

Contact: Chris Triplett, President and CEOPhone: (423) 623-6088**United Tennessee Bankshares, Inc. Announces Annual Earnings**

United Tennessee Bankshares, Inc. (OTC Bulletin Board: UNTN) the holding company for Newport Federal Bank, reported that net income for the quarter ended March 31, 2014 decreased \$97,000, or 22%, from \$438,000 to \$341,000 compared to the same period last year. The decrease in net income is primarily the result of a decrease in net interest income of \$82,000, a decrease in non-interest income of \$38,000 and an increase in non-interest expense of \$28,000, partially offset by a decrease in income tax expense of \$52,000. The loan demand in the Bank's market areas is less than the repayment rates on its existing loans, which is causing interest income on loans to decrease over time. Newport Federal has ample resources as reflected in our balance sheet to make good loans once loan demand increases.

Total assets at March 31, 2014 were \$189.0 million while total assets at December 31, 2013 were \$182.7 million. The increase in total assets was primarily the result of an increase in cash and amounts due of \$5.9 million, an increase in investment securities and interest earning deposits of \$1.4 million, partially offset by a decrease in loans receivable of \$1.1 million.

Total liabilities at March 31, 2014 and December 31, 2013 were \$170.8 million and \$165.1 million, respectively. Total deposits increased \$5.5 million which represents the majority of the increase.

The Company's equity increased \$723,000 primarily due an increase in accumulated other comprehensive income of \$339,000, net income for the quarter of \$341,000 and stock transactions of \$43,000. The change in accumulated comprehensive income was a result of an increase in bond market prices during the quarter ended March 31, 2014. The Bank generally holds bond investment securities until maturity but is required to mark-to-market its bonds on a quarterly basis.

Presented below are condensed statements of income for the three months ended March 31, 2014 and 2013, and selected financial condition data as of March 31, 2014 and December 31, 2013.

UNITED TENNESSEE BANKSHARES, INC.  
UNAUDITED CONDENSED STATEMENTS OF INCOME  
FOR THE QUARTER ENDED MARCH 31, 2014 AND 2013  
(In Thousands)

	<u>Three Months</u> <u>Ended</u> <u>March 31,</u>	
	<u>2014</u>	<u>2013</u>
Interest Income	\$1,764	\$1,910
Interest Expense	225	289
Net Interest Income	1,539	1,621
Provision for loan losses	150	150
Net interest income after provision for loan losses	1,389	1,471
Noninterest income	133	171
Noninterest operating expense	991	963
Income before income taxes	531	679
Income taxes	190	241
Net Income	<u>\$ 341</u>	<u>\$ 438</u>
Earnings per Share:	\$ 0.41	\$ 0.53

UNITED TENNESSEE BANKSHARES, INC.  
SELECTED FINANCIAL CONDITION DATA  
(In Thousands)

	<u>As of</u> <u>March 31,</u> <u>2014</u>	<u>As of</u> <u>December 31,</u> <u>2013</u>
Total Assets	<u>(Unaudited)</u> \$189,036	\$182,704
Loans Receivable, net	92,637	93,698
Cash and amounts due from depository institutions	9,916	4,032
Investment Securities, available for sale, at fair value	71,449	70,533
Deposit Accounts	168,661	163,188
Equity	18,280	17,557