common shareholders of $658,000 for the fourth quarter of 2013, or $0.24 and $0.28 per diluted common share, respectively. Net income for the fourth quarter of 2013 included a pre-tax gain of $349,000 from the sale of a former branch facility. Excluding this gain, net income for the fourth quarter of 2014 was $146,000, or 32.7%, higher than the net income for the fourth quarter of 2013.

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

As we enter 2015, we are quite optimistic about what the new year holds for us. Our restructuring of our deposit banking operations is complete, and our deposit bankers are unsurpassed in their professionalism and knowledge of deposit products and operations.

During 2014, we added Trent Dudley as our new Chief Lending Officer in June and completed our restructuring of our lending operations by the end of the year. Even in the midst of change, we grew our net outstanding loan balance from $207.6 million at January 31, 2014 to $224.7 million as of December 31, 2014, an increase of eight percent over the past twelve months. In addition, we sold to other banks participation interests in some of the largest loans that we originated in 2014 with total outstanding balances for these participations of approximately $15.6 million at December 31, 2014. We expect that we will continue to improve our loan production in 2015 with the benefit of Trent's leadership and his personal calling efforts for the entire year.

Comparison of Operating Results for the Full Years Ended December 31, 2014 and 2013

Overview. The Company's pretax income was $3,750,000 for the full year of 2014, compared to pretax income of $3,491,000 for the full year of 2013, an increase of $259,000, primarily attributable to decreases in noninterest expenses.

Net Interest Income. The Company's net interest income before provision for loan losses decreased by $24,000, comparing the full year of 2014 and 2013. Our average loan portfolio increased $2.5 million to $221.1 million for the full year 2014, compared to $218.6 million for the full year 2013. Our average certificates of deposit ("CDs") in other financial institutions increased by $9.4 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) increased by $3.3 million, for a net increase in interest-earning assets of $15.2 million comparing the two twelve-month periods. Average interest-bearing liabilities increased by $13.7 million from $174.4 million in the full year of 2013 to $188.1 million in the full year of 2014. Comparing the two twelve-month periods, our net interest rate spread decreased 15 basis points from 2.97% for the full year of 2013 to 2.82% for the full year of 2014. Our net interest margin decreased from 3.18% for the full year of 2013 to 3.01% for the full year of 2014, a difference of 17 basis points.

Provision for Loan Losses. There was no provision for loan losses in either year ending December 31, 2014 or December 31, 2013. There were net recoveries of $13,000 in the full year of 2014 and net charge-offs of $145,000 in the full year of 2013.

Noninterest Income. Total noninterest income increased by $24,000, from $1,518,000 in the full year of 2013 to $1,542,000 in the full year of 2014. Decreases in gain on sale of other real estate owned, late charges and other fees on loans and gain on sale of other assets of $349,000, $242,000 and $189,000, respectively, were offset by a $672,000 increase in income from bank-owned life insurance and a $205,000 increase in gain on sale of investment securities.

Noninterest Expense. Total noninterest expense was $7,060,000 for the full year of 2014, a $259,000 decrease from $7,319,000 in the full year of 2013. A $169,000 decrease in compensation expense and a $120,000 decrease in loss on disposal of fixed assets were partially offset by a $66,000 increase in taxes and licenses.

Income Taxes. The Company's income tax expense for the full year of 2014 was $878,000, reflecting an effective tax rate of 23.4%, compared to income tax expense of $970,000 and an effective tax rate of 27.8%, for the full year 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 $2,794,000 for the full year of 2014, compared to $2,416,000 for the full year of 2013, an increase of $378,000, or $0.15 per diluted common share.

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

Overview. The Company's pretax income was $838,000 for the fourth quarter of 2014, compared to pretax income of $938,000 for the fourth quarter of 2013. A $115,000 increase in

net interest income after provision for loan losses and a $97,000 decrease in noninterest expense were offset by a $312,000 decrease in noninterest income from a $349,000 non-recurring gain on the sale of real estate owned in December 2013.

