

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

United Tennessee Bankshares, Inc. (OTC Markets Group OTCQX: UNTN), the holding company for Newport Federal Bank, reported that net income for the third quarter September 30, 2016, decreased \$126,000, or 11%, from \$1.158 million to \$1.032 million compared to the same period last year. The decrease in net income is primarily the result of an increase in non-interest expense of \$292,000; partially offset by an increase in net interest income after provision for loan losses of \$88,000 and a decrease in income tax expense of \$69,000. The increase in non-interest expense was primarily due to the Bank hiring additional lending staff, including a commercial relationship manager.

Total assets at September 30, 2016 were \$202.5 million while total assets at December 31, 2015 were \$196.8 million. The increase in total assets was primarily the result of an increase in cash and amounts due from depository institutions, investment securities, and interest earning deposits of \$4.7 million and an increase in net loans receivable of \$549,000.

Total liabilities at September 30, 2016 and December 31, 2015 were \$181.1 million and \$176.2 million, respectively. Total deposits increased \$4.4 million, which represents the majority of the increase.

The Company's equity increased \$882,000, primarily due to net income for the year of \$1,032,000, stock transactions of \$49,000, and an increase in accumulated other comprehensive income of \$331,000, offset by cash dividends paid of \$438,000 and purchase of stock through the repurchase plan of \$94,000. The change in accumulated comprehensive income was a result of an increase in bond market prices during the quarter ended September 30, 2016. 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 and nine months ended September 30, 2016 and 2015 and selected financial condition data as of September 30, 2016 and December 31, 2015.

UNITED TENNESSEE BANKSHARES, INC.
 UNAUDITED CONDENSED STATEMENTS OF INCOME
 FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
 (In Thousands)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interest Income	\$ 1,613	\$ 1,609	\$ 4,895	\$ 4,856
Interest Expense	252	244	742	713
Net Interest Income	1,361	1,365	4,153	4,143
Provision for loan losses	0	0	0	78
Net interest income after provision for loan losses	1,361	1,365	4,153	4,065
Noninterest income	197	198	598	588
Noninterest operating expense	1,046	989	3,154	2,861
Income before income taxes	512	574	1,597	1,792
Income taxes	181	209	565	634
Net Income	<u>\$ 331</u>	<u>\$ 365</u>	<u>\$ 1,032</u>	<u>\$ 1,158</u>
Earnings per Share:	\$ 0.40	\$ 0.43	\$ 1.23	\$ 1.38

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

	<u>As of</u> <u>September 30,</u> <u>2016</u> <u>(Unaudited)</u>	<u>As of</u> <u>December 31,</u> <u>2015</u>
Total Assets	\$202,536	\$196,789
Loans Receivable, net	93,855	93,305
Cash and amounts due from depository institutions	7,232	4,302
Investment Securities, available for sale, at fair value	87,951	85,302
Deposit Accounts	178,494	174,087
Equity	21,455	20,573