

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

TRICO BANCSHARES /
Form 10-Q
August 08, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q
Quarterly Report Pursuant Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarterly Period Ended June 30, 2008

Commission file number 0-10661

TRICO BANCSHARES

(Exact name of registrant as specified in its charter)

California

94-2792841

(State or other jurisdiction
incorporation or organization)

(I.R.S. Employer
Identification No.)

63 Constitution Drive, Chico, California 95973
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (530) 898-0300

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Act (check one).

Large accelerated filer Accelerated filer X

Non-accelerated filer Small reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Title of Class: Common stock, no par value

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Outstanding shares as of July 31, 2008: 15,744,881

TABLE OF CONTENTS

	Page
Forward-Looking Statements	1
PART I - FINANCIAL INFORMATION	2
Item 1 - Financial Statements	2
Notes to Unaudited Condensed Consolidated Financial Statements	6
Financial Summary	18
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3 - Quantitative and Qualitative Disclosures about Market Risk	31
Item 4 - Controls and Procedures	32
PART II - OTHER INFORMATION	33
Item 1 - Legal Proceedings	33
Item 1A - Risk Factors	33
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 4 - Submission of Matters to a Vote of Security Holders	33
Item 6 - Exhibits	34
Signatures	36
Exhibits	37

FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains forward-looking statements about TriCo Bancshares (the "Company") for which it claims the protection of the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on Management's current knowledge and belief and include information concerning the Company's possible or assumed future financial condition and results of operations. When you see any of the words "believes", "expects", "anticipates", "estimates", or similar expressions, it may mean the Company is making forward-looking statements. A number of factors, some of which are beyond the Company's ability to predict or control, could cause future results to differ materially from those contemplated. The reader is directed to the Company's annual report on Form 10-K for the year ended December 31, 2007, and Part II, Item 1A of this report for further

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

discussion of factors which could affect the Company's business and cause actual results to differ materially from those suggested by any forward-looking statement made in this report. Such Form 10-K and this report should be read to put any forward-looking statements in context and to gain a more complete understanding of the risks and uncertainties involved in the Company's business. Any forward-looking statement may turn out to be wrong and cannot be guaranteed. The Company does not intend to update any forward-looking statement after the date of this report.

1

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

TRICO BANCSHARES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data; unaudited)

	At June 30, 2008	2007	At Decemb 200
Assets:			
Cash and due from banks	\$76,658	\$93,636	\$88,
Federal funds sold	-	1,715	
Cash and cash equivalents	76,658	95,351	88,
Securities available-for-sale	253,129	175,891	232,
Federal Home Loan Bank stock, at cost	9,010	8,543	8,
Loans, net of allowance for loan losses of \$24,281, \$16,999 and \$17,331	1,519,043	1,490,629	1,534,
Foreclosed assets, net of allowance for losses of \$214, \$180 and \$180	1,178	187	
Premises and equipment, net	19,580	20,891	20,
Cash value of life insurance	45,701	44,346	44,
Accrued interest receivable	7,802	8,284	8,
Goodwill	15,519	15,519	15,
Other intangible assets, net	920	1,421	1,
Other assets	31,950	25,965	25,
Total Assets	\$1,980,490	\$1,887,027	\$1,980,
Liabilities:			
Deposits:			
Noninterest-bearing demand	\$347,336	\$366,321	\$378,
Interest-bearing	1,163,717	1,144,558	1,166,
Total deposits	1,511,053	1,510,879	1,545,
Federal funds purchased	123,750	80,500	56,
Accrued interest payable	5,119	6,614	7,
Reserve for unfunded commitments	3,465	2,040	2,
Other liabilities	24,131	22,264	23,
Other borrowings	85,048	44,892	116,
Junior subordinated debt	41,238	41,238	41,
Total Liabilities	1,793,804	1,708,427	1,791,
Commitments and contingencies			

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Shareholders' Equity:

Common stock, no par value: 50,000,000 shares authorized; issued and outstanding:			
15,744,881 at June 30, 2008	78,306		
15,917,291 at June 30, 2007		76,394	
15,911,550 at December 31, 2007			78,
Retained earnings	111,360	106,985	111,
Accumulated other comprehensive income (loss), net	(2,980)	(4,779)	(1,
	-----	-----	-----
Total Shareholders' Equity	186,686	178,600	188,
	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$1,980,490	\$1,887,027	\$1,980,
	=====	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

2

TRICO BANCSHARES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share data; unaudited)

	Three months ended June 30, 2008	2007	Six months ended 2008	
	-----	-----	-----	-----
Interest and dividend income:				
Loans, including fees	\$27,015	\$29,882	\$54,741	\$5
Debt securities:				
Taxable	2,892	1,623	5,851	
Tax exempt	299	375	623	
Dividends	125	101	244	
Federal funds sold	1	5	3	
	-----	-----	-----	-----
Total interest income	30,332	31,986	61,462	6
	-----	-----	-----	-----
Interest expense:				
Deposits	5,650	7,550	12,827	1
Federal funds purchased	711	1,014	1,523	
Other borrowings	524	506	1,587	
Junior subordinated debt	586	825	1,299	
	-----	-----	-----	-----
Total interest expense	7,471	9,895	17,236	1
	-----	-----	-----	-----
Net interest income	22,861	22,091	44,226	4
	-----	-----	-----	-----
Provision for loan losses	8,800	500	12,900	
	-----	-----	-----	-----
Net interest income after provision for loan losses	14,061	21,591	31,326	4
	-----	-----	-----	-----
Noninterest income:				
Service charges and fees	5,826	5,375	10,954	1
Gain on sale of loans	316	279	574	
Commissions on sale of non-deposit investment products	525	550	945	
Increase in cash value of life insurance	360	405	720	
Other	253	420	937	
	-----	-----	-----	-----
Total noninterest income	7,280	7,029	14,130	1
	-----	-----	-----	-----

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Noninterest expense:				
Salaries and related benefits	9,645	9,619	19,125	1
Other	8,199	7,824	16,292	1
Total noninterest expense	17,844	17,443	35,417	3
Income before income taxes	3,497	11,177	10,039	2
Provision for income taxes	1,223	4,422	3,717	
Net income	\$2,274	\$6,755	\$6,322	\$1
Average shares outstanding	15,744,881	15,916,313	15,793,483	15,8
Diluted average shares outstanding	15,953,288	16,463,369	16,017,505	16,4
Per share data:				
Basic earnings	\$0.14	\$0.42	\$0.40	
Diluted earnings	\$0.14	\$0.41	\$0.39	
Dividends paid	\$0.13	\$0.13	\$0.26	

See accompanying notes to unaudited condensed consolidated financial statements.

3

TRICO BANCSHARES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands, except share data; unaudited)

	Shares of Common Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2006	15,857,207	\$73,739	\$100,218	(\$4,521)	\$169,436
Comprehensive income:					
Net income			13,199		13,199
Change in net unrealized gain on Securities available for sale, net				(258)	(258)
Total comprehensive income					12,941
Stock option vesting		376			376
Stock options exercised	177,600	1,964			1,964
Tax benefit of stock options exercised		861			861
Repurchase of common stock	(117,516)	(546)	(2,295)		(2,841)
Dividends paid (\$0.26 per share)			(4,137)		(4,137)
Balance at June 30, 2007	15,917,291	\$76,394	\$106,985	(\$4,779)	\$178,600
Balance at December 31, 2007	15,911,550	\$78,775	\$111,655	(\$1,552)	\$188,878
Comprehensive income:					
Net income			6,322		6,322
Change in net unrealized gain on Securities available for sale, net				(1,428)	(1,428)
Total comprehensive income					4,894
Cumulative effect of change in Accounting principle, net of tax			(522)		(522)
Stock option vesting		356			356

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Repurchase of common stock	(166,669)	(825)	(1,996)	(2,821)
Dividends paid (\$0.26 per share)			(4,099)	(4,099)
Balance at June 30, 2008	15,744,881	\$78,306	\$111,360	(\$2,980)
				\$186,686

See accompanying notes to unaudited condensed consolidated financial statements.

4

TRICO BANCSHARES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands; unaudited)

	For the six months ended June 30	
	2008	2007
Operating activities:		
Net income	\$6,322	\$13,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,745	1,902
Amortization of intangible assets	256	245
Provision for loan losses	12,900	982
Amortization of investment securities premium, net	170	380
Originations of loans for resale	(41,412)	(35,677)
Proceeds from sale of loans originated for resale	41,574	35,853
Gain on sale of loans	(574)	(545)
Change in value of mortgage servicing rights	172	85
Provision for losses on other real estate owned	34	-
Loss on sale of fixed assets	2	5
Increase in cash value of life insurance	(720)	(810)
Stock option expense	356	376
Stock option tax benefits	-	(861)
Change in:		
Reserve for unfunded commitments	1,375	191
Interest receivable	752	443
Interest payable	(2,752)	(934)
Other assets and liabilities, net	(4,589)	879
Net cash provided by operating activities	15,611	15,713
Investing activities:		
Proceeds from maturities of securities available-for-sale	26,883	21,644
Purchases of securities available-for-sale	(50,219)	-
Purchases of Federal Home Loan Bank stock	(244)	(223)
Loan originations and principal collections, net	1,667	1,167
Proceeds from sale of premises and equipment	1	11
Purchases of premises and equipment	(1,421)	(1,704)
Net cash (used in) provided by investing activities	(23,333)	20,895
Financing activities:		
Net decrease in deposits	(34,170)	(88,270)
Net increase in Federal funds purchased	67,750	42,500
Payments of principal on long-term other borrowings	(39)	(34)
Net change in short-term other borrowings	(31,039)	5,015
Stock option tax benefits	-	861

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Repurchase of common stock	(2,821)	(470)
Dividends paid	(4,099)	(4,137)
Exercise of stock options	-	264
Net cash used in financing activities	(4,418)	(44,271)
Net change in cash and cash equivalents	(12,140)	(7,663)
Cash and cash equivalents and beginning of period	88,798	103,014
Cash and cash equivalents at end of period	\$76,658	\$95,351
Supplemental disclosure of noncash activities:		
Loans transferred to other real estate owned	\$1,025	\$187
Unrealized loss on securities available for sale	(\$2,464)	(\$446)
Value of shares tendered in lieu of cash paid to exercise stock options and to pay related tax withholding	-	\$2,371
Supplemental disclosure of cash flow activity:		
Cash paid for interest expense	\$19,988	\$20,045
Cash paid for income taxes	\$8,100	\$8,300

See accompanying notes to unaudited condensed consolidated financial statements.

