

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Outstanding shares as of March 31, 2009: 15,782,753

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	27
Item 4 - Controls and Procedures	28
PART II - OTHER INFORMATION	29
Item 1 - Legal Proceedings	29
Item 1A - Risk Factors	29
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 6 - Exhibits	30
Signatures	33
Exhibits	34

36

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, 2008, and Part II, Item 1A of this report for further

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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

1

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	At March 31,		At December 31,
	2009	2008	2008
Assets:			
Cash and due from banks	\$137,241	\$74,713	\$86,355
Cash and cash equivalents	137,241	74,713	86,355
Securities available-for-sale	279,122	272,276	266,561
Federal Home Loan Bank stock, at cost	9,235	8,885	9,235
Loans, net of allowance for loan losses of \$32,774, \$19,383 and \$27,590	1,534,182	1,528,561	1,563,259
Foreclosed assets, net of allowance for losses of \$392, \$180 and \$230	2,407	836	1,185
Premises and equipment, net	18,537	20,069	18,841
Cash value of life insurance	47,095	45,341	46,815
Accrued interest receivable	7,970	8,096	7,935
Goodwill	15,519	15,519	15,519
Other intangible assets, net	519	1,053	653
Other assets	26,525	24,001	26,832
Total Assets	\$2,078,352	\$1,999,350	\$2,043,190
Liabilities:			
Deposits:			
Noninterest-bearing demand	\$371,639	\$358,684	\$401,247
Interest-bearing	1,355,067	1,169,791	1,268,023
Total deposits	1,726,706	1,528,475	1,669,270
Federal funds purchased	-	102,300	-
Accrued interest payable	5,769	6,201	6,146
Reserve for unfunded commitments	2,740	2,915	2,565
Other liabilities	25,272	25,154	24,034
Other borrowings	76,081	103,767	102,005
Junior subordinated debt	41,238	41,238	41,238
Total Liabilities	1,877,806	1,810,050	1,845,258
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:			
15,782,753 at March 31, 2009	79,132		
15,744,950 at March 31, 2008		78,142	
15,756,101 at December 31, 2008			78,246
Retained earnings	117,940	111,133	117,630
Accumulated other comprehensive income, net	3,474	25	2,056
	-----	-----	-----
Total Shareholders' Equity	200,546	189,300	197,932
	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$2,078,352	\$1,999,350	\$2,043,190
	=====	=====	=====

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,	
	2009	2008
	-----	-----
Interest and dividend income:		
Loans, including fees	\$25,513	\$27,726
Debt securities:		
Taxable	3,083	2,959
Tax exempt	264	324
Dividends	-	119
Cash at Federal Reserve and other banks	22	2
	-----	-----
Total interest income	28,882	31,130
	-----	-----
Interest Expense:		
Deposits	5,202	7,177
Federal funds purchased	-	812
Other borrowings	242	1,063
Junior subordinated debt	440	713
	-----	-----
Total interest expense	5,884	9,765
	-----	-----
Net interest income	22,998	21,365
	-----	-----
Provision for loan losses	7,800	4,100
	-----	-----
Net interest income after provision for loan losses	15,198	17,265
	-----	-----
Noninterest income:		
Service charges and fees	5,052	5,128
Gain on sale of loans	641	258
Commissions on sale of non-deposit investment products	489	420
Increase in cash value of life insurance	280	360
Other	153	684
	-----	-----
Total noninterest income	6,615	6,850
	-----	-----
Noninterest expense:		
Salaries and related benefits	9,789	9,480

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Other	7,412	8,093
Total noninterest expense	17,201	17,573
Income before income taxes	4,612	6,542
Provision for income taxes	1,730	2,494
Net income	\$2,882	\$4,048
Average shares outstanding	15,774,624	15,842,085
Diluted average shares outstanding	16,019,488	16,081,722
Per share data:		
Basic earnings	\$0.18	\$0.26
Diluted earnings	\$0.18	\$0.25
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 and per share data; unaudited)

	Shares of Common Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	To
Balance at December 31, 2007	15,911,550	\$78,775	\$111,655	(\$1,552)	\$18
Comprehensive income:					
Net income			4,048		
Change in net unrealized loss on Securities available for sale, net				1,577	
Total comprehensive income					
Cumulative effect of change in accounting principle, net of tax			(522)		
Stock option vesting		192			
Repurchase of common stock	(166,600)	(825)	(1,996)		(
Dividends paid (\$0.13 per share)			(2,052)		(
Balance at March 31, 2008	15,744,950	\$78,142	\$111,133	\$25	\$18
Balance at December 31, 2008	15,756,101	\$78,246	\$117,630	\$2,056	\$19
Comprehensive income:					
Net income			2,882		
Change in net unrealized loss on Securities available for sale, net				1,418	
Total comprehensive income					
Stock option vesting		137			
Stock option exercise	53,213	828			
Tax benefit of stock options exercised		53			

