

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

United Tennessee Bankshares, Inc. (OTC Bulletin Board: UNTN) the holding company for Newport Federal Bank, reported that net income for the nine months ended September 30, 2013 increased \$129,000, or 11.9%, from \$1,083,000 to \$1,212,000, 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 \$175,000, an increase in net interest income of \$25,000, and a decrease in operating expenses of \$10,000, partially offset by an decrease in noninterest income of \$12,000 and an increase in income tax expense of \$69,000.

Total assets at September 30, 2013 were \$184.5 million while total assets at December 31, 2012 were \$186.8 million. The decrease in total assets was primarily the result of a decrease in foreclosed assets of \$701,000 and a decrease in net loans receivable of \$4.7 million, partially offset by an increase cash and amounts due from depository institutions of \$877,000, an increase in investment securities and interest earning deposits of \$1.5 million and an increase in other assets of \$1.1 million.

Total liabilities at September 30, 2013 and December 31, 2012 were \$167.4 million and \$169.2 million, respectively. Total deposits decreased \$2.1 million which represents the majority of the decrease.

The Company's equity decreased \$428,000 primarily due a decrease in accumulated other comprehensive income of \$1.3 million and dividends paid to shareholders of \$418,000, partially offset by net income for the year of \$1.2 million and stock transactions of \$38,000. The change in accumulated comprehensive income was a result of a reduction of bond market prices during the nine months ended September 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 nine months ended September 30, 2013 and 2012, and selected financial condition data as of September 30, 2013 and December 31, 2012.

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

	<u>Three Months</u> <u>Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30.</u>		<u>September 30.</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Interest Income	\$1,838	\$1,947	\$5,573	\$5,986
Interest Expense	249	367	799	1,237
Net Interest Income	1,589	1,580	4,774	4,749
Provision for loan losses	200	225	500	675
Net interest income after provision for loan losses	1,389	1,355	4,274	4,074
Noninterest income	148	156	501	513
Noninterest operating expense	879	958	2,900	2,910
Income before income taxes	658	553	1,875	1,677
Income taxes	233	194	663	594
Net Income	<u>\$ 425</u>	<u>\$ 359</u>	<u>\$1,212</u>	<u>\$1,083</u>
Earnings per Share:	\$ 0.51	\$ 0.44	\$ 1.46	\$ 1.31

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

	<u>As of</u> <u>September 30,</u> <u>2013</u>	<u>As of</u> <u>December 31,</u> <u>2012</u>
Total Assets	<u>(Unaudited)</u> \$184,512	\$186,795
Loans Receivable, net	93,258	97,979
Cash and amounts due from depository institutions	6,448	5,571
Investment Securities, available for sale, at fair value	69,912	68,707
Deposit Accounts	165,100	167,171
Equity	17,155	17,582