5

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: General Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. The results of operations reflect interim adjustments, all of which are of a normal recurring nature and which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The interim results are not necessarily indicative of the results expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes as well as other information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary, Tri Counties Bank (the "Bank"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

The Company operates 32 branch offices and 25 in-store branch offices in the California counties of Butte, Contra Costa, Del Norte, Fresno, Glenn, Kern, Lake, Lassen, Madera, Mendocino, Merced, Napa, Nevada, Placer, Sacramento, Shasta, Siskiyou, Stanislaus, Sutter, Tehama, Tulare, Yolo and Yuba. The Company's operating policy since its inception has emphasized retail banking. Most of the Company's customers are retail customers and small to medium sized businesses.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the reported amounts of assets and

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, the Company evaluates its estimates, including those related to the adequacy of the allowance for loan losses, investments, intangible assets, income taxes and contingencies. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The allowance for loan losses, goodwill and other intangible assets, income taxes, and the valuation of mortgage servicing rights, are the significant accounting estimates that materially affect the Company's consolidated financial statements.

Reclassifications

Certain amounts previously reported in the 2007 financial statements have been reclassified to conform to the 2008 presentation. These reclassifications did not affect previously reported net income or total shareholders' equity.

Significant Group Concentration of Credit Risk

The Company grants agribusiness, commercial, consumer, and residential loans to customers located throughout the northern San Joaquin Valley, the Sacramento Valley and northern mountain regions of California. The Company has a diversified loan portfolio within the business segments located in this geographical area.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold.

6

Investment Securities

The Company classifies its debt and marketable equity securities into one of three categories: trading, available-for-sale or held-to-maturity. Trading securities are bought and held principally for the purpose of selling in the near term. Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale. During the six months ended June 30, 2008, and throughout 2007, the Company did not have any securities classified as either held-to-maturity or trading.

Available-for-sale securities are recorded at fair value. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are reported as a separate component of other accumulated comprehensive income (loss) in shareholders' equity until realized.

Premiums and discounts are amortized or accreted over the life of the related investment security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned. Realized gains and losses for securities are included in earnings and are derived using the specific identification method for determining the cost of securities sold. Unrealized losses due to fluctuations in fair value of securities held to maturity or available for sale are recognized through earnings when it is determined that an other than temporary decline in value has occurred.

Federal Home Loan Bank Stock

The Bank is a member of the Federal Home Loan Bank of San Francisco ("FHLB"), and as a condition of membership, it is required to purchase stock. The amount of FHLB stock required to be purchased is based on the borrowing capacity

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

desired by the Bank. While technically these are considered equity securities, there is no market for the FHLB stock. Therefore, the shares are considered as restricted investment securities. Such investment is carried at cost.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by aggregate outstanding commitments from investors of current investor yield requirements. Net unrealized losses are recognized through a valuation allowance by charges to income. At June 30, 2008 and 2007, and December 31, 2007, the Company's balance of loans held for sale was immaterial.

Mortgage loans held for sale are generally sold with the mortgage servicing rights retained by the Company. The carrying value of mortgage loans sold is reduced by the fair value allocated to the associated mortgage servicing rights. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

Loans

Loans are reported at the principal amount outstanding, net of unearned income and the allowance for loan losses. Loan origination and commitment fees and certain direct loan origination costs are deferred, and the net amount is amortized as an adjustment of the related loan's yield over the estimated life of the loan. Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Accrual of interest on loans is generally discontinued either when reasonable doubt exists as to the full, timely collection of interest or principal or when a loan becomes contractually past due by 90 days or more with respect to interest or principal. When loans are 90 days past due, but in Management's judgment are well secured and in the process of collection, they may be classified as accrual. When a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed. Income on such loans is then recognized only to the extent that cash is received and where the future collection of principal is probable. Interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of Management, the loans are estimated to be fully collectible as to both principal and interest. All impaired loans are classified as nonaccrual loans.

7

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans and deposit related overdrafts are charged against the allowance for loan losses when Management believes that the collectibility of the principal is unlikely or, with respect to consumer installment loans, according to an established delinquency schedule. The allowance is an amount that Management believes will be adequate to absorb probable losses inherent in existing loans and leases, based on evaluations of the collectibility, impairment and prior loss experience of loans and leases. The evaluations take into consideration such factors as changes in the nature and size of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, and current economic conditions that may affect the borrower's ability to pay. The Company defines a loan as impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate. As a practical expedient, impairment may be measured based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

allowance.

Credit risk is inherent in the business of lending. As a result, the Company maintains an allowance for loan losses to absorb losses inherent in the Company's loan portfolio. This is maintained through periodic charges to earnings. These charges are shown in the Consolidated Income Statements as provision for loan losses. All specifically identifiable and quantifiable losses are immediately charged off against the allowance. However, for a variety of reasons, not all losses are immediately known to the Company and, of those that are known, the full extent of the loss may not be quantifiable at that point in time. The balance of the Company's allowance for loan losses is meant to be an estimate of these unknown but probable losses inherent in the portfolio. For purposes of this discussion, "loans" shall include all loans and lease contracts that are part of the Company's portfolio.

The Company formally assesses the adequacy of the allowance on a quarterly basis. Determination of the adequacy is based on ongoing assessments of the probable risk in the outstanding loan portfolio, and to a lesser extent the Company's loan commitments. These assessments include the periodic re-grading of credits based on changes in their individual credit characteristics including delinquency, seasoning, recent financial performance of the borrower, economic factors, changes in the interest rate environment, growth of the portfolio as a whole or by segment, and other factors as warranted. Loans are initially graded when originated. They are re-graded as they are renewed, when there is a new loan to the same borrower, when identified facts demonstrate heightened risk of nonpayment, or if they become delinquent. Re-grading of larger problem loans occur at least quarterly. Confirmation of the quality of the grading process is obtained by independent credit reviews conducted by consultants specifically hired for this purpose and by various bank regulatory agencies.

The Company's method for assessing the appropriateness of the allowance for loan losses and the reserve for unfunded commitments includes specific allowances for identified problem loans and leases, formula allowance factors for pools of credits, and allowances for changing environmental factors (e.g., interest rates, growth, economic conditions, etc.). Allowance factors for loan pools are based on the previous 5 years historical loss experience by product type. Allowances for specific loans are based on analysis of individual credits. Allowances for changing environmental factors are Management's best estimate of the probable impact these changes have had on the loan portfolio as a whole. This process is explained in detail in the notes to the Company's audited consolidated financial statements in its Annual Report on Form 10-K for the year ended December 31, 2007.

Based on the current conditions of the loan portfolio, Management believes that the allowance for loan losses and the reserve for unfunded commitments, which collectively stand at \$27,746,000 at June 30, 2008, are adequate to absorb probable losses inherent in the Company's loan portfolio. No assurance can be given, however, that adverse economic conditions or other circumstances will not result in increased losses in the portfolio.

8

The following tables summarize the activity in the allowance for loan losses, reserve for unfunded commitments, and allowance for losses (which is comprised of the allowance for loan losses and the reserve for unfunded commitments) for the periods indicated (dollars in thousands):

Three months ended June 30, Six months ended June 30,

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

	2008	2007	2008	2007
Allowance for loan losses:				
Balance at beginning of period	\$19,383	\$16,895	\$17,331	\$16,914
Provision for loan losses	8,800	500	12,900	982
Loans charged off:				
Real estate mortgage:				
Residential	(167)	-	(221)	-
Commercial	-	-	(19)	-
Consumer:				
Home equity lines	(789)	(101)	(948)	(242)
Home equity loans	(161)	-	(250)	-
Auto indirect	(623)	(332)	(1,172)	(583)
Other consumer	(277)	(231)	(579)	(471)
Commercial	(254)	(87)	(389)	(194)
Construction:				
Residential	(1,905)	-	(2,983)	-
Commercial	-	-	-	-
Total loans charged off	(4,176)	(751)	(6,561)	(1,490)
Recoveries of previously charged-off loans:				
Real estate mortgage:				
Residential	-	-	-	-
Commercial	14	17	28	30
Consumer:				
Home equity lines	-	1	-	1
Home equity loans	-	5	-	5
Auto indirect	69	104	191	152
Other consumer	181	141	374	302
Commercial	10	87	18	103
Construction:				
Residential	-	-	-	-
Commercial	-	-	-	-
Total recoveries of previously charged off loans	274	355	611	593
Net charge-offs	(3,902)	(396)	(5,950)	(897)
Balance at end of period	\$24,281	\$16,999	\$24,281	\$16,999
Reserve for unfunded commitments:				
Balance at beginning of period	\$2,915	\$1,966	\$2,090	\$1,849
Provision for losses - unfunded commitments	550	74	1,375	191
Balance at end of period	\$3,465	\$2,040	\$3,465	\$2,040
Balance at end of period:				
Allowance for loan losses			\$24,281	\$16,999
Reserve for unfunded commitments			3,465	2,040
Allowance for losses			\$27,746	\$19,039
As a percentage of total loans:				
Allowance for loan losses			1.57%	1.13%
Reserve for unfunded commitments			0.23%	0.13%
Allowance for losses			1.80%	1.26%

Reserve for Unfunded Commitments

The reserve for unfunded commitments is established through a provision for losses on unfunded commitments charged to noninterest expense. The reserve for unfunded commitments is an amount that Management believes will be adequate to absorb probable losses inherent in existing commitments, including unused portions of revolving lines of credits and other loans, standby letters of credits, and unused deposit account overdraft privilege. The reserve for unfunded commitments is based on evaluations of the collectibility, and prior loss experience of unfunded commitments. The evaluations take into consideration such factors as changes in the nature and size of the loan portfolio, overall loan portfolio quality, loan concentrations, specific problem loans and related unfunded commitments, and current economic conditions that may affect the borrower's or depositor's ability to pay.

