

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Heritage Bankshares, Inc.

Point of Contact:	John Guthrie	RSSD: (For Bank Holding Companies)	911825
UST Sequence Number:	642	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	10,103,000	FDIC Certificate Number: (For Depository Institutions)	22411
CPP/CDCI Funds Repaid to Date:	2,606,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	September 25, 2009	City:	Norfolk
Date Repaid ¹ :	3/16/2011	State:	Virginia

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

See below.

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

Commercial mortgage loans.

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Increase securities purchased (ABS, MBS, etc.).

Empty response box for 'Increase securities purchased (ABS, MBS, etc.).'

Make other investments.

Empty response box for 'Make other investments.'

Increase reserves for non-performing assets.

Empty response box for 'Increase reserves for non-performing assets.'

Reduce borrowings.

Empty response box for 'Reduce borrowings.'

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Increase charge-offs.

Empty response area for 'Increase charge-offs.'

Purchase another financial institution or purchase assets from another financial institution.

From 9/25/09 (the date the Company received the CPP funds) through the end of 2009, the CPP funds were held primarily as a non-leveraged increase to total capital. However, in 2010, this increase in capital gave the Company flexibility to grow its assets as further described below.

Empty response area for 'Purchase another financial institution or purchase assets from another financial institution.'

Held as non-leveraged increase to total capital.

Empty response area for 'Held as non-leveraged increase to total capital.'

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

– The CPP funds gave the Company the financial strength to pursue loan and asset growth opportunities as they arose rather than limit asset and loan growth until there was a full economic recovery.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

– The increase in capital from the initial CPP funds (1) increased the Bank’s loans-to-one borrower limit by approximately \$1.5 million, which allowed us to make several loans in 2010 which we could not otherwise have made, and (2) gave the Company the flexibility to consider purchases of performing loans from other parties that were trying to decrease the outstanding balances of their loan portfolios. In 2010, the Company purchased approximately \$30 million of performing loans from other parties.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.