

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

TRICO BANCSHARES /
Form 10-Q
May 09, 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 March 31, 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 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 ----- Non-accelerated filer -----

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

Yes ----- No -----

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 April 30, 2008: 15,744,950

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	28
Item 4 - Controls and Procedures	29
PART II - OTHER INFORMATION	30
Item 1 - Legal Proceedings	30
Item 1A - Risk Factors	30
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 6 - Exhibits	30
Signatures	33
Exhibits	34

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 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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

PAGE>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	At March 31, 2008	2007	At Decem 200
Assets:			
Cash and due from banks	\$74,713	\$75,263	\$88,
Federal funds sold	-	-	
Cash and cash equivalents	74,713	75,263	88,
Securities available-for-sale	272,276	188,478	232,
Federal Home Loan Bank stock, at cost	8,885	8,442	8,
Loans, net of allowance for loan losses of \$19,383, \$16,895 and \$17,331	1,528,561	1,478,719	1,534,
Foreclosed assets, net of allowance for losses of \$180	836	187	
Premises and equipment, net	20,069	20,924	20,
Cash value of life insurance	45,341	43,941	44,
Accrued interest receivable	8,096	8,355	8,
Goodwill	15,519	15,519	15,
Other intangible assets, net	1,053	1,543	1,
Other assets	24,001	24,950	25,
Total Assets	\$1,999,350	\$1,866,321	\$1,980,
Liabilities:			
Deposits:			
Noninterest-bearing demand	\$358,684	\$364,401	\$378,
Interest-bearing	1,169,791	1,172,448	1,166,
Total deposits	1,528,475	1,536,849	1,545,
Federal funds purchased	102,300	38,000	56,
Accrued interest payable	6,201	7,602	7,
Reserve for unfunded commitments	2,915	1,966	2,
Other liabilities	25,154	24,922	23,
Other borrowings	103,767	41,347	116,
Junior subordinated debt	41,238	41,238	41,
Total Liabilities	1,810,050	1,691,924	1,791,
Commitments and contingencies			
Shareholders' Equity:			

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Common stock, no par value: 50,000,000 shares authorized; issued and outstanding:			
15,744,950 at March 31, 2008	78,142		
15,910,291 at March 31, 2007		76,087	
15,911,550 at December 31, 2007			78,
Retained earnings	111,133	102,298	111,
Accumulated other comprehensive income (loss), net	25	(3,988)	(1,
	-----	-----	-----
Total Shareholders' Equity	189,300	174,397	188,
	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$1,999,350	\$1,866,321	\$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 March 31,	
	2008	2007
	-----	-----
Interest and dividend income:		
Loans, including fees	\$27,726	\$28,423
Debt securities:		
Taxable	2,959	1,719
Tax exempt	324	394
Dividends	119	122
Federal funds sold	2	3
	-----	-----
Total interest income	31,130	30,661
	-----	-----
Interest Expense:		
Deposits	7,177	7,388
Federal funds purchased	812	522
Other borrowings	1,063	490
Junior subordinated debt	713	816
	-----	-----
Total interest expense	9,765	9,216
Net interest income	21,365	21,445
	-----	-----
Provision for loan losses	4,100	482
	-----	-----
Net interest income after provision for loan losses	17,265	20,963
	-----	-----
Noninterest income:		
Service charges and fees	5,128	5,061
Gain on sale of loans	258	266
Commissions on sale of non-deposit investment products	420	500
Increase in cash value of life insurance	360	405
Other	684	368
	-----	-----
Total noninterest income	6,850	6,600
	-----	-----
Noninterest expense:		
Salaries and related benefits	9,480	9,742
Other	8,093	7,218

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Total noninterest expense	17,573	16,960
Income before income taxes	6,542	10,603
Provision for income taxes	2,494	4,159
Net income	\$4,048	\$6,444
Average shares outstanding	15,842,085	15,878,929
Diluted average shares outstanding	16,081,722	16,415,845
Per share data:		
Basic earnings	\$0.26	\$0.41
Diluted earnings	\$0.25	\$0.39
Dividends paid	\$0.13	\$0.13