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Repurchase of common stock	(26,561)	(132)	(520)		
Dividends paid (\$0.13 per share)			(2,052)		
Balance at March 31, 2009	15,782,753	\$79,132	\$117,940	\$3,474	\$20

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,	
	2009	2008
Operating activities:		
Net income	\$2,882	\$4,048
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment, and amortization	834	869
Amortization of intangible assets	134	123
Provision for loan losses	7,800	4,100
Amortization of investment securities premium, net	77	84
Originations of loans for resale	(45,142)	(17,403)
Proceeds from sale of loans originated for resale	45,401	17,484
Gain on sale of loans	(641)	(258)
Change in fair value of mortgage servicing rights	173	340
Provision for losses on other real estate owned	162	-
Loss on sale of fixed assets	5	2
Increase in cash value of life insurance	(280)	(360)
Stock option vesting expense	137	192
Stock option excess tax benefits	(53)	-
Change in reserve for unfunded commitments	175	825
Change in:		
Interest receivable	(35)	458
Interest payable	(377)	(1,670)
Other assets and liabilities, net	575	1,990
Net cash provided by operating activities	11,827	10,824
Investing activities:		
Proceeds from maturities of securities available-for-sale	19,205	13,007
Purchases of securities available-for-sale	(29,396)	(50,219)
Purchase of Federal Home Loan Bank stock	-	(119)
Loan originations and principal collections, net	19,893	1,325
Proceeds from sale of premises and equipment	-	1
Purchases of premises and equipment	(332)	(1,224)
Net cash (used) provided by investing activities	9,370	(37,229)
Financing activities:		
Net (decrease) increase in deposits	57,436	(16,748)
Net increase in federal funds purchased	-	46,300
Payments of principal on long-term other borrowings	(22)	(20)
Net decrease in short-term other borrowings	(25,902)	(12,339)

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Stock option excess tax benefits	53	-
Repurchase of Common Stock	-	(2,821)
Dividends paid	(2,052)	(2,052)
Exercise of stock options	176	-
Net cash provided (used) by financing activities	29,689	12,320
Net decrease in cash and cash equivalents	50,886	(14,085)
Cash and cash equivalents at beginning of period	86,355	88,798
Cash and cash equivalents at end of period	\$137,241	\$74,713
Supplemental disclosure of noncash activities:		
Loans transferred to other real estate owned	\$1,384	\$649
Unrealized net gain on securities available for sale	\$2,447	\$2,721
Market value of shares tendered by employees in-lieu of cash to pay for exercise options and/or related taxes	\$652	-
Supplemental disclosure of cash flow activity:		
Cash paid for interest expense	\$6,261	\$11,435
Cash paid for income taxes	\$192	-

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, 2009 and 2008 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, 2008.

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 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 assessments, income taxes, and the valuation of mortgage servicing rights are the only accounting estimates that materially affect the Company's consolidated financial statements.

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. The Company currently classifies all its operation into one business segment that it denotes as community banking.

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.

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, 2009 and March 31, 2008, and the year ended December 31, 2008, the Company did not have any securities classified as either held-to-maturity or trading.

6

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

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

Federal Home Loan Bank Stock

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by aggregate outstanding commitments from investors of current investor yield requirements. Net unrealized losses are recognized through a valuation allowance by charges to income. At March 31, 2009, March 31, 2008, and December 31, 2008, 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 the sale of loans that are held for sale are recognized at the time of the sale and determined by the difference between net sale proceeds and the net book value of the loans less the estimated fair value of any retained mortgage servicing rights.

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 actual 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.

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.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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.

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 includes specific allowances for identified problem loans and leases as determined by SFAS 114, 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 SFAS 114 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, 2008.

Based on the current conditions of the loan portfolio, Management believes that

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

the allowance for loan losses (\$32,774,000) and the reserve for unfunded commitments (\$2,740,000), which collectively stand at \$35,514,000 at March 31, 2009, 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,	
	2009	2008
Allowance for loan losses:		
Balance at beginning of period	\$27,590	\$17,331
Provision for loan losses	7,800	4,100
Loans charged off:		
Real estate mortgage:		
Residential	(90)	(54)
Commercial	(42)	(19)
Consumer:		
Home equity lines	(1,305)	(159)
Home equity loans	(105)	(89)
Auto indirect	(665)	(549)
Other consumer	(315)	(302)
Commercial	(479)	(135)
Construction:		
Residential	-	(1,078)
Commercial	-	-
Total loans charged off	(3,001)	(2,385)
Recoveries of previously charged-off loans:		
Real estate mortgage:		
Residential	-	-
Commercial	15	14
Consumer:		
Home equity lines	2	-
Home equity loans	-	-
Auto indirect	136	122
Other consumer	196	193
Commercial	32	8
Construction:		
Residential	4	-
Commercial	-	-
Total recoveries of previously charged off loans	385	337
Net charge-offs	(2,616)	(2,048)
Balance at end of period	\$32,774	\$19,383
Reserve for unfunded commitments:		
Balance at beginning of period	\$2,565	\$2,090
Provision for losses -		