Net Interest Income. The Company's net interest income before provision for loan losses increased by $115,000, comparing the fourth quarters of 2014 and 2013. The average loan balance for the fourth quarter of 2014 was $226.2 million, a $9.2 million increase from $217.0 million in the fourth quarter of 2013. Our average certificates of deposit ("CDs") in other financial institutions increased by $9.2 million and our average investment in securities and other interest-earning assets (excluding loans and CDs) increased by $10.4 million for a net increase in interest-earning assets of $28.8 million. Average interest-bearing liabilities increased by $19.2 million from $171.9 million in the fourth quarter of 2013 to $191.1 million in the fourth 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 December 31, 2013 and 2014, our net interest rate spread decreased from 2.92% for the fourth quarter 2013 to 2.81% for the fourth quarter of 2014. Our net interest margin decreased from 3.12% for the fourth quarter of 2013 to 2.98% for the fourth quarter of 2014.

Provision for Loan Losses. There was no provision for loan losses in either quarter ending December 31, 2014 or December 31, 2013. There were net recoveries of $4,000 in the fourth quarter of 2014. In the fourth quarter of 2013, there were net charge-offs of $145,000 which included a $148,000 charge-off from one consumer home equity line of credit.

Noninterest Income. Total noninterest income decreased by $312,000, from $526,000 in the fourth quarter of 2013 to $214,000 in the fourth quarter of 2014, primarily as the result of a $349,000 non-recurring gain on sale of other real estate owned in the fourth quarter of 2013.

Noninterest Expense. Total noninterest expense was $1,760,000 for the fourth quarter of 2014, a $97,000 decrease from $1,857,000 in the fourth quarter of 2013, primarily because of a $143,000 decrease in compensation expense partially offset by a $43,000 increase in other expenses.

Income Taxes. The Company's income tax expense for the fourth quarter of 2014 was $245,000, an effective tax rate of 29.2%, compared to income tax expense of $261,000 for the fourth quarter of 2013, an effective tax rate of 27.8%.

Net Income Available to Common Stockholders. Net income available to common stockholders was $574,000 for the fourth quarter of 2014, compared to $658,000 for the fourth quarter of 2013, a decrease of $84,000, or $0.04 per diluted common share.

Financial Condition of the Company

Total Assets. The Company's total assets at December 31, 2014 were $343.5 million, a $34.5 million increase from $309.0 million at December 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 $27.0 million from $68.4 million at December 31, 2013 to $95.4 million at December 31, 2014. The Company increased its investments in securities available for sale by $17.6 million and its

CDs in other banks 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 $8.2 million, or 3.8%, from $216.4 million at December 31, 2013 to $224.6 million at December 31, 2014.

Asset Quality. Nonperforming assets were $931,000, or 0.27% of total assets, at December 31, 2014, compared to $743,000 in nonperforming assets, or 0.24% of total assets, at December 31, 2013. At December 31, 2014, there were no nonaccrual loans and one consumer mortgage loan accruing interest but past due 90 days. Other real estate owned consisted only of one bank branch facility that closed in July 2013.

Deposits. Total deposits at December 31, 2014 were $266.9 million compared to $263.6 million at December 31, 2013, an increase of $3.3 million. Core deposits, which are comprised of noninterest-bearing, money market, NOW and savings deposits, increased by $3.2 million from $246.9 million at December 31, 2013 to $250.1 million at December 31, 2014. Noninterest bearing deposits increased by $2.3 million to $101.6 million at December 31, 2014 and increased from 37.7% of total deposits at December 31, 2013 to 38.1% at December 31, 2014.

Average total deposits decreased by $3.9 million from $278.7 million for the twelve-month period ended December 31, 2013 to $274.8 million for the twelve-month period ended December 31, 2014. Average core deposits remained stable comparing the two twelve-month periods while average CDs decreased by $3.7 million during that same time period. Average noninterest-bearing deposits decreased by $1.3 million, from $107.0 million in the twelve-month period ending December 31, 2013 to $105.7 million in the twelve-month period ending December 31, 2014. As a percentage of average total deposits, average noninterest-bearing deposits increased from 38.4% at December 31, 2013 to 38.5% at December 31, 2014.

Borrowed Funds. Borrowed funds, which consist of Federal Home Loan Bank advances, customer repurchase agreements, and other borrowings, increased by $29.2 million, from $4.6 million at December 31, 2013 to $33.8 million at December 31, 2014, primarily from increased short-term advances from the Federal Home Loan Bank of Atlanta. These advances at an average cost of 26 basis points replaced interest-bearing deposits at an average cost of 49 basis points, lowering our overall cost of funds by 3 basis points during the full year of 2014 compared to the full year of 2013.