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			6,444		6,444
Change in net unrealized loss on Securities available for sale, net				533	533
Total comprehensive income					6,977
Stock option vesting		175			175
Stock options exercised	170,600	1,867			1,867
Tax benefit of stock option exercise		852			852
Repurchase of common stock	(117,516)	(546)	(2,295)		(2,841)
Dividends paid (\$0.13 per share)			(2,069)		(2,069)
Balance at March 31, 2007	15,910,291	\$76,087	\$102,298	(\$3,988)	\$174,397
Balance at December 31, 2007	15,911,550	\$78,775	\$111,655	(\$1,552)	\$188,878
Comprehensive income:					
Net income			4,048		4,048
Change in net unrealized loss on Securities available for sale, net				1,577	1,577
Total comprehensive income					5,625
Cumulative effect of change in accounting principle, net of tax			(522)		(522)
Stock option vesting		192			192

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Repurchase of common stock	(166,600)	(825)	(1,996)	(2,821)
Dividends paid (\$0.13 per share)			(2,052)	(2,052)
<hr/>				
Balance at March 31, 2008	15,744,950	\$78,142	\$111,133	\$25
<hr/>				
				\$189,300
<hr/>				

See accompanying notes to unaudited condensed consolidated financial statements.

4

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

	For the three months ended March 31	
	2008	2007
	<hr/>	
Operating activities:		
Net income	\$4,048	\$6,444
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment, and amortization	869	930
Amortization of intangible assets	123	123
Provision for loan losses	4,100	482
Amortization of investment securities premium, net	84	200
Originations of loans for resale	(17,403)	(18,666)
Proceeds from sale of loans originated for resale	17,484	18,737
Gain on sale of loans	(258)	(266)
Change in fair value of mortgage servicing rights	340	12
Loss on sale of fixed assets	2	5
Increase in cash value of life insurance	(360)	(405)
Stock option expense	192	175
Change in:		
Interest receivable	458	372
Interest payable	(1,670)	54
Other assets and liabilities, net	2,815	4,074
	<hr/>	
Net cash provided by operating activities	10,824	12,271
	<hr/>	
Investing activities:		
Proceeds from maturities of securities available-for-sale	13,007	10,604
Purchases of securities available-for-sale	(50,219)	-
Purchase of Federal Home Loan Bank stock	(119)	(122)
Loan originations and principal collections, net	1,325	13,577
Proceeds from sale of premises and equipment	1	11
Purchases of premises and equipment	(1,224)	(856)
	<hr/>	
Net cash (used) provided by investing activities	(37,229)	23,214
	<hr/>	
Financing activities:		
Net (decrease) increase in deposits	(16,748)	(62,300)
Net increase in federal funds purchased	46,300	-
Payments of principal on long-term other borrowings	(20)	(18)
Net (decrease) increase in short-term other borrowings	(12,339)	1,454
Repurchase of Common Stock	(2,821)	(470)
Dividends paid	(2,052)	(2,069)
Exercise of stock options	-	167
	<hr/>	

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Net cash provided (used) by financing activities	12,320	(63,236)
<hr style="border-top: 1px dashed black;"/>		
Net decrease in cash and cash equivalents	(14,085)	(27,751)
<hr style="border-top: 1px dashed black;"/>		
Cash and cash equivalents at beginning of period	88,798	103,014
<hr style="border-top: 1px dashed black;"/>		
Cash and cash equivalents at end of period	\$74,713	\$75,263
<hr style="border-top: 1px dashed black;"/>		
Supplemental disclosure of noncash activities:		
Loans transferred to other real estate owned	\$649	\$187
Unrealized net gain on securities available for sale	\$2,721	\$921
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	\$11,435	\$9,162
Cash paid for income taxes	-	-
Income tax benefit from stock option exercises	-	\$852

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 for the three month periods ended March 31, 2008 and 2007 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 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 only 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 three months ended March 31, 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 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 March 31, 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 cost 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 allowance.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 \$22,298,000 at March 31, 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 March 31,	

