

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

United Tennessee Bankshares, Inc. (OTC Bulletin Board: UNTN) the holding company for Newport Federal Bank, reported that net income for the three months ended March 31, 2013 increased \$71,000, or 19.3%, from 367,000 to \$438,000, compared to the same period last year. The increase in net income is primarily the result of a decrease in provision for loan losses of \$75,000 and an increase in net interest income of \$49,000, partially offset by increases in operating expenses and income tax expense of \$12,000 and \$40,000, respectively.

Total assets at March 31, 2013 were \$190.1 million while total assets at December 31, 2012 were \$186.8 million. The increase in total assets was primarily the result of an increase in cash and amounts due from depository institutions of \$4.7 million and an increase in other assets of \$272,000, partially offset by a decrease in investment securities of \$770,000 and a decrease in net loans receivable of \$1 million.

Total liabilities at March 31, 2013 and December 31, 2012 were \$172.2 million and \$169.2 million, respectively. Total deposits increased \$2.8 million which represents the majority of the increase. The Bank used the deposit growth to fund a portion of its increase in cash and amounts due from depository institutions.

The Company's equity increased \$317,000 primarily due to the net income for the quarter of \$438,000, stock transactions of \$24,000, and partially offset by a decrease in accumulated other comprehensive income of \$145,000.

Presented below are condensed statements of income for the three months ended March 31, 2013 and 2012, and selected financial condition data as of March 31, 2013 and December 31, 2012.

UNITED TENNESSEE BANKSHARES, INC.  
UNAUDITED CONDENSED STATEMENTS OF INCOME  
FOR THE QUARTER ENDED MARCH 31, 2013 AND 2012  
(In Thousands)

	<u>Three Months Ended</u>	
	<u>March 31</u>	
	<u>2013</u>	<u>2012</u>
Interest Income	\$1,910	\$2,027
Interest Expense	289	455
Net Interest Income	1,621	1,572
Provision for loan losses	150	225
Net interest income after provision for loan losses	1,471	1,347
Noninterest income	171	172
Noninterest operating expense	963	951
Income before income taxes	679	568
Income taxes	241	201
Net Income	<u>\$ 438</u>	<u>\$ 367</u>
Earnings per Share:	\$ 0.53	\$0.44

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

	<u>As of</u>	<u>As of</u>
	<u>March 31, 2013</u>	<u>December 31, 2012</u>
	<u>(Unaudited)</u>	
Total Assets	\$190,110	\$186,795
Loans Receivable, net	96,934	97,979
Cash and amounts due from depository institutions	10,303	5,571
Investment Securities, available for sale, at fair value	67,937	68,707
Deposit Accounts	169,960	167,171
Equity	17,899	17,582