

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

TRICO BANCSHARES /
Form 10-Q
May 03, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For Quarterly Period Ended March 31, 2006

Commission file number 0-10661

TRICO BANCSHARES

(Exact name of registrant as specified in its charter)

California

94-2792841

(State or other jurisdiction
incorporation or organization)

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

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

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

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

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

Yes X No
----- -----

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

Large accelerated filer Accelerated filer X Non-accelerated filer
----- ----- -----

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

Yes No X
----- -----

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Title of Class: Common stock, no par value

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Outstanding shares as of May 2, 2006: 15,778,190

TABLE OF CONTENTS

	Page
Forward-Looking Statements	1
PART I - FINANCIAL INFORMATION	2
Item 1 - Financial Statements	2
Notes to Unaudited Condensed Consolidated Financial Statements	6
Financial Summary	18
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3 - Quantitative and Qualitative Disclosures about Market Risk	28
Item 4 - Controls and Procedures	29
PART II - OTHER INFORMATION	30
Item 1 - Legal Proceedings	30
Item 1A - Risk Factors	30
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 6 - Exhibits	30
Signatures	33
Exhibits	34

FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains forward-looking statements about TriCo Bancshares (the "Company") for which it claims the protection of the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on Management's current knowledge and belief and include information concerning the Company's possible or assumed future financial condition and results of operations. When you see any of the words "believes", "expects", "anticipates", "estimates", or similar expressions, mean 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, 2005, and Part II, Item 1A of this report for further discussion of factors which could affect the Company's business and cause actual results to differ materially from those expressed in any forward-looking statement made in this report.

-1-

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	At March 31, 2006	2005	At Decem 200
	-----		-----
Assets:			
Cash and due from banks	\$78,742	\$77,365	\$90
Federal funds sold	-	181	2
	-----		-----
Cash and cash equivalents	78,742	77,546	92
Securities available-for-sale	244,441	293,730	260
Federal Home Loan Bank stock, at cost	7,691	6,781	7
Loans, net of allowance for loan losses of \$16,644, \$14,563 and \$16,226	1,383,464	1,167,870	1,368
Foreclosed assets, net of allowance for losses of \$180, \$180 and \$180	-	-	
Premises and equipment, net	21,068	20,599	21
Cash value of life insurance	42,168	40,699	41
Accrued interest receivable	7,549	6,446	7
Goodwill	15,519	15,519	15
Other intangible assets, net	4,061	5,065	4
Other assets	24,823	21,357	21
	-----		-----
Total Assets	\$1,829,526	\$1,655,612	\$1,841
	=====		=====
Liabilities:			
Deposits:			
Noninterest-bearing demand	\$354,514	\$312,739	\$368
Interest-bearing	1,172,877	1,086,010	1,128
	-----		-----
Total deposits	1,527,391	1,398,749	1,496
Federal funds purchased	45,800	20,700	96
Accrued interest payable	5,263	3,384	4
Reserve for unfunded commitments	1,813	1,632	1
Other liabilities	23,783	22,099	19
Other borrowings	31,441	28,176	31
Junior subordinated debt	41,238	41,238	41
	-----		-----
Total Liabilities	1,676,729	1,515,978	1,691
	-----		-----
Commitments and contingencies			
Shareholders' Equity:			
Common stock, no par value: 50,000,000 shares authorized;			

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

issued and outstanding:			
15,778,090 at March 31, 2006	72,255		
15,733,517 at March 31, 2005		70,808	
15,707,835 at December 31, 2005			71
Retained earnings	85,872	71,068	81
Accumulated other comprehensive loss, net	(5,330)	(2,242)	(3)
	-----	-----	-----
Total Shareholders' Equity	152,797	139,634	149
	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$1,829,526	\$1,655,612	\$1,841
	=====	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