2008	2007

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Allowance for loan losses:		
Balance at beginning of period	\$17,331	\$16,914
Provision for loan losses	4,100	482
Loans charged off:		
Real estate mortgage:		
Residential	(54)	-
Commercial	(19)	-
Consumer:		
Home equity lines	(159)	(141)
Home equity loans	(89)	-
Auto indirect	(549)	(251)
Other consumer	(302)	(240)
Commercial	(135)	(107)
Construction:		
Residential	(1,078)	-
Commercial	-	-
	-----	-----
Total loans charged off	(2,385)	(739)
Recoveries of previously charged-off loans:		
Real estate mortgage:		
Residential	-	-
Commercial	14	13
Consumer:		
Home equity lines	-	-
Home equity loans	-	-
Auto indirect	122	48
Other consumer	193	161
Commercial	8	16
Construction:		
Residential	-	-
Commercial	-	-
	-----	-----
Total recoveries of previously charged off loans	337	238
	-----	-----
Net charge-offs	(2,048)	(501)
	-----	-----
Balance at end of period	\$19,383	\$16,895
	=====	=====
Reserve for unfunded commitments:		
Balance at beginning of period	\$2,090	\$1,849
Provision for losses - unfunded commitments	825	117
	-----	-----
Balance at end of period	\$2,915	\$1,966
	=====	=====
Balance at end of period:		
Allowance for loan losses	\$19,383	\$16,895
Reserve for unfunded commitments	2,915	1,966
	-----	-----
Allowance for losses	\$22,298	\$18,861
	=====	=====
As a percentage of total loans:		
Allowance for loan losses	1.25%	1.13%
Reserve for unfunded commitments	0.19%	0.13%
	-----	-----
Allowance for losses	1.44%	1.26%
	=====	=====

Reserve for Unfunded Commitments

The reserve for unfunded commitments is established through a provision for losses - 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):

	Three months ended March 31,	
	2008	2007
Mortgage servicing rights:		
Balance at beginning of period	\$4,088	\$3,912

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Additions	177	195
Change in fair value	(340)	(12)

Balance at end of period	\$3,925	\$4,095
	=====	
Servicing fees received	\$253	\$243
Balance of loans serviced at:		
Beginning of period	\$406,743	\$389,636
End of period	\$407,246	\$393,594
Weighted-average prepayment speed (CPR)	14.1%	11.2%
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 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.

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

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

The following table summarizes the Company's core deposit intangibles as of

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

March 31, 2008 and December 31, 2007.

	December 31, 2007	Additions	Reductions	March 31, 2008
(Dollar in Thousands) -----				
Core deposit intangibles	\$3,365	-	-	\$3,365
Accumulated amortization	(2,189)	-	(\$123)	(2,312)

Core deposit intangibles, net	\$1,176	-	(\$123)	\$1,053
=====				

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 March 31, 2008:

(dollars in thousands except exercise price)	Currently Exercisable	Currently Not Exercisable	Total Outstanding
(dollars in thousands except exercise price)			
Number of options	1,079,131	292,050	1,371,181
Weighted average exercise price	\$12.70	\$22.15	\$14.71
Intrinsic value	\$4,972	-	\$4,972
Weighted average remaining contractual term (yrs.)	2.78	8.96	4.10

The options for 292,050 shares that are not currently exercisable as of March 31, 2008 are expected to vest, on a weighted-average basis, over the next 3.09 years, and the Company is expected to recognize \$1,709,000 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 March 31, 2008	2007
Net income	\$4,048	\$6,444
Average number of common shares outstanding	15,842	15,879
Effect of dilutive stock options	240	537
Average number of common shares outstanding used to calculate diluted earnings per share	16,082	16,416

There were 424,050 and 42,000 options excluded from the computation of diluted earnings per share for the three month periods ended March 31, 2008 and 2007, respectively, because the effect of these options was antidilutive.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 March 31,	
	2008	2007
(in thousands)		
Unrealized holding gains (losses) on available-for-sale securities	\$2,721	\$921
Tax effect	(1,144)	(388)
Unrealized holding gains (losses) on available-for-sale securities, net of tax	\$1,577	\$533

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

	March 31, 2008	December 31, 2007
(in thousands)		
Net unrealized gains on available-for-sale securities	\$4,013	\$1,292
Tax effect	(1,687)	(543)
Unrealized holding gains on available-for-sale securities, net of tax	2,326	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	\$25	(\$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.

