



Tri City Bankshares Approves Special Dividend

At their meeting December 5, 2012 the Board of Directors of Tri City Bankshares Corporation approved a special dividend of \$1.70 per share payable December 21, 2012 to shareholders of record on December 17, 2012.

This dividend was approved due to the likelihood of less favorable tax treatment of dividend income in 2013 and beyond. In effect, we are “prepaying” at least two year’s dividends in consideration of the potential advantage to our shareholders under the current dividend tax structure.

Tri City Bankshares Corporation has a long history of maintaining capital ratios in excess of the levels required to be considered “well capitalized.” This philosophy is unchanged.

The Board of Directors is confident that shareholders will appreciate this decision and feels equally confident that shareholders will understand the elimination of dividends until the prepaid amount is realized as future earnings. We presently plan to resume quarterly dividend payments after 2014. However, we cannot predict the economy and as a result cannot predict earnings for the Bank that far in advance. The Board will review earnings, regulatory requirements and other factors at that time and consider an appropriate dividend, just as they have done every quarter in the past.

FORWARD-LOOKING STATEMENTS

This letter includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which are statements that speak to the Corporation’s plans, goals, beliefs or expectations for the future. Forward-looking statements are subject to significant risks and uncertainties and actual events may differ materially from those discussed therein. Factors that might cause this to happen include, but are not limited to, the risk factors set forth in Item 1A of the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2009 and subsequent reports we have filed and any future reports we may file with the SEC. All forward-looking statements in this letter are based upon information available at the time the statement is made and the Corporation assumes no obligation to update any forward-looking statement.

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