Mortgage Servicing Rights

Mortgage servicing rights (MSRs) represent the Company's right to a future stream of cash flows based upon the contractual servicing fee associated with servicing mortgage loans. Our MSRs arise from residential mortgage loans that we originate and sell, but retain the right to service the loans. For sales of residential mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on fair values of the loan and the servicing right. The net gain from the retention of the servicing right is included in gain on sale of loans in noninterest income when the loan is sold. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. MSRs are included in other assets. Servicing fees are recorded in noninterest income when earned. MSRs are carried at fair value, with changes in fair value reported in noninterest income in the period in which the change occurs.

The determination of fair value of our MSRs requires management judgment because they are not actively traded. The determination of fair value for MSRs requires valuation processes which combine the use of discounted cash flow models and extensive analysis of current market data to arrive at an estimate of fair value. The cash flow and prepayment assumptions used in our discounted cash flow model are based on empirical data drawn from the historical performance of our MSRs, which we believe are consistent with assumptions used by market participants valuing similar MSRs, and from data obtained on the performance of similar MSRs. The key assumptions used in the valuation of MSRs include mortgage prepayment speeds and the discount rate. These variables can, and generally will, change from quarter to quarter as market conditions and projected interest rates change. The key risks inherent with MSRs are prepayment speed and changes in discount rates.

The following tables summarize the activity in, and the main assumptions we used to determine the fair value of mortgage servicing rights for the periods indicated (dollars in thousands):

Six months ended June 30,	
2008	2007

Mortgage servicing rights:

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Balance at beginning of period	\$4,088	\$3,912
Additions	412	369
Change in fair value	(172)	(85)
	-----	-----
Balance at end of period	\$4,328	\$4,196
	=====	=====
Servicing fees received	\$506	\$491
Balance of loans serviced at:		
Beginning of period	\$406,743	\$389,636
End of period	\$417,080	\$400,600
Weighted-average prepayment speed (CPR)	10.7%	11.5%
Discount rate	10.0%	10.0%

10

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Premises and Equipment

Land is carried at cost. Buildings and equipment, including those acquired under capital lease, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expenses are computed using the straight-line method over the estimated useful lives of the related assets or lease terms. Asset lives range from 3-10 years for furniture and equipment and 15-40 years for land improvements and buildings.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, management periodically performs valuations and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other noninterest expense.

Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and other intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. The Company tested its goodwill intangible and determined it was not impaired as of June 30, 2008 and December 31, 2008.

The following table summarizes the Company's goodwill intangible as of June 30, 2008 and December 31, 2007.

	December 31, 2007	Additions	Reductions	June 30, 2008
(Dollar in Thousands)	-----	-----	-----	-----
Goodwill	\$15,519	-	-	\$15,519
	=====	=====	=====	=====

The Company has identifiable intangible assets consisting of core deposit premiums and minimum pension liability. Core deposit premiums are amortized using an accelerated method over a period of ten years. Intangible assets related to minimum pension liability are adjusted annually based upon actuarial estimates.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

The following table summarizes the Company's core deposit intangibles as of June 30, 2008 and December 31, 2007.

	December 31, 2007	Additions	Reductions	June 30, 2008
(Dollar in Thousands)				
Core deposit intangibles	\$3,365	-	-	\$3,365
Accumulated amortization	(2,189)	-	(256)	(2,445)
Core deposit intangibles, net	\$1,176	-	(\$256)	\$920

Core deposit intangibles are amortized over their expected useful lives. Such lives are periodically reassessed to determine if any amortization period adjustments are indicated. The following table summarizes the Company's estimated core deposit intangible amortization for each of the five succeeding years:

Years Ended	Estimated Core Deposit Intangible Amortization (Dollar in thousands)
2008	\$523
2009	\$328
2010	\$260
2011	\$65
Thereafter	-

11

Impairment of Long-Lived Assets and Goodwill

Long-lived assets, such as premises and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

On December 31 of each year, goodwill is tested for impairment, and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level and consists of two steps. First, the Company determines the fair value of a reporting unit and compares it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

Income Taxes

The Company's accounting for income taxes is based on an asset and liability

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

approach. The Company recognizes the amount of taxes payable or refundable for the current year, and deferred tax assets and liabilities for the future tax consequences that have been recognized in its financial statements or tax returns. The measurement of tax assets and liabilities is based on the provisions of enacted tax laws.

Stock-Based Compensation

The following table shows the number, weighted-average exercise price, intrinsic value, weighted average remaining contractual life, average remaining vesting period, and remaining compensation cost to be recognized over the remaining vesting period of options exercisable, options not yet exercisable, and total options outstanding as of June 30, 2008:

(dollars in thousands except exercise price)	Currently Exercisable	Currently Not Exercisable	Total Outstanding
Number of options	1,159,911	274,570	1,434,481
Weighted average exercise price	\$13.36	\$20.61	\$14.74
Intrinsic value	\$1,657	-	\$1,657
Weighted average remaining contractual term (yrs.)	2.47	8.99	3.72

The options for 274,570 shares that are not currently exercisable as of June 30, 2008 are expected to vest, on a weighted-average basis, over the next 3.39 years, and the Company is expected to recognize \$1,817,000 of compensation costs related to these options as they vest.

Earnings Per Share

Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustments to income that would result from assumed issuance. Potential common shares that may be issued by the Company relate solely from outstanding stock options, and are determined using the treasury stock method.

12

Earnings per share have been computed based on the following:

(in thousands)	Three months ended June 30,		Six months ended Ju	
	2008	2007	2008	200
Net income	\$2,274	\$6,755	\$6,322	\$13,19
Average number of common shares outstanding	15,745	15,916	15,793	15,89
Effect of dilutive stock options	208	547	225	54
Average number of common shares outstanding used to calculate diluted earnings per share	15,953	16,463	16,018	16,44

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

There were 658,000 and 87,000 options excluded from the computation of diluted earnings per share for the three month periods ended June 30, 2008 and 2007, respectively, because the effect of these options was antidilutive.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

The components of other comprehensive income (loss) and related tax effects are as follows:

	Three months ended June 30,		Six Months Ended Jun	
(in thousands)	2008	2007	2008	20
Unrealized holding losses on available-for-sale securities	(\$5,185)	(\$1,366)	(\$2,464)	(\$4
Tax effect	2,180	575	1,036	1
Unrealized holding losses on available-for-sale securities, net of tax	(\$3,005)	(\$791)	(\$1,428)	(\$2

The components of accumulated other comprehensive loss, included in shareholders' equity, are as follows:

	June 30, 2008	December 31, 2007
(in thousands)		
Net unrealized (losses) gains on available-for-sale securities	(\$1,172)	\$1,292
Tax effect	493	(543)
Unrealized holding (losses) gains on available-for-sale securities, net of tax	(\$679)	749
Minimum pension liability	(3,970)	(3,970)
Tax effect	1,669	1,669
Minimum pension liability, net of tax	(2,301)	(2,301)
Accumulated other comprehensive loss	(\$2,980)	(\$1,552)

Retirement Plans

The Company has supplemental retirement plans for current and former directors and key executives. These plans are non-qualified defined benefit plans and are unsecured and unfunded. The Company has purchased insurance on the lives of the participants and intends to use the cash values of these policies to pay the retirement obligations.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

The following table sets forth the net periodic benefit cost recognized for the plans:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net pension cost included the following components:				
Service cost-benefits earned during the period	\$139	\$150	\$278	\$300
Interest cost on projected benefit obligation	166	146	332	292
Amortization of net obligation at transition	-	-	-	-
Amortization of prior service cost	45	45	90	90
Recognized net actuarial loss	37	28	74	56
Net periodic pension cost	\$387	\$369	\$774	\$738

During the six months ended June 30, 2008 and 2007, the Company contributed and paid out as benefits \$314,000 and \$284,000, respectively, to participants under the plans. For the year ending December 31, 2008, the Company currently expects to contribute and pay out as benefits \$593,000 to participants under the plans.

Fair Value Measurement

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale and mortgage servicing rights are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or impairment write-downs of individual assets.

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets
- Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with SFAS 114, Accounting by Creditors for Impairment of a Loan (SFAS 114). The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At June 30, 2008, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with SFAS 157, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value which uses substantially observable data, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value, or the appraised value contains a significant assumption, and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3.

14

Mortgage servicing rights are carried at fair value. A valuation model, which utilizes a discounted cash flow analysis using a discount rate and prepayment speed assumptions currently quoted for comparable instruments, is used in the completion of the fair value measurement. As such, the Company classifies mortgage servicing rights subjected to recurring fair value adjustments as Level 2.

Goodwill and identified intangible assets are subject to impairment testing. A projected cash flow valuation method is used in the completion of impairment testing. This valuation method requires a significant degree of management judgment as there are unobservable inputs for these assets. In the event the projected undiscounted net operating cash flows are less than the carrying value, the asset is recorded at fair value as determined by the valuation model. As such, the Company classifies goodwill and other intangible assets subjected to nonrecurring fair value adjustments as Level 3.