13

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

	Three months ended March 31,	
	2008	2007
(in thousands)		
Net pension cost included the following components:		
Service cost-benefits earned during the period	\$139	\$150
Interest cost on projected benefit obligation	166	146
Amortization of net obligation at transition	-	-
Amortization of prior service cost	45	45
Recognized net actuarial loss	37	28
Net periodic pension cost	\$387	\$369

=====

During the three months ended March 31, 2008 and 2007, the Company contributed and paid out as benefits \$161,000 and \$149,000, respectively, to participants under the plans. For the year ending December 31, 2008, the Company expects to contribute and pay out as benefits \$587,000 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 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 March 31, 2008, substantially all of the total impaired loans were evaluated based on the fair

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 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 March 31, 2008	Total	Level 1	Level 2	Level 3
Securities available-for-sale	\$272,276	-	\$272,276	-
Mortgage servicing rights	3,925	-	\$3,925	-

Total assets measured at fair value	\$276,201	-	\$276,201	-
=====				

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

Fair value at March 31, 2008	Total	Level 1	Level 2	Level 3
Impaired loans	\$12,956	-	-	\$12,956

Total assets measured at fair value	\$12,956	-	-	\$12,956
=====				

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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.

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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.

16

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 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
March 31,

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

	2008	2007
Net Interest Income (FTE)	\$21,546	\$21,666
Provision for loan losses	(4,100)	(482)
Noninterest income	6,850	6,600
Noninterest expense	(17,573)	(16,960)
Provision for income taxes (FTE)	(2,675)	(4,380)
Net income	\$4,048	\$6,444
Earnings per share:		
Basic	\$0.26	\$0.41
Diluted	\$0.25	\$0.39
Per share:		
Dividends paid	\$0.13	\$0.13
Book value at period end	12.02	10.96
Tangible book value at period end	10.97	9.89
Average common shares outstanding	15,842	15,879
Average diluted common shares outstanding	16,082	16,416
Shares outstanding at period end	15,745	15,910
At period end:		
Loans, net	\$1,528,561	\$1,478,719
Total assets	1,999,350	1,866,321
Total deposits	1,528,475	1,536,849
Federal funds purchased	102,300	38,000
Other borrowings	103,767	41,347
Junior subordinated debt	41,238	41,238
Shareholders' equity	189,300	174,397
Financial Ratios:		
During the period (annualized):		
Return on assets	0.81%	1.38%
Return on equity	8.37%	14.79%
Net interest margin(1)	4.74%	5.12%
Net loan charge-offs to average loans	0.53%	0.13%
Efficiency ratio(1)	61.89%	60.00%
Average equity to average assets	9.73%	9.34%
At period end:		
Equity to assets	9.47%	9.34%
Total capital to risk-adjusted assets	12.02%	11.76%
Allowance for losses to loans(2)	1.44%	1.26%

(1) Fully taxable equivalent (FTE)

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

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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.

The Company had quarterly earnings of \$4,048,000, or \$0.25 per diluted share, for the three months ended March 31, 2008. This represents a decrease of \$2,396,000 (37.2%) when compared with earnings of \$6,444,000 for the quarter ended March 31, 2007. Diluted earnings per share for the quarter ended March 31, 2008 decreased 35.9% to \$0.25 compared to \$0.39 for the quarter ended March 31, 2007. The decrease in earnings from the prior year quarter was primarily due to the Federal Reserve's decrease in interest rates during the quarter along with the Company's decision to increase by \$3,618,000 (751%) the provision for loan losses to \$4,100,000 from \$482,000, and to increase by \$708,000 (605%) the provision for credit losses on unfunded commitments from \$117,000 to \$825,000 for the quarter ended March 31, 2008.