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

unfunded commitments	175	825
	-----	-----
Balance at end of period	\$2,740	\$2,915
	=====	=====
Balance at end of period:		
Allowance for loan losses	\$32,774	\$19,383
Reserve for unfunded commitments	2,740	2,915
	-----	-----
Allowance for losses	\$35,514	\$22,298
	=====	=====
As a percentage of total loans:		
Allowance for loan losses	2.09%	1.25%
Reserve for unfunded commitments	0.18%	0.19%
	-----	-----
Allowance for losses	2.27%	1.44%
	=====	=====

9

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 the 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.

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 interest rates. The Company uses an independent third party to determine fair value of MSRs.

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,	
	-----	-----
	2009	2008
	-----	-----

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Mortgage servicing rights:		
Balance at beginning of period	\$2,972	\$4,088
Additions	382	177
Change in fair value	(173)	(340)

Balance at end of period	\$3,181	\$3,925
	=====	
Servicing fees received	\$269	\$253
Balance of loans serviced at:		
Beginning of period	\$431,195	\$406,743
End of period	\$450,955	\$407,246
Weighted-average prepayment speed (CPR)	22.0%	14.1%
Discount rate	9.0%	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 net 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, 2009 and December 31, 2008.

(Dollars in Thousands)	December 31, 2008	Additions	Reductions	March 31, 2009

Goodwill	\$15,519	-	-	\$15,519

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

The following table summarizes the Company's core deposit intangibles as of March 31, 2009 and December 31, 2008.

(Dollars in Thousands)	December 31, 2008	Additions	Reductions	March 31, 2009
Core deposit intangibles	\$3,365	-	-	\$3,365
Accumulated amortization	(2,712)	-	(\$134)	(2,846)
Core deposit intangibles, net	\$653	-	(\$134)	\$519

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)
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. Currently, and historically, the Company is comprised of only one

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

reporting unit that operates within the business segment it has identified as "community banking".

Income Taxes

The Company's accounting for income taxes is based on an asset and liability 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, 2009:

(dollars in thousands except exercise price)	Currently Exercisable	Currently Not Exercisable	Total Outstanding
Number of options	1,112,408	259,180	1,371,588
Weighted average exercise price	\$13.50	\$19.88	\$14.70
Intrinsic value	\$4,951	\$167	\$5,118
Weighted average remaining contractual term (yrs.)	1.98	8.49	3.21

The options for 259,180 shares that are not currently exercisable as of March 31, 2009 are expected to vest, on a weighted-average basis, over the next 2.51 years, and the Company is expected to recognize \$1,400,000 of compensation costs related to these options as they vest.

12

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.

Earnings per share have been computed based on the following:

	Three months ended March 31, 2009	2008

	(in thousands)	
Net income	\$2,882	\$4,048
Average number of common shares outstanding	15,775	15,842
Effect of dilutive stock options	244	240

Average number of common shares outstanding used to calculate diluted earnings per share	16,019	16,082
	=====	

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

There were 552,870 and 424,050 options excluded from the computation of diluted earnings per share for the three month periods ended March 31, 2009 and 2008, respectively, because the effect of these options was antidilutive.

Comprehensive Income

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

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

	Three months ended March 31,	
	2009	2008
	(in thousands)	
Unrealized holding gains on available-for-sale securities	\$2,447	\$2,721
Tax effect	(1,029)	(1,144)

Unrealized holding gains on available-for-sale securities, net of tax	\$1,418	\$1,577
	=====	

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

	March 31,	December 31,
	2009	2008
	(in thousands)	
Net unrealized gains on available-for-sale securities	\$8,578	\$6,131
Tax effect	(3,607)	(2,578)

Unrealized holding gains on available-for-sale securities, net of tax	4,971	3,553

Minimum pension liability	(2,677)	(2,677)
Tax effect	1,126	1,126

Minimum pension liability, net of tax	(1,551)	(1,551)

Joint beneficiary agreement liability	94	94
Tax effect	(40)	(40)

Joint beneficiary agreement liability, net of tax	54	54

Accumulated other comprehensive loss	\$3,474	\$2,056
	=====	

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

unsecured and unfunded. The Company has purchased insurance on the lives of the participants and intends (but is not required) to use the cash values of these policies to pay the retirement obligations. The following table sets forth the net periodic benefit cost recognized for the plans:

	Three months ended March 31, 2009	2008

(in thousands)		
Net pension cost included the following components:		
Service cost-benefits earned during the period	\$99	\$139
Interest cost on projected benefit obligation	174	166
Amortization of net obligation at transition	-	-
Amortization of prior service cost	38	45
Recognized net actuarial loss	25	37

Net periodic pension cost	\$336	\$387
=====		

During the three months ended March 31, 2009 and 2008, the Company contributed and paid out as benefits \$155,000 and \$161,000, respectively, to participants under the plans. For the year ending December 31, 2009, 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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

14

represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2008, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with SFAS 157, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value which uses substantially observable data, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value, or the appraised value contains a significant assumption, and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3.