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis:

Fair value at June 30, 2008	Total	Level 1	Level 2	Level 3
Securities available-for-sale	\$253,129	-	\$253,129	-
Mortgage servicing rights	4,328	-	4,328	-

Total assets measured at fair value	\$257,457	-	\$257,457	-
	=====			

The table below presents the recorded amount of assets and liabilities measured at fair value on a nonrecurring basis:

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Fair value at June 30, 2008	Total	Level 1	Level 2	Level 3
Impaired loans	\$18,162	-	-	\$18,162
Total assets measured at fair value	\$18,162	-	-	\$18,162

Recent Accounting Pronouncements

In February 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement of Financial Accounting Standards No. 155, Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140 (SFAS 155). SFAS 155 amends SFAS 133, Accounting for Derivative Instruments and Hedging Activities and SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS 155 (i) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, (ii) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133, (iii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, (iv) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and (v) amends SFAS 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS 155 is effective for the Company on January 1, 2007 and did not have a significant impact on the Company's consolidated financial statements.

15

In September 2006, the FASB issued FASB Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 was effective for the Company on January 1, 2008 and did not have a significant impact on the Company's consolidated financial statements.

In September 2006, the FASB issued FASB Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88 106, and 132(R) (SFAS 158). SFAS 158 requires an employer to recognize the overfunded or underfunded status of defined benefit postretirement plans as an asset or a liability in its statement of financial position. The funded status is measured as the difference between plan assets at fair value and the benefit obligation (the projected benefit obligation for pension plans or the accumulated benefit obligation for other postretirement benefit plans). An employer is also required to measure the funded status of a plan as of the date of its year-end statement of financial position with changes in the funded status recognized through comprehensive income. SFAS 158 also requires certain disclosures regarding the effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of gains or losses, prior service costs or credits, and the transition asset or obligation. The Company was required to recognize the funded status of its defined benefit post-retirement benefit plans in its consolidated financial statements for the year ended December 31, 2006. The Company had previously recognized the funded status of its Executive and Director Supplemental Retirement plans in prior consolidated financial statements. The Company has no other defined benefit post-retirement benefit plans. The requirement to measure plan assets and benefit obligations as of the date of the year-end statement of financial position is effective for the Company's consolidated financial statements beginning with the fiscal year ended after December 15, 2008. The Company currently uses December 31 as the measurement date for its defined benefit post-retirement benefit plans.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

In February 2007, the FASB issued FASB Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment to FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 was effective for the Company on January 1, 2008 and did not have a significant impact on the Company's consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109 (FIN 48). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. FIN 48 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties. FIN 48 was effective for the Company on January 1, 2007 and did not have a significant impact on the Company's consolidated financial statements.

FASB Emerging Issues Task Force ("EITF") Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split Dollar Life Insurance Arrangements." EITF 06-4 requires the recognition of a liability and related compensation expense for bank owned life insurance policies with joint beneficiary agreements that provide a benefit to an employee that extends to post-retirement periods. Under EITF 06-4, life insurance policies purchased for the purpose of providing such benefits do not effectively settle an entity's obligation to the employee. Accordingly, the entity must recognize a liability and related compensation expense during the employee's active service period based on the future cost of insurance to be incurred during the employee's retirement. If the entity has agreed to provide the employee with a death benefit, then the liability for the future death benefit should be recognized by following the guidance in SFAS 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions." The Company adopted EITF 06-4 effective as of January 1, 2008 as a change in accounting principle through a cumulative-effect adjustment to retained earnings of \$522,000 net of tax.

In November 2007, the SEC issued Staff Accounting Bulletin No. 109, Written Loan Commitments Recorded at Fair Value through Earnings (SAB 109). SAB 109 provides guidance on the accounting for written loan commitments recorded at fair value under generally accepted accounting principles (GAAP). Specifically, the SAB revises the Staff's views on incorporating expected net future cash flows related to loan servicing activities in the fair value measurement of a written loan commitment. SAB 109, which supersedes SAB 105, Application of Accounting Principles to Loan Commitments, requires the expected net future cash flows related to the associated servicing of the loan be included in the measurement

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

of all written loan commitments that are accounted for at fair value through earnings. SAB 109 was effective on January 1, 2008 for the Company. Adoption of SAB 109 did not a material impact on the Company's financial statements.

17

TRICO BANCSHARES
Financial Summary
(In thousands, except per share amounts; unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net Interest Income (FTE)	\$23,029	\$22,308	\$44,575	\$43,974
Provision for loan losses	(8,800)	(500)	(12,900)	(982)
Noninterest income	7,280	7,029	14,130	13,629
Noninterest expense	(17,844)	(17,443)	(35,417)	(34,403)
Provision for income taxes (FTE)	(1,391)	(4,639)	(4,066)	(9,019)
Net income	\$2,274	\$6,755	\$6,322	\$13,199
Earnings per share:				
Basic	\$0.14	\$0.42	\$0.40	\$0.83
Diluted	\$0.14	\$0.41	\$0.39	\$0.80
Per share:				
Dividends paid	\$0.13	\$0.13	\$0.26	\$0.26
Book value at period end	\$11.86	\$11.22		
Tangible book value at period end	\$10.81	\$10.16		
Average common shares outstanding	15,745	15,916	15,793	15,898
Average diluted shares outstanding	15,953	16,463	16,018	16,440
Shares outstanding at period end	15,745	15,917		
At period end:				
Loans, net	\$1,519,043	\$1,490,629		
Total assets	1,980,490	1,887,027		
Total deposits	1,511,053	1,510,879		
Other borrowings	85,048	44,892		
Junior subordinated debt	41,238	41,238		
Shareholders' equity	\$186,686	\$178,600		
Financial Ratios:				
During the period (annualized):				
Return on assets	0.46%	1.44%	0.64%	1.41%
Return on equity	4.74%	15.11%	6.56%	14.95%
Net interest margin(1)	5.06%	5.25%	4.90%	5.19%
Net loan charge-offs to average loans	1.01%	0.11%	0.77%	0.12%
Efficiency ratio(1)	58.87%	59.46%	60.33%	59.72%
At Period End:				
Equity to assets	9.43%	9.46%		
Total capital to risk-adjusted assets	12.26%	11.76%		
Allowance for losses to loans(2)	1.80%	1.26%		

(1) Fully taxable equivalent (FTE).

(2) Allowance for losses includes allowance for loan losses and reserve for unfunded commitments.

18

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

As TriCo Bancshares (the "Company") has not commenced any business operations independent of Tri Counties Bank (the "Bank"), the following discussion pertains primarily to the Bank. Average balances, including such balances used in calculating certain financial ratios, are generally comprised of average daily balances for the Company. Within Management's Discussion and Analysis of Financial Condition and Results of Operations, interest income and net interest income are generally presented on a fully tax-equivalent (FTE) basis. The presentation of interest income and net interest income on a FTE basis is a common practice within the banking industry. Interest income and net interest income are shown on a non-FTE basis in the Part I - Financial Information section of this Form 10-Q, and a reconciliation of the FTE and non-FTE presentations is provided below in the discussion of net interest income.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to the adequacy of the allowance for loan losses, intangible assets, and contingencies. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. (See caption "Allowance for Loan Losses" for a more detailed discussion).

Results of Operations

The following discussion and analysis is designed to provide a better understanding of the significant changes and trends related to the Company and the Bank's financial condition, operating results, asset and liability management, liquidity and capital resources and should be read in conjunction with the Condensed Consolidated Financial Statements of the Company and the Notes thereto located at Item 1 of this report.

Following is a summary of the components of fully taxable equivalent ("FTE") net income for the periods indicated (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net Interest Income (FTE)	\$23,029	\$22,308	\$44,575	\$43,974
Provision for loan losses	(8,800)	(500)	(12,900)	(982)
Noninterest income	7,280	7,029	14,130	13,629
Noninterest expense	(17,844)	(17,443)	(35,417)	(34,403)
Provision for income taxes (FTE)	(1,391)	(4,639)	(4,066)	(9,019)
Net income	\$2,274	\$6,755	\$6,322	\$13,199

The Company had quarterly earnings of \$2,274,000, or \$0.14 per diluted share, for the three months ended June 30, 2008. This represents a decrease of

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

\$4,481,000 (66.3%) when compared with earnings of \$6,755,000 for the quarter ended June 30, 2007. Diluted earnings per share for the quarter ended June 30, 2008 decreased 65.8% to \$0.14 compared to \$0.41 for the quarter ended June 30, 2007. The decrease in earnings from the prior year quarter was primarily due to the Company's decision to increase by \$8,300,000 the provision for loan losses to \$8,800,000 and increase by \$476,000 the provision for losses on unfunded commitments to \$550,000.

The Company reported earnings of \$6,322,000, or \$0.39 per diluted share, for the six months ended June 30, 2008. These results represent a decrease of \$6,877,000 (52.1%) when compared with earnings of \$13,199,000 for the six months ended June 30, 2007. Diluted earnings per share for the six months ended June 30, 2008 decreased 51.2% to \$0.39 compared to \$0.80 for the six months ended June 30, 2007. The decrease in earnings from the six month period ended June 30, 2007 was primarily due to the Company's decision to increase by \$11,918,000 the provision for loan losses to \$12,900,000 and increase by \$1,184,000 the provision for losses on unfunded commitments to \$1,375,000.

19

Net Interest Income

The Company's primary source of revenue is net interest income, or the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. Following is a summary of the components of net interest income for the periods indicated (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Interest income	\$30,332	\$31,986	\$61,462	\$62,647
Interest expense	(7,471)	(9,895)	(17,236)	(19,111)
FTE adjustment	168	217	349	438

Net interest income (FTE)	\$23,029	\$22,308	\$44,575	\$43,974
	=====			
Average interest-earning assets	\$1,819,222	\$1,698,620	\$1,818,217	\$1,695,597
Net interest margin (FTE)	5.06%	5.25%	4.90%	5.19%

Net interest income (FTE) during the second quarter of 2008 increased \$721,000 (3.2%) from the same period in 2007 to \$23,029,000. The increase in net interest income (FTE) was due to a \$120,602,000 (7.1%) increase in average balances of interest-earning assets to \$1,819,222,000 that was partially offset by a 0.19% decrease in net interest margin (FTE) to 5.06% from the quarter ended June 20, 2007.