19

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

	Three months ended March 31,	
	2008	2007
Net Interest Income (FTE)	\$21,546	\$21,666
Provision for loan losses	(4,100)	(482)
Noninterest income	6,850	6,600
Noninterest expense	(17,573)	(16,960)
Provision for income taxes (FTE)	(2,675)	(4,380)

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Net income	\$4,048	\$6,444
	=====	

Net Interest Income

Following is a summary of the components of net interest income for the periods indicated (dollars in thousands):

	Three months ended March 31,	
	2008	2007

Interest income	\$31,130	\$30,661
Interest expense	(9,765)	(9,216)
FTE adjustment	181	221

Net interest income (FTE)	\$21,546	\$21,666
	=====	
Average interest-earning assets	\$1,817,212	\$1,692,574
Net interest margin (FTE)	4.74%	5.12%

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. Net interest income (FTE) during the first quarter of 2008 decreased \$120,000 (0.6%) from the same period in 2007 to \$21,546,000. The decrease in net interest income (FTE) was due to a 0.38% decrease in net interest margin (FTE) to 4.74% that was partially offset by a \$124,638,000 (7.4%) increase in average balances of interest-earning assets to \$1,817,212,000.

Interest and Fee Income

Interest and fee income (FTE) for the first quarter of 2008 increased \$429,000 (1.4%) from the first quarter of 2007. The increase was due to a \$124,638,000 (7.4%) increase in average interest-earning assets that was partially offset by a 0.41% decrease in the yield on those average interest-earning assets to 6.89%. The growth in interest-earning assets was the result of a \$79,266,000 (39.2%) increase in average balance of investments to \$281,503,000 and a \$45,302,000 (3.0%) increase in average loan balances to \$1,535,357.

Contributing to the 0.41% decrease in average yield on interest-earning assets was a 0.41% decrease in average yield on loans to 7.22% in the quarter ended March 31, 2008 compared to 7.63% in the prior year quarter. This 0.41% decrease in average yield on loans is primarily the result of decreases in short-term lending rates including the prime rate of lending which averaged 8.25% during the quarter ended March 31, 2007 compared to an average of 6.22% in the quarter ended March 31, 2008. The average yield on the Company's combined taxable and nontaxable investment balances increased 0.23% to 5.09% in the quarter ended March 31, 2008 compared to 4.86% in the prior year quarter as the Company added investments during the later part of 2007 and early 2008.

20

Interest Expense

Interest expense increased \$549,000 (6.0%) in the first quarter of 2008 compared to the prior year quarter. The increase was primarily due to a \$111,979,000 (8.7%) increase in average interest-bearing liabilities to \$1,407,193,000 that was partially offset by a 0.07% decrease in the average rate paid on interest-bearing liabilities from 2.85% in the first quarter of 2007 to 2.78% in the first quarter of 2008. The average balances of all deposit categories were flat to slightly down, from the prior year quarter while the average balances of

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Federal funds purchased and other borrowings were up \$64,041,000 (162%) and \$63,409,000 (152%), respectively, from the prior year quarter. The average rates paid for all categories of interest-bearing liabilities were down except for the average rate paid on savings deposits. These trends in liability balances and rates are indicative of the competitive environment for these balances.

Net Interest Margin (FTE)

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

	Three months ended March 31,	
	2008	2007
Yield on interest-earning assets	6.89%	7.30%
Rate paid on interest-bearing liabilities	2.78%	2.85%
Net interest spread	4.11%	4.45%
Impact of all other net noninterest-bearing funds	0.63%	0.67%
Net interest margin	4.74%	5.12%

Net interest margin in the first quarter of 2008 decreased 0.38% compared to the first quarter of 2007. This decrease in net interest margin was due to a 0.34% decrease in net interest spread and a 0.04% decrease in the impact of all other net noninterest-bearing funds when compared to the prior year quarter. The decrease in net interest margin was mainly due to an increase in nondeposit interest-bearing liabilities, or wholesale funding, as a percentage of total funding sources, and a lag in reductions of interest rates on interest-bearing liabilities compared to interest rates on interest-earning assets.

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					
March 31, 2008			March 31, 2007		
Average Balance	Interest Income/ Expense	Rates Earned Paid	Average Balance	Interest Income/ Expense	Ra Ear Pa
-----	-----	-----	-----	-----	-----

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Assets:						
Loans	\$1,535,357	\$27,726	7.22%	\$1,490,055	\$28,423	7.
Investment securities - taxable	254,778	3,078	4.83%	170,072	1,841	4.
Investment securities - nontaxable	26,725	505	7.57%	32,165	615	7.
Federal funds sold	352	2	2.27%	282	3	4.

