

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

United Tennessee Bankshares, Inc. (OTC Bulletin Board: UNTN) the holding company for Newport Federal Bank, reported that net income for the six months ended June 30, 2013 increased \$63,000, or 8.7%, from \$723,000 to \$786,000, 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 \$150,000 and an increase in net interest income of \$16,000, partially offset by increases in operating expenses and income tax expense of \$69,000 and \$29,000, respectively.

Total assets at June 30, 2013 were \$187.7 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 \$2.6 million, an increase in investment securities of \$1.4 million and an increase in other assets of \$967,000, partially offset by a decrease in foreclosed assets of \$503,000 and a decrease in net loans receivable of \$3.4 million.

Total liabilities at June 30, 2013 and December 31, 2012 were \$170.8 million and \$169.2 million, respectively. Total deposits increased \$969,000 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 decreased \$640,000 primarily due a decrease in accumulated other comprehensive income of \$1.0 million and dividends paid to shareholders of \$418,000, partially offset by net income for the year of \$786,000 and stock transactions of \$24,000. The change in accumulated comprehensive income was a result of a reduction of bond market prices at June 30, 2013. The Bank generally holds bonds 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 and six months ended June 30, 2013 and 2012, and selected financial condition data as of June 30, 2013 and December 31, 2012.

UNITED TENNESSEE BANKSHARES, INC.
UNAUDITED CONDENSED STATEMENTS OF INCOME
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2013 AND 2012
(In Thousands)

	<u>Three Months</u>		<u>Six Months Ended</u>	
	<u>Ended</u>		<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Interest Income	\$1,826	\$2,012	\$3,735	\$4,039
Interest Expense	262	415	550	870
Net Interest Income	1,564	1,597	3,185	3,169
Provision for loan losses	150	225	300	450
Net interest income after provision for loan losses	1,414	1,372	2,885	2,719
Noninterest income	181	185	352	357
Noninterest operating expense	1,058	1,001	2,021	1,952
Income before income taxes	537	556	1,216	1,124
Income taxes	189	200	430	401
Net Income	<u>\$ 348</u>	<u>\$ 356</u>	<u>\$ 786</u>	<u>\$ 723</u>
Earnings per Share:	\$ 0.42	\$ 0.43	\$ 0.95	\$ 0.87

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

	<u>As of</u> <u>June 30,</u> <u>2013</u> <u>(Unaudited)</u>	<u>As of</u> <u>December 31, 2012</u>
Total Assets	\$187,735	\$186,795
Loans Receivable, net	94,549	97,979
Cash and amounts due from depository institutions	8,170	5,571
Investment Securities, available for sale, at fair value	70,097	68,707
Deposit Accounts	168,140	167,171
Equity	16,942	17,582