Net interest income (FTE) during the first six months of 2008 increased \$601,000 (1.4%) from the same period in 2007 to \$44,575,000. The increase in net interest income (FTE) was due to a \$122,620,000 (7.2%) increase in average balances of interest-earning assets to \$1,818,217,000 that was partially offset by a 0.29% decrease in net interest margin (FTE) to 4.90% from 5.19% from the six month period ended June 30, 2007.

Interest and Fee Income

Interest and fee income (FTE) for the second quarter of 2008 decreased \$1,703,000 (5.3%) from the second quarter of 2007. The decrease was due to a 0.87% decrease in the yield on average interest-earning assets to 6.71% that was partially offset by a \$120,602,000 (7.1%) increase in average interest-earning

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

assets to \$1,819,222,000. The growth in interest-earning assets was due to a \$39,344,000 (2.6%) increase in average loan balances to \$1,546,257,000 and an increase of \$81,500,000 (42.6%) in average balances of investments to \$272,811,000. The decrease in the yield on average interest-earning assets was mainly due to a 0.94% decrease in yield on loans to 6.99%. The decrease in loan yields from the second quarter of 2007 was mainly due to a 3.25% decrease in the prime lending rate from 8.25% at June 30, 2007 to 5.00% at June 30, 2008.

Interest and fee income (FTE) for the six months ended June 30, 2008 decreased \$1,274,000 (2.0%) from the same period of 2007. The decrease was due to a 0.64% decrease in the yield on average interest-earning assets to 6.80% that was partially offset by a \$122,620,000 (7.2%) increase in average interest-earning assets to \$1,818,217,000. The growth in interest-earning assets was due to a \$42,323,000 (2.8%) increase in average loan balances to \$1,540,807,000 and an increase of \$80,383,000 (40.9%) in average balances of investments to \$277,157,000. The decrease in the yield on average interest-earning assets was mainly due to a 0.67% decrease in yield on loans to 7.11%. The decrease in loan yields from the six months ended June 30, 2007 was mainly due to a 3.25% decrease in the prime lending rate from 8.25% at June 30, 2007 to 5.00% at June 30, 2008.

20

Interest Expense

Interest expense decreased \$2,424,000 (24.5%) to \$7,471,000 in the second quarter of 2008 compared to the second quarter of 2007. The average balance of interest-bearing liabilities increased \$105,221,000 (8.0%) to \$1,416,365,000 in the second quarter of 2008 compared to the second quarter of 2007. The increase in the average balance of interest-bearing liabilities was due primarily to increases of \$54,185,000 (71.2%) and \$42,579,000 (101.1%) in the average balances of Federal funds purchased and other borrowings, respectively, from the second quarter of 2007. The average rate paid on interest-bearing liabilities in the quarter ended June 30, 2008 decreased 0.91% to 2.11% compared to the quarter ended June 30, 2007 as a result of lower market rates for almost all types of interest-bearing liabilities.

Interest expense decreased \$1,875,000 (9.8%) to \$17,236,000 for the six months ended June 30, 2008 compared to \$19,111,000 for the six months ended June 30, 2007. The average balance of interest-bearing liabilities increased \$108,600,000 (8.3%) to \$1,411,779,000 for the six months ended June 30, 2008 compared to the six months ended June 30, 2007. The increase in the average balance of interest-bearing liabilities was due primarily to increases of \$59,113,000 (102.3%) and \$52,994,000 (126.6%) in the average balances of Federal funds purchased and other borrowings, respectively, from the six months ended June 30, 2007. The average rate paid on interest-bearing liabilities in the six month period ended June 30, 2008 decreased 0.49% to 2.44% compared to the six months ended June 30, 2007 as a result of lower Federal funds rate and lower market rates for time deposits.

Net Interest Margin (FTE)

The following table summarizes the components of the Company's net interest margin for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Yield on interest-earning assets	6.71%	7.58%	6.80%	7.44%
Rate paid on interest-bearing Liabilities	2.11%	3.02%	2.44%	2.93%

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Net interest spread	4.60%	4.56%	4.36%	4.51%
Impact of all other net noninterest-bearing funds	0.46%	0.69%	0.54%	0.68%
Net interest margin	5.06%	5.25%	4.90%	5.19%

Net interest margin for the three months ended June 30, 2008 decreased 0.19% compared to the three months ended June 30, 2007. This decrease in net interest margin was mainly due to an 0.23% decrease in the impact of net noninterest-bearing funds to 0.46% from 0.69% in the three months ended June 30, 2007 that was partially offset by a 0.04% increase in net interest spread as the average yield on interest-earning assets decreased 0.87% while the average rate paid on interest-bearing liabilities decreased 0.91% from the three months ended June 30, 2007.

Net interest margin for the six months ended June 30, 2008 decreased 0.29% compared to the six months ended June 30, 2007. This decrease in net interest margin was due to a 0.14% decrease in the impact of net noninterest-bearing funds to 0.54% from 0.68% in the six months ended June 30, 2007, and a 0.15% decrease in net interest spread as the average yield on interest-earning assets decreased 0.64% while the average rate paid on interest-bearing liabilities decreased 0.49% from the six months ended June 30, 2007.

21

Summary of Average Balances, Yields/Rates and Interest Differential

The following table presents, for the periods indicated, information regarding the Company's consolidated average assets, liabilities and shareholders' equity, the amounts of interest income from average interest-earning assets and resulting yields, and the amount of interest expense paid on interest-bearing liabilities. Average loan balances include nonperforming loans. Interest income includes proceeds from loans on nonaccrual loans only to the extent cash payments have been received and applied to interest income. Yields on securities and certain loans have been adjusted upward to reflect the effect of income thereon exempt from federal income taxation at the current statutory tax rate (dollars in thousands).

	For the three months ended					
	June 30, 2008			June 30, 2007		
	Average Balance	Interest Income/Expense	Rates Earned/Paid	Average Balance	Interest Income/Expense	Ra Ea Pa
Assets:						
Loans	\$1,546,257	\$27,015	6.99%	\$1,506,913	\$29,882	7
Investment securities - taxable	247,508	2,017	4.88%	160,444	1,724	4
Investment securities - nontaxable	25,303	467	7.38%	30,867	592	7
Federal funds sold	154	1	1.71%	396	5	5
Total interest-earning assets	1,819,222	30,500	6.71%	1,698,620	32,203	7
Other assets	167,452			172,640		
Total assets	\$1,986,674			\$1,871,260		

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

	=====			=====		
Liabilities and shareholders' equity:						
Interest-bearing demand deposits	\$215,661	134	0.25%	\$225,632	\$114	0
Savings deposits	392,938	1,172	1.19%	382,835	1,480	1
Time deposits	551,574	4,344	3.15%	543,249	5,956	4
Federal funds purchased	130,263	711	2.18%	76,078	1,014	5
Other borrowings	84,691	524	2.47%	42,112	506	4
Junior subordinated debt	41,238	586	5.68%	41,238	825	8
	-----			-----		
Total interest-bearing liabilities	1,416,365	7,471	2.11%	1,311,144	9,895	3
		-----			-----	
Noninterest-bearing deposits	347,079			349,017		
Other liabilities	31,225			32,263		
Shareholders' equity	192,005			178,836		
	-----			-----		
Total liabilities and shareholders' equity	\$1,986,674			\$1,871,260		
	=====			=====		
Net interest spread(1)			4.60%			4
Net interest income and interest margin(2)		\$23,029	5.06%		\$22,308	5
		=====			=====	

(1) Net interest spread represents the average yield earned on interest-earning assets minus the average rate paid on interest-bearing liabilities.

(2) Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets.

22

	For the three months ended					
	-----			-----		
	June 30, 2008			June 30, 2007		
	Average Balance	Interest Income/Expense	Rates Earned/Paid	Average Balance	Interest Income/Expense	Ra Ea Pa
	-----			-----		
Assets:						
Loans	\$1,540,807	\$54,741	7.11%	\$1,498,484	\$58,305	7.
Investment securities - taxable	251,143	6,095	4.85%	165,258	3,565	4.
Investment securities - nontaxable	26,014	972	7.47%	31,516	1,207	7.
Federal funds sold	253	3	2.37%	339	8	4.
	-----			-----		
Total interest-earning assets	1,818,217	61,811	6.80%	1,695,597	63,085	7.
		-----			-----	
Other assets	169,453			172,757		
	-----			-----		
Total assets	\$1,987,670			\$1,868,354		
	=====			=====		
Liabilities and shareholders' equity:						
Interest-bearing demand deposits	\$217,074	221	0.20%	\$227,852	\$229	0.
Savings deposits	390,214	2,674	1.37%	382,359	2,657	1.
Time deposits	551,497	9,932	3.60%	552,081	12,052	4.
Federal funds purchased	116,914	1,523	2.61%	57,801	1,536	5.
Other borrowings	94,842	1,587	3.35%	41,848	996	4.
Junior subordinated debt	41,238	1,299	6.30%	41,238	1,641	7.
	-----			-----		
Total interest-bearing liabilities	1,411,779	17,236	2.44%	1,303,179	19,111	2.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Noninterest-bearing deposits	350,643		355,311	
Other liabilities	32,521		33,315	
Shareholders' equity	192,727		176,549	

Total liabilities and shareholders' equity	\$1,987,670		\$1,868,354	
=====				
Net interest spread(1)		4.36%		4.
Net interest income and interest margin(2)	\$44,575	4.90%	\$43,974	5.
=====				

- (1) Net interest spread represents the average yield earned on interest-earning assets minus the average rate paid on interest-bearing liabilities.
- (2) Net interest margin is computed by calculating the difference between interest income and expense, divided by the average balance of interest-earning assets.