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 is used in the completion of the fair value measurement. While the prepayment speed assumption is currently quoted for comparable instruments, the discount rate assumption currently requires a significant degree of management judgment. As such, the Company classifies mortgage servicing rights subjected to recurring fair value adjustments as Level 3.

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 (in thousands):

Fair value at March 31, 2009	Total	Level 1	Level 2	Level 3
Securities available-for-sale	\$279,122	-	\$279,122	-
Mortgage servicing rights	3,181	-	-	\$3,181

Total assets measured at fair value	\$282,303	-	\$279,122	\$3,181
=====				

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

Fair value at March 31, 2009	Total	Level 1	Level 2	Level 3
------------------------------	-------	---------	---------	---------

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Impaired loans	\$29,377	-	-	\$29,377
Total assets measured at fair value	\$29,377	-	-	\$29,377

Recent Accounting Pronouncements

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

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

In December 2007, the FASB issued FASB Statement of Financial Accounting Standards No. 141 (revised), Business Combinations (SFAS 141R). SFAS 141R replaces SFAS 141. SFAS 141R retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141R also retains the guidance in SFAS 141 for identifying and recognizing intangible assets separately from goodwill. SFAS 141R requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the Statement. SFAS 141R replaces the cost-allocation process of SFAS 141, which required the cost of an acquisition to be allocated to the individual assets acquired and liabilities assumed based on their estimated fair values. SFAS 141 required the acquirer to include the costs incurred to effect the acquisition (acquisition-related costs) in the cost of the acquisition that was allocated to the assets acquired and the liabilities assumed. SFAS 141R requires those costs to be recognized separately from the acquisition. In addition, in accordance with SFAS 141, restructuring costs that the acquirer expected but was not obligated to incur were recognized as if they were a liability assumed at the acquisition date. SFAS 141R requires the acquirer to recognize those costs separately from the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The impact of SFAS 141R on the Company's financial statements will be contingent on the terms and conditions of future business combinations.

In February 2008, the FASB issued Financial Accounting Standards Board Staff Position FAS SFAS157-2 (FSP 157-2), Effective Date of FASB Statement No. 157. FSP SFAS 157-2 delayed the Company's January 1, 2008, effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until January 1, 2009. Implementation of this standard did not have a material effect on the Company's financial statements.

In March 2008, the FASB issued FASB Statement of Financial Accounting Standards No. 161, Disclosures About Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 amends SFAS 133, Accounting for Derivative Instruments and Hedging Activities, to amend and expand the disclosure requirements of SFAS 133 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under SFAS 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for the Company on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

In May 2008, the FASB issued FASB Statement of Financial Accounting Standards No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). The hierarchical guidance provided by SFAS 162 did not have a significant impact on the Company's financial statements.

In April 2009, the FASB issued Financial Accounting Standards Board Staff Position FAS SFAS 157-4 (FSP SFAS 157-4), Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. FSP SFAS 157-4 affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell the asset in an orderly transaction, and clarifies and includes additional factors for determining whether there has been a significant decrease in market activity for an asset when the market for that asset is not active. FSP SFAS 157-4 requires an entity to base its conclusion about whether a transaction was not orderly on the weight of the evidence. FSP SFAS 157-4 also amended SFAS 157, Fair Value Measurements, to expand certain disclosure requirements. The Company adopted the provisions of FSP SFAS 157-4 during the first quarter of 2009. Adoption of FSP SFAS 157-4 did not significantly impact the Company's financial statements.

In April 2009, the FASB issued Financial Accounting Standards Board Staff Position FAS SFAS 115-2 and SFAS 124-2 (FSP SFAS 115-2 and SFAS 124-2), Recognition and Presentation of Other-Than-Temporary Impairments. FSP SFAS 115-2 and SFAS 124-2 (i) changes existing guidance for determining whether an

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

impairment is other than temporary to debt securities and (ii) replaces the existing requirement that the entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert: (a) it does not have the intent to sell the security; and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. Under FSP SFAS 115-2 and SFAS 124-2, declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. The Company adopted the provisions of FSP SFAS 115-2 and SFAS 124-2 during the first quarter of 2009. Adoption of FSP SFAS 115-2 and SFAS 124-2 did not significantly impact the Company's financial statements.