Total interest-earning assets	1,817,212	31,311	6.89%	1,692,574	30,882	7.
Other assets	171,454			172,874		

Total assets	\$1,988,666			\$1,865,448		
	=====					
Liabilities and shareholders' equity:						
Interest-bearing demand deposits	218,487	87	0.16%	\$230,072	122	0.
Savings deposits	387,490	1,502	1.55%	381,883	797	0.
Time deposits	551,420	5,588	4.05%	560,913	6,469	4.
Federal funds purchased	103,565	812	3.14%	39,524	522	5.
Other borrowings	104,993	1,063	4.05%	41,584	490	4.
Junior subordinated debt	41,238	713	6.92%	41,238	816	7.

Total interest-bearing liabilities	1,407,193	9,765	2.78%	1,295,214	9,216	2.
Noninterest-bearing deposits	354,207			361,605		
Other liabilities	33,817			34,367		
Shareholders' equity	193,449			174,262		

Total liabilities and shareholders' equity	\$1,988,666			\$1,865,448		
	=====					
Net interest spread(1)			4.11%			4.
Net interest income and interest margin(2)		\$21,546	4.74%		\$21,666	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 interest expense, divided by the average balance of interest-earning assets.

22

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 table sets forth a summary of the changes in interest income 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 March 31, 2008 compared with three months ended March 31, 2007		
	Volume	Rate	Total

Increase (decrease) in interest income:			
Loans	\$864	(\$1,561)	(\$697)
Investment securities	962	165	1,127
Federal funds sold	1	(2)	(1)

Total interest-earning assets	1,827	(1,398)	429

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Increase (decrease) in interest expense:			
Interest-bearing demand deposits	(6)	(29)	(35)
Savings deposits	12	693	705
Time deposits	(109)	(772)	(881)
Federal funds purchased	845	(555)	290
Other borrowings	747	(174)	573
Junior subordinated debt	-	(103)	(103)

Total interest-bearing liabilities	1,489	(940)	549

Increase (decrease) in Net Interest Income	\$338	(\$458)	(\$120)
	=====		

Provision for Loan Losses

The Company decided to increase the provision for loan losses by \$3,618,000 (751%) to \$4,100,000 in the first quarter of 2008 from \$482,000 in the first quarter of 2007. The increase in the provision for loan losses was primarily due to higher net loan charge-offs, increased nonperforming loans, and downgrades in loan classifications during the first quarter of 2008 compared to the first quarter of 2007. During the first quarter of 2008, the Company recorded \$2,048,000 of net loan charge-offs versus \$501,000 of net loan charge-offs in the first quarter of 2007. The \$1,547,000 (309%) increase in net loan charge-offs was primarily related to nonperforming residential construction loans for which appraised values indicated declines in the value of the underlying collateral.

Noninterest Income

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

	Three months ended March 31,	

	2008	2007

Service charges on deposit accounts	\$3,838	\$3,559
ATM fees and interchange	1,079	949
Other service fees	551	565
Change in value of mortgage servicing rights	(340)	(12)
Gain on sale of loans	258	266
Commissions on sale of nondeposit investment products	420	500
Increase in cash value of life insurance	360	405
Gain from VISA IPO	396	-
Other noninterest income	288	368

Total noninterest income	\$6,850	\$6,600
	=====	

Noninterest income for the first quarter of 2008 increased \$250,000 (3.8%) from the first quarter of 2007. due primarily to a \$396,000 gain from the Company's membership in VISA, Inc. and VISA's initial public offering (IPO) in March 2008, a \$279,000 (7.8%) increase in service charges on deposit accounts to \$3,838,000 and a \$130,000 (13.7%) increase in ATM fees and interchange revenue to \$1,079,000. The increases in service charges on deposit accounts and ATM fees and interchange revenue are mainly due to growth in number of customers. These positive factors were partially offset by an increased negative change in the value of mortgage servicing rights of \$328,000 and an \$80,000 (16.0%) decrease in commission on sale of nondeposit investment products. The increased negative change in the value of mortgage servicing rights was primarily due to an increase in estimated prepayment speeds of the mortgages being serviced.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Noninterest Expense