23

Summary of Changes in Interest Income and Expense due to Changes in Average Asset and Liability Balances and Yields Earned and Rates Paid

The following tables set forth a summary of the changes in interest income (FTE) and interest expense from changes in average asset and liability balances (volume) and changes in average interest rates for the periods indicated. Changes not solely attributable to volume or rates have been allocated in proportion to the respective volume and rate components (dollars in thousands).

	Three months ended June 30, 2008 compared with three months ended June 30, 2007		
	Volume	Rate	Total

Increase (decrease) in interest income:			
Loans	\$780	(\$3,647)	(\$2,867)
Investment securities	987	181	1,168
Federal funds sold	(3)	(1)	(4)

Total interest-earning assets	1,764	(3,467)	(1,703)

Increase (decrease) in interest expense:			
Interest-bearing demand deposits	(5)	32	27
Savings deposits	49	(737)	(688)
Time deposits	86	(1,325)	(1,239)
Federal funds purchased	722	(1,025)	(303)
Other borrowings	512	(494)	18
Junior subordinated debt	-	(239)	(239)

Total interest-bearing liabilities	1,364	(3,788)	(2,424)

Increase in Net Interest Income	\$400	\$321	\$721
=====			

	Six months ended June 30, 2008 compared with three months ended June 30, 2007		
	Volume	Rate	Total

Increase (decrease) in interest income:			

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Loans	\$1,646	(\$5,210)	(\$3,564)
Investment securities	1,950	345	2,295
Federal funds sold	(2)	(3)	(5)
Total interest-earning assets	3,594	(4,868)	(1,274)
Increase (decrease) in interest expense:			
Interest-bearing demand deposits	(11)	3	(8)
Savings deposits	55	(38)	17
Time deposits	(13)	(2,107)	(2,120)
Federal funds purchased	1,569	(1,582)	(13)
Other borrowings	1,261	(670)	591
Junior subordinated debt	-	(342)	(342)
Total interest-bearing liabilities	2,861	(4,736)	(1,875)
Increase in Net Interest Income	\$733	(\$132)	\$601

Provision for Loan Losses

The Company provided \$8,800,000 for loan losses in the second quarter of 2008 versus \$500,000 in the second quarter of 2007. In the second quarter of 2008, the Company recorded \$3,902,000 of net loan charge-offs versus \$396,000 of net loan charge-offs in the second quarter of 2007. During the second quarter of 2008, the Company re-appraised all of its larger residential development projects. As a result of this effort, the Company charged-off \$1,007,000 on a twenty-eight unit residential condominium project and \$640,000 on a twenty-seven lot residential construction project. In addition, net charge-offs of \$950,000 on home equity lines and loans and \$554,000 on auto indirect loans were taken during the second quarter of 2008. During the second quarter of 2008, the Company also increased its allowance for loan losses by \$4,898,000 from the first quarter of 2008 with such additional reserves allocated primarily to consumer loans, residential real estate and construction lending.

24

The Company provided \$12,900,000 for loan losses during the six months ended June 30, 2008 versus \$982,000 during the six months ended June 30, 2007. In the six months ended June 30, 2008, the Company recorded \$5,950,000 of net loan charge-offs versus \$897,000 of net loan charge-offs in the six months ended June 30, 2007. In addition to the re-appraisal effort during the second quarter of 2008 which resulted in charge-offs of \$1,647,000, the Company charged-off \$1,078,000 on a thirty-two lot residential construction project during the first quarter of 2008. A total of \$1,198,000 in home equity lines and loans and \$981,000 on auto indirect loans have been charged-off during the six months ended June 30, 2008. During the six months ended June 30, 2008, the Company increased its allowance for loan losses by \$6,950,000 from December 31, 2007 with such additional reserves allocated primarily to consumer loans, residential real estate and construction lending.

25

Noninterest Income

The following table summarizes the components of noninterest income for the periods indicated (dollars in thousands).

Three months ended June 30,	Six months ended June 30,
--------------------------------	------------------------------

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

	2008	2007	2008	2007
Service charges on deposit accounts	\$3,963	\$3,858	\$7,801	\$7,417
ATM fees and interchange revenue	1,168	1,046	2,247	1,995
Other service fees	527	544	1,078	1,109
Change in value of mortgage servicing rights	168	(73)	(172)	(85)
Gain on sale of loans	316	279	574	545
Commissions on sale of nondeposit investment products	525	550	945	1,050
Increase in cash value of life insurance	360	405	720	810
Gain from VISA IPO	-	-	396	-
Other noninterest income	253	420	541	788
Total noninterest income	\$7,280	\$7,029	\$14,130	\$13,629

Noninterest income for the second quarter of 2008 increased \$251,000 (3.6%) from the second quarter of 2007, mainly due to a \$241,000 increase in the value of mortgage servicing rights to a positive \$168,000 from a negative \$73,000 in the second quarter of 2007. Also contributing to the increase in noninterest income was a \$105,000 (2.7%) increase in service charges on deposit accounts to \$3,963,000, and a \$122,000 (11.7%) increase in ATM fees and interchange to \$1,168,000. The increases in service charges on deposit accounts and ATM fees and interchange revenue were primarily due to increased numbers of customers. The improvement in change in value of mortgage servicing rights is primarily due to a slowdown in refinance activity which extends the estimated life of existing mortgages and enhances the value of the related mortgage servicing rights.

Noninterest income for the six months ended June 30, 2008 increased \$501,000 (3.7%) to \$14,130,000 from the same period in 2007. The increase in noninterest income from the six months ended June 30, 2007 was mainly due to a \$396,000 gain from the Company's membership in VISA, Inc. and VISA's initial public offering (IPO) in March 2008, a \$384,000 (5.2%) increase in service charges on deposit accounts to \$7,801,000, and a \$252,000 (12.6%) increase in ATM fees and interchange to \$2,247,000. The increases in service charges on deposit accounts and ATM fees and interchange revenue were primarily due to increased numbers of customers.

26

Noninterest Expense

The following table summarizes the components of noninterest expense for the periods indicated (dollars in thousands).

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Base salaries, net of deferred loan origination costs	\$6,316	\$5,940	\$12,649	\$11,934
Incentive compensation	830	1,281	1,390	2,485
Benefits and other compensation costs	2,499	2,398	5,086	4,942

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Total salaries and related benefits	9,645	9,619	19,125	19,361
Occupancy	1,228	1,178	2,416	2,348
Equipment	998	1,072	1,980	2,170
Telecommunications	630	419	1,227	828
Data processing and software	596	499	1,211	918
Provisions for losses-unfunded commitments	550	74	1,375	191
ATM network charges	529	498	1,023	926
Professional fees	509	462	1,002	809
Advertising and marketing	434	600	753	1,004
Courier service	275	284	538	582
Postage	216	203	498	424
Intangible amortization	133	122	256	245
Operational losses	92	125	205	185
Assessments	83	84	165	165
Other	1,926	2,204	3,643	4,247
Total other noninterest expense	8,199	7,824	16,292	15,042
Total noninterest expense	\$17,844	\$17,443	\$35,417	\$34,403
Average full time equivalent staff	626	630	626	631
Noninterest expense to revenue (FTE)	58.87%	59.46%	60.33%	59.72%

Noninterest expense for the second quarter of 2008 increased \$401,000 (2.3%) compared to the second quarter of 2007. Salaries and benefits expense increased \$26,000 (0.3%) to \$9,645,000 mainly due to annual salary increases and increased benefit costs that were substantially offset by reduced incentive compensation. Other noninterest expense increased \$375,000 (4.8%) primarily due to a \$476,000 (643%) increase in provision for losses on unfunded commitments.

Noninterest expense for the six months ended June 30, 2008 increased \$1,014,000 (2.9%) compared to the six months ended June 30, 2007. Salaries and benefits expense decreased \$236,000 (1.2%) to \$19,125,000 mainly due to a \$1,095,000 (44.1%) decrease in incentive compensation that was partially offset by annual salary increases and increased benefits costs. Other noninterest expense increased \$1,250,000 (8.3%) primarily due to a \$1,184,000 (620%) increase in provision for losses on unfunded commitments.

Provision for Income Tax

The effective tax rate for the three months ended June 30, 2008 was 35.0% and reflects a decrease from 39.6% for the three months ended June 30, 2007. The effective tax rate for the six months ended June 30, 2008 was 37.0% and reflects a decrease from 39.4% for the six months ended June 30, 2007. The provision for income taxes for all periods presented is primarily attributable to the respective level of earnings and the incidence of allowable deductions, particularly from increase in cash value of life insurance, tax-exempt loans and state and municipal securities.

Classified Assets

The Company closely monitors the markets in which it conducts its lending operations and continues its strategy to control exposure to loans with high credit risk. Asset reviews are performed using grading standards and criteria similar to those employed by bank regulatory agencies. Assets receiving lesser grades fall under the "classified assets" category, which includes all nonperforming assets and potential problem loans, and receive an elevated level of attention regarding collection.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

The following is a summary of classified assets on the dates indicated (dollars in thousands):

	At June 30, 2008			At December 31, 2007		
	Gross	Guaranteed	Net	Gross	Guaranteed	Net
Classified loans	\$55,674	\$5,600	\$50,074	\$18,570	\$5,948	\$12,622
Other classified assets	1,178	-	1,178	187	-	187
Total classified assets	\$56,852	\$5,600	\$51,252	\$18,757	\$5,948	\$12,809
Allowance for loan losses/classified loans			48.5%			137.3%

Classified assets, net of guarantees of the U.S. Government, including its agencies and its government-sponsored agencies, increased \$38,443,000 (300%) to \$51,252,000 at June 30, 2008 from \$12,809,000 at December 31, 2007.