In April 2009, the FASB issued Financial Accounting Standards Board Staff Position FAS SFAS 107-1 and APB 28-1 (FSP SFAS 107-1 and APB 28-1), Interim Disclosures about Fair Value of Financial Instruments. FSP SFAS 107-1 and APB 28-1 amends SFAS 107, Disclosures about Fair Value of Financial Instruments, to require an entity to provide disclosures about fair value of financial instruments in interim financial information and amends Accounting Principles Board (APB) Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. Under FSP SFAS 107-1 and APB 28-1, a publicly traded company shall include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. In addition, entities must disclose, in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods, the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by SFAS 107. The new interim disclosures required by FSP SFAS 107-1 and APB 28-1 will be included in the Company's interim financial statements beginning with the second quarter of 2009.

17

TRICO BANCSHARES
Financial Summary
(dollars in thousands, except per share amounts)

	(Unaudited) Three months ended March 31,	
	2009	2008
Net Interest Income (FTE)	\$23,151	\$21,546
Provision for loan losses	(7,800)	(4,100)
Noninterest income	6,615	6,850
Noninterest expense	(17,201)	(17,573)
Provision for income taxes (FTE)	(1,883)	(2,675)
Net income	\$2,882	\$4,048
Earnings per share:		
Basic	\$0.18	\$0.26
Diluted	\$0.18	\$0.25
Per share:		

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Dividends paid	\$0.13	\$0.13
Book value at period end	\$12.71	\$12.02
Tangible book value at period end	\$11.69	\$10.97
Average common shares outstanding	15,775	15,842
Average diluted common shares outstanding	16,019	16,082
Shares outstanding at period end	15,783	15,745
At period end:		
Loans, net	\$1,534,182	\$1,528,561
Total assets	2,078,352	1,999,350
Total deposits	1,726,706	1,528,475
Federal funds purchased	-	102,300
Other borrowings	76,081	103,767
Junior subordinated debt	41,238	41,238
Shareholders' equity	200,546	189,300

Financial Ratios:

During the period (annualized):

Return on assets	0.56%	0.81%
Return on equity	5.70%	8.37%
Net interest margin(1)	4.91%	4.74%
Net loan charge-offs to average loans	0.67%	0.53%
Efficiency ratio(1)	57.79%	61.89%
Average equity to average assets	9.86%	9.73%

At period end:

Equity to assets	9.65%	9.47%
Total capital to risk-adjusted assets	12.68%	12.02%
Allowance for losses to loans(2)	2.27%	1.44%

(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 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 \$2,882,000 for the three months ended March 31, 2009. This represents a decrease of \$1,166,000 (28.8%) when compared with earnings of \$4,048,000 for the quarter ended March 31, 2008. Diluted earnings per share for the quarter ended March 31, 2009 decreased 28.0% to \$0.18 compared to \$0.25 for the quarter ended March 31, 2008. The decrease in earnings from the prior year quarter was primarily due to a \$3,700,000 (90%) increase in the provision for loan losses to \$7,800,000 from \$4,100,000, that was partially offset by a \$1,605,000 (7.5%) increase in fully taxable equivalent net interest income to \$23,151,000 in the quarter ended March 31, 2009 from \$21,546,000 in the quarter ended March 31, 2008.

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,	
	2009	2008
Net Interest Income (FTE)	\$23,151	\$21,546
Provision for loan losses	(7,800)	(4,100)
Noninterest income	6,615	6,850
Noninterest expense	(17,201)	(17,573)
Provision for income taxes (FTE)	(1,883)	(2,675)
Net income	\$2,882	\$4,048
	=====	=====

19

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,	
	2009	2008
Interest income	\$28,882	\$31,130
Interest expense	(5,884)	(9,765)
FTE adjustment	153	181

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Net interest income (FTE)	\$23,151	\$21,546
	=====	
Average interest-earning assets	\$1,887,121	\$1,817,212
Net interest margin (FTE)	4.91%	4.74%

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 2009 increased \$1,605,000 (7.5%) from the same period in 2008 to \$23,151,000. The increase in net interest income (FTE) was due to a 0.17% increase in net interest margin (FTE) to 4.91% and a \$69,909,000 (3.9%) increase in average balances of interest-earning assets to \$1,887,121,000.

Interest and Fee Income

Interest and fee income (FTE) for the first quarter of 2009 decreased \$2,248,000 (7.2%) from the first quarter of 2008. The decrease was due to a 0.74% decrease in the average yield on those interest-earning assets to 6.15% that was partially offset by a \$69,909,000 (3.9%) increase in average balances of interest-earning assets to \$1,887,121,000. The growth in interest-earning assets was the result of a \$45,379,000 increase in average balance of interest-earning cash at Federal Reserve and other bank and a \$30,993,000 (2.0%) increase in average loan balances to \$1,566,350 from the year-ago quarter. The decrease in the average yield on interest-earning assets was primarily due to a 4.00% decrease in the prime rate of lending from 7.25% at December 31, 2007 to 3.25% at December 31, 2008. Interest rate floors in most of the Company's variable rate loans mitigated the effect of the decrease in the prime rate of lending and other variable rate indices during this period.