The components of noninterest expense were as follows (in thousands):

	Three months ended March 31,	
	2008	2007
Base salaries, net of		
deferred loan origination costs	\$6,333	\$5,995
Incentive compensation	560	1,203
Benefits and other compensation costs	2,587	2,544
Total salaries and benefits expense	9,480	9,742
Occupancy	1,188	1,170
Equipment	982	1,098
Provision for losses - unfunded commitments	825	117
Data processing and software	615	419
Telecommunications	597	409
ATM network charges	494	428
Professional fees	493	347
Advertising and marketing	319	404
Postage	282	221
Courier service	263	298
Intangible amortization	123	123
Operational losses	113	60
Assessments	82	81
Other	1,717	2,043
Total other noninterest expense	8,093	7,218
Total noninterest expense	\$17,573	\$16,960
Average full time equivalent staff	626	632
Noninterest expense to revenue (FTE)	61.89%	60.00%

Noninterest expense for the first quarter of 2008 increased \$613,000 (3.6%) compared to the first quarter of 2007. Salaries and benefits expense decreased \$262,000 (2.7%) to \$9,480,000. The decrease in salaries and benefits expense was mainly due to decreased incentive compensation and the effect of a reduction in the number of full-time equivalent employees that were partially offset by annual salary increases. Provision for losses - unfunded commitments increased \$708,000 (605%) to \$825,000 for the quarter ended March 31, 2008 due primarily to estimated losses related to home equity lines of credit and construction loans. Data processing and software, telecommunications, and ATM network charges were up due to additional products and services obtained from third party providers, and were partially offset by reductions in equipment and courier service expense. Professional fees increased due to increased consulting and legal fees.

Provision for Income Tax The effective tax rate for the three months ended March 31, 2008 was 38.1% compared to 39.2% for the three months ended March 31, 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.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 to ensure collection.

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

	At March 31, 2008			At December 31, 2007		
	Gross	Guaranteed	Net	Gross	Guaranteed	Net
Classified loans	\$32,505	\$5,790	\$26,715	\$18,570	\$5,948	\$12,622
Other classified assets	836	-	836	187	-	187
Total classified assets	\$33,341	\$5,790	\$27,551	\$18,757	\$5,948	\$12,809
Allowance for loan losses/classified loans	72.6%			137.3%		

Classified assets, net of guarantees of the U.S. Government, including its agencies and its government-sponsored agencies, increased \$14,742,000 (115.1%) to \$27,551,000 at March 31, 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 three months ended March 31, 2008, if all such loans had been current in accordance with their original terms, totaled \$445,000. Interest income actually recognized on these loans during the three months ended March 31, 2008 was \$155,000.

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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.

25

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.

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 \$2,988,000 (38.8%) to \$10,686,000 during the first three months of 2008. Nonperforming assets net of guarantees represent 0.53% of total assets. 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 March 31, 2008			At December 31, 2007		
	Gross	Guaranteed	Net	Gross	Guaranteed	Net
(dollars in thousands):						
Performing nonaccrual loans	\$9,222	\$5,660	\$3,562	\$9,098	\$5,814	\$3,284
Nonperforming, nonaccrual loans	5,508	-	5,508	4,227	-	4,227
Total nonaccrual loans	14,730	5,660	9,070	13,325	5,814	7,511
Loans 90 days past due and still accruing	780	-	780	-	-	-
Total nonperforming loans	15,510	5,660	9,850	13,325	5,814	7,511
Other real estate owned	836	-	836	187	-	187
Total nonperforming assets	\$16,346	\$5,660	\$10,686	\$13,512	\$5,814	\$7,698
Nonperforming loans to total loans			0.64%			0.48%
Nonperforming assets to total assets			0.53%			0.39%
Allowance for loan losses/nonperforming loans			197%			231%

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 March 31, 2008, the Company had repurchased 166,600 shares under this plan, which left 333,400 shares available for repurchase under the plan.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

The Company's primary capital resource is shareholders' equity, which was \$189,300,000 at March 31, 2008. This amount represents an increase of \$422,000 from December 31, 2007, the net result of comprehensive income for the period of \$5,625,000, and the effect of stock option vesting of \$192,000, partially offset by the repurchase of common stock with value of \$2,821,000, dividends paid of \$2,052,000, and the cumulative effect of a change in accounting principle, net of tax, of \$522,000. The Company's ratio of equity to total assets was 9.47%, 9.34%, and 9.54% as of March 31, 2008, March 31, 2007, and December 31, 2007, respectively.