Nonperforming Loans

Loans are reviewed on an individual basis for reclassification to nonaccrual status when any one of the following occurs: the loan becomes 90 days past due as to interest or principal, the full and timely collection of additional interest or principal becomes uncertain, the loan is classified as doubtful by internal credit review or bank regulatory agencies, a portion of the principal balance has been charged off, or the Company takes possession of the collateral. Loans that are placed on nonaccrual even though the borrowers continue to repay the loans as scheduled are classified as "performing nonaccrual" and are included in total nonperforming loans. The reclassification of loans as nonaccrual does not necessarily reflect Management's judgment as to whether they are collectible.

Interest income is not accrued on loans where Management has determined that the borrowers will be unable to meet contractual principal and/or interest obligations, unless the loan is well secured and in the process of collection. When a loan is placed on nonaccrual, any previously accrued but unpaid interest is reversed. Income on such loans is then recognized only to the extent that cash is received and where the future collection of principal is probable. Interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of Management, the loans are estimated to be fully collectible as to both principal and interest.

Interest income on nonaccrual loans, which would have been recognized during the six months ended June 30, 2008, if all such loans had been current in accordance with their original terms, totaled \$952,000. Interest income actually recognized on these loans during the six months ended June 30, 2008 was \$415,000.

The Company's policy is to place loans 90 days or more past due on nonaccrual status. In some instances when a loan is 90 days past due Management does not place it on nonaccrual status because the loan is well secured and in the process of collection. A loan is considered to be in the process of collection if, based on a probable specific event, it is expected that the loan will be repaid or brought current. Generally, this collection period would not exceed 30 days. Loans where the collateral has been repossessed are classified as OREO or, if the collateral is personal property, the loan is classified as other assets on the Company's financial statements.

Management considers both the adequacy of the collateral and the other resources of the borrower in determining the steps to be taken to collect nonaccrual loans. Alternatives that are considered are foreclosure, collecting on guarantees, restructuring the loan or collection lawsuits.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

28

As shown in the following table, total nonperforming assets net of guarantees of the U.S. Government, including its agencies and its government-sponsored agencies, increased \$8,288,000 (107.7%) to \$15,986,000 during the first six months of 2008. Nonperforming assets net of guarantees represented 0.81% of total assets at June 30, 2008. All nonaccrual loans are considered to be impaired when determining the need for a specific valuation allowance. The Company continues to make a concerted effort to work problem and potential problem loans to reduce risk of loss.

	At June 30, 2008			At December 31, 2007		
	Gross	Guaranteed	Net	Gross	Guaranteed	Net
(dollars in thousands):						
Performing nonaccrual loans	\$13,826	\$5,425	\$8,401	\$9,098	\$5,814	\$3,284
Nonperforming, nonaccrual loans	6,426	47	6,379	4,227	-	4,227
Total nonaccrual loans	20,252	5,472	14,780	13,325	5,814	7,511
Loans 90 days past due and still accruing	28	-	28	-	-	-
Total nonperforming loans	20,280	5,472	14,808	13,325	5,814	7,511
Other real estate owned	1,178	-	1,178	187	-	187
Total nonperforming assets	\$21,458	\$5,472	\$15,986	\$13,512	\$5,814	\$7,698
Nonperforming loans to total loans			0.96%			0.96%
Nonperforming assets to total assets			0.81%			0.81%
Allowance for loan losses/nonperforming loans			164%			164%

Capital Resources

The current and projected capital position of the Company and the impact of capital plans and long-term strategies are reviewed regularly by Management.

The Company adopted and announced a stock repurchase plan on August 21, 2007 for the repurchase of up to 500,000 shares of the Company's common stock from time to time as market conditions allow. The 500,000 shares authorized for repurchase under this plan represented approximately 3.2% of the Company's approximately 15,815,000 common shares outstanding as of August 21, 2007. This plan has no stated expiration date for the repurchases. As of June 30, 2008, the Company had repurchased 166,600 shares under this plan, which left 333,400 shares available for repurchase under the plan.

The Company's primary capital resource is shareholders' equity, which was \$186,686,000 at June 30, 2008. This amount represents a decrease of \$2,192,000 from December 31, 2007, the net result of the repurchase of common stock with value of \$2,821,000, dividends paid of \$4,099,000, and the cumulative effect of a change in accounting principle, net of tax, of \$522,000, partially offset by comprehensive income for the period of \$4,894,000 and the effect of stock option vesting of \$356,000. The Company's ratio of equity to total assets was 9.43%, 9.46%, and 9.54% as of June 30, 2008, June 30, 2007, and December 31, 2007, respectively.

The following summarizes the ratios of capital to risk-adjusted assets for the periods indicated:

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

	At June 30, ----- 2008	2007	At December 31, 2007	Minimum Regulatory Requirement
	-----	-----	-----	-----
Tier I Capital	11.01%	10.76%	10.90%	4.00%
Total Capital	12.26%	11.76%	11.90%	8.00%
Leverage ratio	10.80%	11.11%	11.16%	4.00%

29

Liquidity

The discussion of "Liquidity" under Item 3 of this report is incorporated herein by reference..

Off-Balance Sheet Items

The Bank has certain ongoing commitments under operating and capital leases. As of June 30, 2008 commitments to extend credit and commitments related to the Bank's deposit overdraft privilege product were the Bank's only financial instruments with off-balance sheet risk. The Bank has not entered into any contracts for financial derivative instruments such as futures, swaps, options, etc. Commitments to extend credit were \$651,448,000 and \$690,633,000 at June 30, 2008 and December 31, 2007, respectively, and represent 42.2% and 44.5% of the total loans outstanding at June 30, 2008 and December 31, 2007, respectively. Commitments related to the Bank's deposit overdraft privilege product totaled \$37,882,000 and \$33,517,000 at June 30, 2008 and December 31, 2007, respectively.

30

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Asset and Liability Management

The goal for managing the assets and liabilities of the Company is to maximize shareholder value and earnings while maintaining a high quality balance sheet without exposing the Company to undue interest rate risk. The Board of Directors has overall responsibility for the Company's interest rate risk management policies. The Company has an Asset and Liability Management Committee (ALCO) which establishes and monitors guidelines to control the sensitivity of earnings to changes in interest rates.

Activities involved in asset/liability management include but are not limited to lending, accepting and placing deposits, investing in securities and issuing debt. Interest rate risk is the primary market risk associated with asset/liability management. Sensitivity of earnings to interest rate changes arises when yields on assets change in a different time period or in a different amount from that of interest costs on liabilities. To mitigate interest rate risk, the structure of the balance sheet is managed with the goal that movements of interest rates on assets and liabilities are correlated and contribute to earnings even in periods of volatile interest rates. The asset/liability management policy sets limits on the acceptable amount of variance in net interest margin, net income and market value of equity under changing interest environments. Market value of equity is the net present value of estimated cash flows from the Company's assets, liabilities and off-balance sheet items. The Company uses simulation models to forecast net interest margin, net income and market value of equity.

Simulation of net interest margin, net income and market value of equity under various interest rate scenarios is the primary tool used to measure interest rate risk. Using computer-modeling techniques, the Company is able to estimate the potential impact of changing interest rates on net interest margin, net

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

income and market value of equity. A balance sheet forecast is prepared using inputs of actual loan, securities and interest-bearing liability (i.e. deposits/borrowings) positions as the beginning base.

In the simulation of net interest margin and net income under various interest rate scenarios, the forecast balance sheet is processed against seven interest rate scenarios. These seven interest rate scenarios include a flat rate scenario, which assumes interest rates are unchanged in the future, and six additional rate ramp scenarios ranging from +300 to -300 basis points around the flat scenario in 100 basis point increments. These ramp scenarios assume that interest rates increase or decrease evenly (in a "ramp" fashion) over a twelve-month period and remain at the new levels beyond twelve months.

In the simulation of market value of equity under various interest rate scenarios, the forecast balance sheet is processed against seven interest rate scenarios. These seven interest rate scenarios include the flat rate scenario described above, and six additional rate shock scenarios ranging from +300 to -300 basis points around the flat scenario in 100 basis point increments. These rate shock scenarios assume that interest rates increase or decrease immediately (in a "shock" fashion) and remain at the new level in the future.

At June 30, 2008, the results of the simulations noted above indicate that given a "flat" balance sheet scenario, and if deposit rates track general interest rate changes by approximately 50%, the Company's balance sheet is slightly liability sensitive. "Liability sensitive" implies that earnings decrease when interest rates rise, and increase when interest rates decrease. The magnitude of all the simulation results noted above is within the Bank's policy guidelines. The asset liability management policy limits aggregate market risk, as measured in this fashion, to an acceptable level within the context of risk-return trade-offs.

The simulation results noted above do not incorporate any management actions, which might moderate the negative consequences of interest rate deviations. Therefore, they do not reflect likely actual results, but serve as conservative estimates of interest rate risk.

At June 30, 2008 and 2007, the Company had no material derivative financial instruments.

31

Liquidity

The Company's principal source of asset liquidity is federal funds sold and marketable investment securities available for sale. At June 30, 2008, federal funds sold and investment securities available for sale totaled \$253,129,000, representing an increase of \$20,427,000 (8.9%) from December 31, 2007, and an increase of \$77,238,000 (43.9%) from June 30, 2007. In addition, the Company generates additional liquidity from its operating activities. The Company's profitability during the first six months of 2008 generated cash flows from operations of \$15,611,000 compared to \$15,713,000 during the first six months of 2007. Additional cash flows may be provided by financing activities, primarily the acceptance of deposits and borrowings from banks. Sales and maturities of investment securities produced cash inflows of \$26,883,000 during the six months ended June 30, 2008 compared to \$21,664,000 for the six months ended June 30, 2007. During the six months ended June 30, 2008, the Company invested \$50,463,000 in securities and received \$1,667,000 of net loan principal reductions, compared to \$223,000 invested in securities and \$1,167,000 of net loan principal reductions, respectively, during the first six months of 2007. These changes in investment and loan balances contributed to net cash used by investing activities of \$23,333,000 during the six months ended June 30, 2008,

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

compared to net cash provided by investing activities of \$20,895,000 during the six months ended June 30, 2007. Financing activities used net cash of \$4,418,000 during the six months ended June 30, 2008, compared to net cash used in financing activities of \$44,271,000 during the six months ended June 30, 2007. Deposit balance decreases accounted for \$34,170,000 of financing uses of funds during the six months ended June 30, 2008, compared to \$88,270,000 of funds used by decreases in deposits during the six months ended June 30, 2007. A net decrease in short-term other borrowings accounted for \$31,039,000 of financing uses of funds during the six months ended June 30, 2008, compared to \$5,015,000 of funds provided by an increase in short-term other borrowings during the six months ended June 30, 2007. Dividends paid used \$4,099,000 and \$4,137,000 of cash during the six months ended June 30, 2008 and 2007, respectively. An increase in Federal funds purchased provided \$67,750,000 of cash during the six months ended June 30, 2008. Also, the Company's liquidity is dependent on dividends received from the Bank. Dividends from the Bank are subject to certain regulatory restrictions.