Interest Expense

Interest expense decreased \$3,881,000 (39.7%) in the first quarter of 2009 compared to the prior year quarter. The decrease was primarily due to a 1.15% decrease in the average rate paid on interest-bearing liabilities from 2.78% in the first quarter of 2008 to 1.63% in the first quarter of 2009. The average balance of interest-bearing liabilities was up \$34,623,000 (2.5%) to \$1,441,816,000 in the quarter ended March 31, 2009 from the year-ago quarter. The average rates paid for all categories of interest-bearing liabilities were down except for the average rate paid on interest-bearing demand deposits.

20

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,	
	2009	2008
Yield on interest-earning assets	6.15%	6.89%
Rate paid on interest-bearing liabilities	1.63%	2.78%

Net interest spread	4.52%	4.11%
Impact of all other net noninterest-bearing funds	0.39%	0.63%

Net interest margin	4.91%	4.74%

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

=====

Net interest margin in the first quarter of 2009 increased 0.17% compared to the first quarter of 2008. This increase in net interest margin was due to a 0.41% increase in net interest spread that was partially offset by a 0.24% decrease in the impact of all other net noninterest-bearing funds when compared to the prior year quarter. The increase in net interest margin was mainly due to rate floors on most of the Company's adjustable rate loans that caused decreases in rates paid for interest-bearing liabilities to exceed decreases in rates earned on interest-earning assets.

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, 2009			March 31, 2008	
	Average Balance	Interest Income/Expense	Rates Earned/Paid	Average Balance	Interest Income/Expense
Assets:					
Loans	\$1,566,350	\$25,513	6.52%	\$1,535,357	\$27,726
Investment securities - taxable	252,431	3,083	4.89%	254,778	3,078
Investment securities - nontaxable	22,609	417	7.38%	26,725	505
Cash at Federal Reserve and other banks	45,731	22	0.19%	352	2
Total interest-earning assets	1,887,121	29,035	6.15%	1,817,212	31,311
Other assets	162,072			171,454	
Total assets	2,049,193			1,988,666	
Liabilities and shareholders' equity:					
Interest-bearing demand deposits	258,137	342	0.53%	218,487	87
Savings deposits	408,749	893	0.87%	387,490	1,502
Time deposits	655,343	3,967	2.42%	551,420	5,588
Federal funds purchased	-	-	-	103,565	812
Other borrowings	78,349	242	1.24%	104,993	1,063
Junior subordinated debt	41,238	440	4.27%	41,238	713
Total interest-bearing liabilities	1,441,816	5,884	1.63%	1,407,193	9,765
Noninterest-bearing deposits	366,475			354,207	
Other liabilities	38,776			33,817	
Shareholders' equity	202,126			193,449	
Total liabilities and shareholders' equity	\$2,049,193			\$1,988,666	
Net interest spread(1)			4.52%		
Net interest income and interest margin(2)		\$23,151	4.91%		\$21,546

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

- (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.

21

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 (in thousands).

	Three months ended March 31, 2009 compared with three months ended March 31, 2008		
	Volume	Rate	Total
<hr/>			
Increase (decrease) in interest income:			
Loans	\$559	(\$2,772)	(\$2,213)
Investment securities	(82)	(2)	(84)
Cash at Federal Reserve and other banks	258	(238)	20
	<hr/>		
Total interest-earning assets	735	(3,012)	(2,277)
<hr/>			
Increase (decrease) in interest expense:			
Interest-bearing demand deposits	16	239	255
Savings deposits	82	(691)	(609)
Time deposits	1,052	(2,673)	(1,621)
Federal funds purchased	(813)	1	(812)
Other borrowings	(270)	(551)	(821)
Junior subordinated debt	-	(273)	(273)
	<hr/>		
Total interest-bearing liabilities	67	(3,948)	(3,881)
<hr/>			
Increase (decrease) in Net Interest Income	\$668	\$936	\$1,604
<hr/>			

Provision for Loan Losses

The provision for loan losses increased \$3,700,000 (90.2%) to \$7,800,000 in the first quarter of 2009 from \$4,100,000 in the first quarter of 2008. 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 2009 compared to the first quarter of 2008. During the first quarter of 2009, the Company recorded \$2,616,000 of net loan charge-offs versus \$2,048,000 of net loan charge-offs in the first quarter of 2008. The \$568,000 (27.7%) increase in net loan charge-offs was principally related to home equity lines of credit and small business loans that were partially offset by reduced net charge-offs of residential construction loans when compared to the year-ago quarter.

Noninterest Income

The following table summarizes the components of noninterest income for the

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

periods indicated (in thousands).