Capital. Stockholders' equity increased by $1.9 million, from $38.9 million at December 31, 2013 to $40.8 million at December 31, 2014, primarily due to a $1.5 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 January 28, 2015, our Board of Directors declared the Company's regular quarterly dividend of $0.12 per share on our common stock. The dividend will be paid on February 20, 2015 to common shareholders of record on February 9, 2015.

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 paid on April 1, 2015 to the holders of the SBLF preferred stock of record on March 20, 2015. 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,	
	2014	**2013**
	(unaudited)	(audited)
ASSETS		
Cash and due from banks	$ 3,677	$ 4,897
Interest-earning deposits in other banks	6,437	5,919
Federal funds sold	27	110
Total cash and cash equivalents	10,141	10,926
Certificates of deposit in other banks	57,982	48,767
Securities available for sale, at fair value	27,855	10,287
Securities held to maturity, at cost	3,090	3,358
Loans, held for investment, net of allowance for loan losses	224,651	216,412
Accrued interest receivable	553	517
Stock in Federal Reserve Bank, at cost	600	597
Stock in Federal Home Loan Bank of Atlanta, at cost	1,780	582
Premises and equipment, net	9,085	9,325
Other real estate owned	743	743
Bank-owned life insurance	5,494	5,757
Other assets	1,496	1,690
Total assets	$ 343,470	$ 308,961
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 101,576	$ 99,322
Interest-bearing	165,320	164,270
Total deposits	266,896	263,592
Federal Home Loan Bank Advances	33,450	4,000
Customers repurchase agreements	351	511
Other borrowings	-	135
Accrued interest payable	25	21
Other liabilities	1,991	1,817
Total liabilities	302,713	270,076
Stockholders' equity		
Senior non-cumulative perpetual preferred stock, Series C, 7,800 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively	7,800	7,800
Common stock, $5 par value - 6,000,000 shares authorized; 2,287,509 and 2,274,507 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively	11,438	11,373
Additional paid-in capital	7,005	6,792
Retained earnings	14,487	12,995
Accumulated other comprehensive income(loss), net	27	(75)
Total stockholders' equity	40,757	38,885
Total liabilities and stockholders' equity	$ 343,470	$ 308,961

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2014	2013	2014	2013
	(unaudited)	(unaudited)	(unaudited)	(audited)
Interest income				
Interest income and fees on loans	$ 2,237	$ 2,249	$ 8,766	$ 9,171
Interest on taxable investment securities	134	66	528	335
Other interest and dividend income	222	172	858	663
Total interest income	2,593	2,487	10,152	10,169
Interest expense				
Deposits	196	215	835	860
Borrowings	13	3	49	17
Total interest expense	209	218	884	877
Net interest income	2,384	2,269	9,268	9,292
Provision for loan losses	-	-	-	-
Net interest income after provision for loan losses	2,384	2,269	9,268	9,292
Noninterest income				
Service charges on deposit accounts	37	46	160	191
Late charges and other fees on loans	43	8	78	320
Gain on sale of investment securities	-	-	197	(8)
Gain on sale of other assets	-	-	1	190
Gain on sale of other real estate owned	-	349	-	349
Income from bank-owned life insurance	67	62	866	194
Other	67	61	240	282
Total noninterest income	214	526	1,542	1,518
Noninterest expense				
Compensation	922	1,065	3,674	3,843
Data processing	109	113	436	437
Occupancy	181	185	757	774
Furniture and equipment	145	148	578	570
Taxes and licenses	84	67	335	269
Professional fees	73	67	250	268
FDIC assessment	42	38	165	164
Loss on sale or disposal of fixed assets	2	15	22	142
Other	202	159	843	852
Total noninterest expense	1,760	1,857	7,060	7,319
Income before provision for income taxes	838	938	3,750	3,491
Provision for income taxes	245	261	878	970
Net income	$ 593	$ 677	$ 2,872	$ 2,521
Preferred stock dividend	(19)	(19)	(78)	(105)
Net income available to common stockholders	$ 574	$ 658	$ 2,794	$ 2,416
Earnings per common share				
Basic	$ 0.25	$ 0.29	$ 1.23	$ 1.06
Diluted	$ 0.24	$ 0.28	$ 1.19	$ 1.04
Dividends per share	$ 0.12	$ -	$ 0.48	$ -
Weighted average shares outstanding - basic	2,283,385	2,274,543	2,281,187	2,275,779
Effect of dilutive equity awards	58,920	57,103	60,674	57,639
Weighted average shares outstanding - diluted	2,342,305	2,331,646	2,341,861	2,333,418