Item 4. Controls and Procedures

The Chief Executive Officer, Richard Smith, and the Chief Financial Officer, Thomas Reddish, evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2008 ("Evaluation Date"). Based on that evaluation, they each concluded that as of the Evaluation Date the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in this Quarterly Report on Form 10-Q was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms for Form 10-Q.

No changes in the Company's internal control over financial reporting occurred during the first six months of 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

32

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

Due to the nature of the banking business, the Bank is at times party to various legal actions; all such actions are of a routine nature and arise in the normal course of business of the Bank.

Item 1A - Risk Factors

There have been no material changes to the risk factors previously disclosed in Item 1A to Part I of our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

The following table shows information concerning the common stock repurchased by the Company during the second quarter of 2008 pursuant to the Company's stock repurchase plan adopted on August 21, 2007, which is discussed in more detail under "Capital Resources" in this report and is incorporated herein by reference:

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly	(d) Maximum number of shares that may be purchased under t
--------	--------------------------------------	----------------------------------	----------------------------------------------------------	------------------------------------------------------------

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

			announced plans or programs	plans or programs
Apr. 1-30, 2008	-	-	-	333,400
May 1-31, 2008	-	-	-	333,400
Jun. 1-30, 2008	-	-	-	333,400
Total	-	-	-	333,400

Item 4 - Submission of Matters to a Vote of Security Holders

(a) The Company's Annual Meeting of Shareholders was held on May 20, 2008.

(b) and (c) The following ten directors were elected at the meeting:

	Votes For	Votes Against/Withheld	Abstentions
William J. Casey	13,390,064	168,025	-
Donald J. Amaral	13,411,367	146,722	-
Craig S. Compton	13,396,454	161,635	-
John S.A. Hasbrook	13,425,253	132,836	-
Michael W. Koehnen	13,416,425	141,664	-
Donald E. Murphy	13,397,377	160,712	-
Steve G. Nettleton	13,415,303	142,786	-
Richard P. Smith	13,398,194	159,895	-
Carroll R. Taresh	13,420,131	137,958	-
Alex A. Vereschagin, Jr.	11,785,398	1,722,691	-
L. Gage Chrysler III	13,392,452	165,637	-

The shareholders ratified the appointment of Moss Adams LLP as independent public accountants of the Company for 2008. 13,250,013 shares were voted for the ratification, 24,420 shares were voted against and 283,656 shares abstained.

33

Item 6 - Exhibits

- 3.1* Restated Articles of Incorporation dated May 9, 2003, filed as Exhibit 3.1 to TriCo's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
- 3.2* Bylaws of TriCo Bancshares, as amended, filed as Exhibit 3.2 to TriCo's Form S-4 Registration Statement dated January 16, 2003 (No. 333-102546).
- 4* Certificate of Determination of Preferences of Series AA Junior Participating Preferred Stock filed as Exhibit 3.3 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
- 10.1* Rights Agreement dated June 25, 2001, between TriCo and Mellon Investor Services LLC filed as Exhibit 1 to TriCo's Form 8-A dated July 25, 2001.
- 10.2* Form of Change of Control Agreement dated as of August 23, 2005, between TriCo, Tri Counties Bank and each of Bruce Belton, Dan Bailey, Craig Carney, Gary Coelho, W.R. Hagstrom, Rick Miller, Richard O'Sullivan, Thomas Reddish, and Ray Rios filed as Exhibit 10.2 to TriCo's Quarterly Report on Form 10-Q for the quarter

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

ended September 30, 2005.

- 10.6* TriCo's 1995 Incentive Stock Option Plan filed as Exhibit 4.1 to TriCo's Form S-8 Registration Statement dated August 23, 1995 (No. 33-62063).
 - 10.7* TriCo's 2001 Stock Option Plan, as amended, filed as Exhibit 10.7 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.
 - 10.8* Amended Employment Agreement between TriCo and Richard Smith dated as of August 23, 2005 filed as Exhibit 10.8 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
 - 10.9* Tri Counties Bank Executive Deferred Compensation Plan restated April 1, 1992, and January 1, 2005 filed as Exhibit 10.9 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
 - 10.10* Tri Counties Bank Deferred Compensation Plan for Directors effective January 1, 2005 filed as Exhibit 10.10 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
 - 10.11* 2005 Tri Counties Bank Deferred Compensation Plan for Executives and Directors effective January 1, 2005 filed as Exhibit 10.11 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
 - 10.13* Tri Counties Bank Supplemental Retirement Plan for Directors dated September 1, 1987, as restated January 1, 2001, and amended and restated January 1, 2004 filed as Exhibit 10.12 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
 - 10.14* 2004 TriCo Bancshares Supplemental Retirement Plan for Directors effective January 1, 2004 filed as Exhibit 10.13 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
- 34
- 10.15* Tri Counties Bank Supplemental Executive Retirement Plan effective September 1, 1987, as amended and restated January 1, 2004 filed as Exhibit 10.14 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
 - 10.16* 2004 TriCo Bancshares Supplemental Executive Retirement Plan effective January 1, 2004 filed as Exhibit 10.15 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
 - 10.17* Form of Joint Beneficiary Agreement effective March 31, 2003 between Tri Counties Bank and each of George Barstow, Dan Bay, Ron Bee, Craig Carney, Robert Elmore, Greg Gill, Richard Miller, Richard O'Sullivan, Thomas Reddish, Jerald Sax, and Richard Smith, filed as Exhibit 10.14 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
 - 10.18* Form of Joint Beneficiary Agreement effective March 31, 2003

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

between Tri Counties Bank and each of Don Amaral, William Casey, Craig Compton, John Hasbrook, Michael Koehnen, Donald Murphy, Carroll Taresh, and Alex Vereshagin, filed as Exhibit 10.15 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

- 10.19* Form of Tri-Counties Bank Executive Long Term Care Agreement effective June 10, 2003 between Tri Counties Bank and each of Craig Carney, Richard Miller, Richard O'Sullivan, and Thomas Reddish, filed as Exhibit 10.16 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
- 10.20* Form of Tri-Counties Bank Director Long Term Care Agreement effective June 10, 2003 between Tri Counties Bank and each of Don Amaral, William Casey, Craig Compton, John Hasbrook, Michael Koehnen, Donald Murphy, Carroll Taresh, and Alex Vereschagin, filed as Exhibit 10.17 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
- 10.21* Form of Indemnification Agreement between TriCo Bancshares/Tri Counties Bank and each of the directors of TriCo Bancshares/Tri Counties Bank effective on the date that each director is first elected, filed as Exhibit 10.18 to TriCo'S Annual Report on Form 10-K for the year ended December 31, 2003.
- 10.22* Form of Indemnification Agreement between TriCo Bancshares/Tri Counties Bank and each of Dan Bailey, Craig Carney, W.R. Hagstrom, Rick Miller, Richard O'Sullivan, Thomas Reddish, Ray Rios, and Richard Smith filed as Exhibit 10.21 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
- 21.1 Tri Counties Bank, a California banking corporation, TriCo Capital Trust I, a Delaware business trust, and TriCo Capital Trust II, a Delaware business trust, are the only subsidiaries of Registrant
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of CEO
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of CFO
- 32.1 Section 1350 Certification of CEO
- 32.2 Section 1350 Certification of CFO

* Previously filed and incorporated by reference.

35

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRICO BANCSHARES
(Registrant)

Date: August 5, 2008 /s/ Thomas J. Reddish

Thomas J. Reddish
Executive Vice President and Chief Financial Officer
(Principal financial officer)

EXHIBITS

Exhibit 31.1

Rule 13a-14(a)/15d-14(a) Certification of CEO

I, Richard P. Smith, certify that;

1. I have reviewed this quarterly report on Form 10-Q of TriCo Bancshares;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Date: August 5, 2008

/s/ Richard P. Smith

Richard P. Smith
President and Chief Executive Officer

37

Exhibit 31.2

Rule 13a-14(a)/15d-14(a) Certification of CFO

I, Thomas J. Reddish, certify that;

1. I have reviewed this quarterly report on Form 10-Q of TriCo Bancshares;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and

- b. ny fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2008

/s/ Thomas J. Reddish

Thomas J. Reddish

Executive Vice President and Chief Financial Officer

38

Exhibit 32.1

Section 1350 Certification of CEO

In connection with the Quarterly Report of TriCo Bancshares (the "Company") on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard P. Smith, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard P. Smith

Richard P. Smith

President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to TriCo Bancshares and will be retained by TriCo Bancshares and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Section 1350 Certification of CFO

In connection with the Quarterly Report of TriCo Bancshares (the "Company") on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas J. Reddish, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

/s/ Thomas J. Reddish

Thomas J. Reddish
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to TriCo Bancshares and will be retained by TriCo Bancshares and furnished to the Securities and Exchange Commission or its staff upon request.