	Three months ended March 31,	
	2009	2008
Service charges on deposit accounts	\$3,585	\$3,838
ATM fees and interchange	1,098	1,079
Other service fees	542	551
Change in value of mortgage servicing rights	(173)	(340)
Gain on sale of loans	641	258
Commissions on sale of nondeposit investment products	489	420
Increase in cash value of life insurance	280	360
Gain from VISA IPO	-	396
Other noninterest income	153	288

Total noninterest income	\$6,615	\$6,850
	=====	

Noninterest income for the first quarter of 2009 decreased \$235,000 (3.4%) from the first quarter of 2008 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 \$253,000 (6.6%) decrease in service charges on deposit accounts to \$3,585,000 that were partially offset by a \$383,000 (148%) increase in gain on sale of loans and a \$167,000 improvement in change in value of mortgage servicing rights over the year-ago quarter. The decrease in service charges on deposit accounts is due to reduced non-sufficient funds as customers reduce their buying due to current economic conditions. These same economic conditions have resulted in lower mortgage rates that have increased refinance activity and improved gain on sale of loans for the Company.

22

Noninterest Expense

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

	Three months ended March 31,	
	2009	2008
Base salaries, net of deferred loan origination costs	\$6,576	\$6,333
Incentive compensation	588	560
Benefits and other compensation costs	2,625	2,587

Total salaries and benefits expense	9,789	9,480

Occupancy	1,235	1,188
Equipment	917	982
Provision for losses - unfunded commitments	175	825
Data processing and software	618	615
Telecommunications	332	597
ATM network charges	516	494
Professional fees	311	493
Advertising and marketing	398	319
Postage	279	282
Courier service	173	263

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Intangible amortization	134	123
Operational losses	37	113
Provision for OREO losses	162	-
Assessments	302	82
Other	1,823	1,717
	-----	-----
Total other noninterest expense	7,412	8,093
	-----	-----
Total noninterest expense	\$17,201	\$17,573
	=====	=====
Average full time equivalent staff	621	626
Noninterest expense to revenue (FTE)	57.79%	61.89%

Noninterest expense for the first quarter of 2009 decreased \$372,000 (2.1%) compared to the first quarter of 2008. Salaries and benefits expense increased \$309,000 (3.3%) to \$9,789,000. The increase in salaries and benefits expense was mainly due to annual salary increases. Provision for losses - unfunded commitments decreased \$650,000 (79%) to \$175,000 for the quarter ended March 31, 2009 due primarily to estimated losses related to home equity lines of credit and construction loans that were recognized in the first quarter of 2008.

Provision for Income Tax

The effective tax rate for the three months ended March 31, 2009 was 37.5% compared to 38.1% for the three months ended March 31, 2008. 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.

23

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, 2009			At December 31, 2008		
	Gross	Guaranteed	Net	Gross	Guaranteed	Net
	-----			-----		
Classified loans	\$84,763	\$5,055	\$79,708	63,850	\$5,379	\$58,471
Other classified assets	2,407		2,407	1,185		1,185
	-----			-----		
Total classified assets	\$87,170	\$5,055	\$82,115	\$65,035	\$5,379	\$59,656
	=====			=====		
Allowance for loan losses/classified loans			41.1%			47.2%

Classified assets, net of guarantees of the U.S. Government, including its agencies and its government-sponsored agencies, increased \$22,459,000 (37.6%) to \$82,115,000 at March 31, 2009 from \$59,656,000 at December 31, 2008.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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, 2009 and 2008, if all such loans had been current in accordance with their original terms, totaled \$889,000 and \$445,000, respectively. Interest income actually recognized on these loans during the three months ended March 31, 2009 and 2008 was \$146,000 and \$155,000, respectively.

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

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

As shown in the following table, total nonperforming assets net of guarantees of the U.S. Government, including its agencies and its government-sponsored agencies, increased \$8,057,000 (28%) to \$36,767,000 during the first three months of 2009. Nonperforming assets net of guarantees represent 1.77% 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, 2009 At December 31, 2008

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

	At September 30, 2008			At December 31, 2008		
	Gross	Guaranteed	Net	Gross	Guaranteed	Net
dollars in thousands):						
Performing nonaccrual loans	\$23,467	\$4,933	\$18,534	\$22,600	\$5,102	\$17,498
Nonperforming, nonaccrual loans	14,989	-	14,989	9,994	154	9,840
Total nonaccrual loans	38,456	4,933	33,523	32,594	5,256	27,338
Loans 90 days past due and still accruing	837	-	837	187	-	187
Total nonperforming loans	39,293	4,933	34,360	32,781	5,256	27,525
Other real estate owned	2,407	-	2,407	1,185	-	1,185
Total nonperforming assets	\$41,700	\$4,933	\$36,767	\$33,966	\$5,256	\$28,710
Nonperforming loans to total loans			2.19%			1.77%
Nonperforming assets to total assets			1.77%			1.41%
Allowance for loan losses/nonperforming loans			95%			100%

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, 2009, the Company had repurchased 166,600 shares under this plan, which left 333,400 shares available for repurchase under the plan.