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

	At March 31,		At December 31,	Minimum Regulatory Requirement
	2008	2007	2007	
Tier I Capital	10.88%	10.75%	10.90%	4.00%
Total Capital	12.02%	11.76%	11.90%	8.00%
Leverage ratio	10.77%	10.87%	11.16%	4.00%

26

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. These commitments do not significantly impact operating results. As of March 31, 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 \$688,737,000 and \$690,633,000 at March 31, 2008 and December 31, 2007, respectively, and represent 44.5% of the total loans outstanding at both March 31, 2008 and December 31, 2007. Commitments related to the Bank's deposit overdraft privilege product totaled \$33,456,000 and \$33,517,000 at March 31, 2008 and December 31, 2007, respectively.

27

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 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 March 31, 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 March 31, 2008 and 2007, the Company had no material derivative financial instruments.

Liquidity

The Company's principal source of asset liquidity is federal funds sold and marketable investment securities available for sale. At March 31, 2008, federal

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

funds sold and investment securities available for sale totaled \$272,276,000, representing an increase of \$39,849,000 (17.1%) from December 31, 2007, and an increase of \$83,798,000 (44.5%) from March 31, 2007. In addition, the Company generates additional liquidity from its operating activities. The Company's profitability during the first three months of 2008 generated cash flows from operations of \$10,824,000 compared to \$12,271,000 during the first three 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 \$13,007,000 during the three months ended March 31, 2008 compared to \$10,604,000 for the three months ended March 31, 2007. During the three months ended March 31, 2008, the Company invested \$50,338,000 in securities and received \$1,325,000 of net loan principal reductions, compared to \$122,000 and \$13,577,000 invested in securities and net loan principal reductions, respectively, during the first three months of 2007. These changes in investment and loan balances contributed to net cash used by investing activities of \$37,229,000 during the three months ended March 31, 2008, compared to net cash provided by investing activities of \$23,214,000 during the three months ended March 31, 2007. Financing activities provided net cash of \$12,320,000 during the three months ended March 31, 2008, compared to net cash used in financing activities of \$63,236,000 during the three months ended March 31, 2007. Deposit balance decreases accounted for \$16,748,000 of financing uses of funds during the three months ended March 31, 2008, compared to \$62,300,000 of funds used by decreases in deposits during the three months ended March 31, 2007. A net decrease in short-term other borrowings accounted for \$12,339,000 of financing uses of funds during the three months ended March 31, 2008, compared to \$1,454,000 of funds provided by an increase in short-term other borrowings during the three months ended March 31, 2007. Dividends paid used \$2,052,000 and \$2,069,000 of cash during the three months ended March 31, 2008 and 2007, respectively. An increase in Federal funds purchased provided \$46,300,000 of cash during the quarter ended March 31, 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 March 31, 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 quarter of 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

29

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 first 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 announced plans or programs	(d) Maximum number of shares that may be purchased under plans or programs
Jan. 1-31, 2008	-	-	-	500,000
Feb. 1-29, 2008	70,100	\$17.44	70,100	429,900
Mar. 1-31, 2008	96,500	\$16.57	96,500	333,400
Total	166,600	\$16.93	166,600	333,400

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 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).

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

- 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.
- 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 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.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

- 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.

32

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: May 8, 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

internal control over financial reporting.

Date: May 8, 2008

/s/ Richard P. Smith

Richard P. Smith
President and Chief Executive Officer

34

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:

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

- 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.

Date: May 8, 2008

/s/ Thomas J. Reddish

Thomas J. Reddish

Executive Vice President and Chief Financial Officer

35

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 March 31, 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 March 31, 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.