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,	
	2014	**2013**	**2014**	**2013**
Financial ratios				
Annualized return on average assets [1]	0.68%	0.85%	0.86%	0.78%
Annualized return on average common equity [2]	7.17%	8.71%	9.01%	8.42%
Average tangible equity to average assets	11.78%	12.21%	11.82%	11.75%
Tangible equity to assets, at period-end	11.87%	12.59%	11.87%	12.59%
Per common share				
Earnings per share - basic	$ 0.25	$ 0.29	$ 1.23	$ 1.06
Earnings per share - diluted	0.24	0.28	1.19	1.04
Book value per share	14.41	13.67	14.41	13.67
Dividends declared per share	$ 0.12	$ -	$ 0.48	$ -
Common stock outstanding	2,287,509	2,274,507	2,287,509	2,274,507
Weighted average shares outstanding - basic	2,283,385	2,274,543	2,281,187	2,275,779
Weighted average shares outstanding - diluted	2,342,305	2,331,646	2,341,861	2,333,418
Asset quality				
Nonaccrual loans	$ -	$ -	$ -	$ -
Accruing loans past due 90 days or more	188	-	188	-
Total nonperforming loans	188	-	188	-
Other real estate owned, net	743	743	743	743
Total nonperforming assets	$ 931	$ 743	$ 931	$ 743
Nonperforming assets to total assets	0.27%	0.24%	0.27%	0.24%
Allowance for loan losses				
Balance, beginning of period	$ 1,939	$ 2,075	$ 1,930	$ 2,075
Provision for loan losses	-	-	-	-
Loans charged-off	-	(148)	-	(148)
Recoveries	4	3	13	3
Balance, end of period	$ 1,943	$ 1,930	$ 1,943	$ 1,930
Allowance for loan losses to gross loans held for investment, net of unearned fees and costs	0.86%	0.88%	0.86%	0.88%

[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,			
	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]	226,198	4.01%	217,041	4.21%	221,108	4.06%	218,600	4.29%
Investment securities	31,471	1.70%	13,743	1.91%	27,566	1.92%	17,552	1.90%
Certificates of deposits in other banks	57,889	1.35%	48,697	1.23%	56,575	1.34%	47,164	1.23%
Other investments	8,279	1.21%	15,583	0.53%	9,277	1.11%	15,982	0.52%
Total interest-earning assets	323,837	3.24%	295,064	3.42%	314,526	3.29%	299,298	3.47%
Liabilities								
Noninterest-bearing deposits	110,883	-	103,792	-	105,731	-	107,024	-
Money market	138,088	0.48%	134,123	0.56%	136,543	0.54%	133,631	0.56%
NOW accounts	12,975	0.04%	14,252	0.05%	13,138	0.05%	14,830	0.05%
Savings	3,982	0.15%	4,176	0.15%	4,044	0.15%	4,144	0.15%
Certificates of deposit	16,679	0.58%	16,719	0.49%	15,359	0.54%	19,059	0.52%
Total interest-bearing deposits	171,724	0.45%	169,270	0.50%	169,084	0.49%	171,664	0.50%
Total deposits	282,607		273,062		274,815		278,688	
Other borrowings	19,424	0.26%	2,643	0.45%	18,978	0.26%	2,741	0.61%
Total interest-bearing liabilities	191,148	0.43%	171,913	0.50%	188,062	0.47%	174,405	0.50%
Net interest spread [3]		2.81%		2.92%		2.82%		2.97%
Net interest margin [3]		2.98%		3.12%		3.01%		3.18%
Capital Ratios								
Consolidated company								
Total capital to risk-weighted assets	16.21%		16.38%		16.21%		16.38%	
Tier 1 capital to risk-weighted assets	15.47%		15.61%		15.47%		15.61%	
Tier 1 capital to average assets	11.81%		12.31%		11.81%		12.31%	
Bank								
Total capital to risk-weighted assets	14.08%		14.71%		14.08%		14.71%	
Tier 1 capital to risk-weighted assets	13.34%		13.93%		13.34%		13.93%	
Tier 1 capital to average assets	10.31%		11.09%		10.31%		11.09%	

[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.