The Company's primary capital resource is shareholders' equity, which was \$200,546,000 at March 31, 2009. This amount represents an increase of \$2,614,000 from December 31, 2008, the net result of comprehensive income for the period of \$4,300,000, the effect of stock option vesting of \$137,000, the exercise of stock options for \$828,000 and the tax benefit from the exercise of stock options of \$53,000 that were partially offset by the repurchase of common stock with value of \$652,000, and dividends paid of \$2,052,000. The Company's ratio of equity to total assets was 9.65%, 9.47%, and 9.69% as of March 31, 2009, March 31, 2008, and December 31, 2008, respectively.

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

	At March 31,		At	Minimum Regulatory Requirement
	2009	2008	December 31, 2008	
Tier I Capital	11.42%	10.88%	11.17%	4.00%
Total Capital	12.68%	12.02%	12.42%	8.00%
Leverage ratio	10.86%	10.77%	11.09%	4.00%

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, 2009 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 \$641,709,000 and \$643,365,000 at March 31, 2009 and December 31, 2008, respectively, and represent 40.9% of the total loans outstanding at March 31, 2009 and 40.4% at December 31, 2008. Commitments related to the Bank's deposit overdraft privilege product totaled \$34,599,000 and \$35,883,000 at March 31, 2009 and December 31, 2008, respectively.

26

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Asset and Liability Management

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

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

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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, 2009, 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, 2009 and 2008, the Company had no material derivative financial instruments.

27

Liquidity

The Company's principal source of asset liquidity is Federal funds sold and marketable investment securities available for sale. At March 31, 2009, federal funds sold and investment securities available for sale totaled \$279,122,000, representing an increase of \$12,561,000 (4.7%) from December 31, 2008, and an increase of \$6,846,000 (2.5%) from March 31, 2008. In addition, the Company generates additional liquidity from its operating activities. During the first three months of 2009 and 2008, the Company's operations generated cash in-flows of \$11,827,000 and \$10,824,000, respectively. 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 \$19,205,000 during the three months ended March 31, 2009 compared to \$13,007,000 for the three months ended March 31, 2008. During the three months ended March 31, 2009, the Company invested \$29,396,000 in securities and received \$19,893,000 of net loan principal reductions, compared to \$50,338,000 and \$1,325,000 invested in securities and net loan principal reductions, respectively, during the first three months of 2008. These changes in investment and loan balances contributed to net cash provided by investing activities of \$9,370,000 during the three months ended March 31, 2009, compared to net cash used by investing activities of \$37,229,000 during the three months ended March 31, 2008. Financing activities provided net cash of \$29,689,000 during the three months ended March 31, 2009, compared to net cash provided by financing activities of \$12,320,000 during the three months ended March 31, 2008. Deposit balance increases accounted for \$57,436,000 of the funds provided by financing during the three months ended March 31, 2009, compared to \$16,748,000 of funds used by decreases in deposits during the three months ended

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

March 31, 2008. Net decreases in short-term other borrowings accounted for \$25,902,000 and \$12,339,000 of financing uses of funds during the three months ended March 31, 2009 and March 31, 2008, respectively. Dividends paid used \$2,052,000 and \$2,052,000 of cash during the three months ended March 31, 2009 and 2008, 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, 2009 ("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 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

28

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

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

Item 1A - Risk Factors

There have been no material changes to the risk factors previously disclosed in Item 1A to Part I of our Annual Report on Form 10-K for the year ended December 31, 2008.

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 2009 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, 2009	-	-	-	333,400

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Feb. 1-28, 2009	-	-	-	333,400
Mar. 1-31, 2009	-	-	-	333,400
Total	-	-	-	333,400

During the quarter ended March 31, 2009 employees tendered 26,561 shares of the Company's common stock with an average market value of \$24.55 per share in lieu of cash to exercise options as permitted by the Company's shareholder-approved stock option plans. The tendered shares were retired. The market value of tendered shares is the last market trade price at closing on the day the option is exercised.

29

Item 6 - Exhibits

- 3.1* Restated Articles of Incorporation, filed as Exhibit 3.1 to TriCo's Form 8-K dated March 10, 2009
- 3.2* Bylaws of TriCo Bancshares, as amended, filed as Exhibit 3.2 to TriCo's Form 8-K dated March 10, 2009.
- 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, 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).
- 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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.

30

- 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 Vereschagin, filed as Exhibit 10.15 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

31

- 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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, 2009

/s/ Thomas J. Reddish

Thomas J. Reddish
Executive Vice President and Chief Financial Officer
(Duly authorized officer and principal financial officer)

33

EXHIBITS

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Exhibit 31.1

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

I, Richard P. Smith, certify that;

1. I have reviewed this report on Form 10-Q of TriCo Bancshares;
2. Based on my knowledge, this 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(s) 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Date: May 8, 2009

/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 report on Form 10-Q of TriCo Bancshares;
2. Based on my knowledge, this 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(s) 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 (or persons performing the equivalent

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

functions):

- 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, 2009

/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, 2009 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, 2009 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:

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

- (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/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.