-2-

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

	Three months ended March 31,	
	2006	2005
	-----	-----
Interest and dividend income:		
Loans, including fees	\$25,069	\$19,527
Debt securities:		
Taxable	2,356	2,630
Tax exempt	462	415
Dividends	84	60
Federal funds sold	7	4
	-----	-----
Total interest income	27,978	22,636
	-----	-----
Interest Expense:		
Deposits	4,942	3,085
Federal funds purchased	750	172
Other borrowings	348	327
Junior subordinated debt	733	537
	-----	-----
Total interest expense	6,773	4,121
	-----	-----
Net interest income	21,205	18,515
	-----	-----
Provision for loan losses	500	100
	-----	-----
Net interest income after provision for loan losses	20,705	18,415
	-----	-----
Noninterest income:		
Service charges and fees	4,857	4,062
Gain on sale of loans	298	292
Commissions on sale of non-deposit investment products	558	532
Increase in cash value of life insurance	400	220
Other	335	221
	-----	-----
Total noninterest income	6,448	5,327
	-----	-----
Noninterest expense:		
Salaries and related benefits	9,156	8,369

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Other	7,266	6,744
Total noninterest expense	16,422	15,113
Income before income taxes	10,731	8,629
Provision for income taxes	4,196	3,390
Net income	\$6,535	\$5,239
Average shares outstanding	15,736,544	15,729,725
Diluted average shares outstanding	16,379,595	16,366,705
Per share data:		
Basic earnings	\$0.42	\$0.33
Diluted earnings	\$0.40	\$0.32
Dividends paid	\$0.12	\$0.11

See accompanying notes to unaudited condensed consolidated financial statements.

-3-

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

	Shares of Common Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2004	15,723,317	\$70,699	\$67,785	(\$352)	\$138,132
Comprehensive income:					
Net income			5,239		5,239
Change in net unrealized loss on Securities available for sale, net				(1,890)	(1,890)
Total comprehensive income					3,349
Stock options exercised	24,000	158			158
Tax benefit of stock options exercised		13			13
Repurchase of common stock	(13,800)	(62)	(224)		(286)
Dividends paid (\$0.11 per share)			(1,732)		(1,732)
Balance at March 31, 2005	15,733,517	\$70,808	\$71,068	(\$2,242)	\$139,634
Balance at December 31, 2005	15,707,835	\$71,412	\$81,906	(\$3,825)	\$149,493
Comprehensive income:					
Net income			6,535		6,535
Change in net unrealized loss on Securities available for sale, net				(1,505)	(1,505)
Total comprehensive income					5,030
Stock option vesting		139			139
Stock options exercised	100,380	841			841
Repurchase of common stock	(30,125)	(137)	(678)		(815)
Dividends paid (\$0.12 per share)			(1,891)		(1,891)

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Balance at March 31, 2006	15,778,090	\$72,255	\$85,872	(\$5,330)	\$152,797
---------------------------	------------	----------	----------	-----------	-----------

See accompanying notes to unaudited condensed consolidated financial statements.

-4-

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

	For the three months ended March 31	
	2006	2005
Operating activities:		
Net income	\$6,535	\$5,239
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment, and amortization	981	917
Amortization of intangible assets	346	343
Provision for loan losses	500	100
Amortization of investment securities premium, net	242	331
Originations of loans for resale	(17,935)	(15,660)
Proceeds from sale of loans originated for resale	18,064	15,780
Gain on sale of loans	(298)	(292)
Amortization of mortgage servicing rights	-	168
Change in fair value of mortgage servicing rights	(50)	-
Loss (gain) on sale of fixed assets	1	(6)
Increase in cash value of life insurance	(400)	(220)
Stock option expense	139	-
Change in:		
Interest receivable	92	27
Interest payable	757	103
Other assets and liabilities, net	1,909	616
Net cash provided by operating activities	10,883	7,446
Investing activities:		
Proceeds from maturities of securities available-for-sale	13,894	14,244
Purchases of securities available-for-sale	(896)	(25,525)
Purchase of Federal Home Loan Bank stock	(89)	-
Loan originations and principal collections, net	(15,155)	(9,528)
Proceeds from sale of premises and equipment	1	5
Purchases of premises and equipment	(615)	(1,513)
Net cash used by investing activities	(2,860)	(22,317)
Financing activities:		
Net increase in deposits	30,594	49,916
Net change in federal funds purchased	(51,000)	(25,700)
Payments of principal on long-term other borrowings	(14)	(13)
Net change in short-term other borrowings	65	37
Repurchase of Common Stock	-	(286)

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Dividends paid	(1,891)	(1,732)
Exercise of stock options	26	158
Net cash (used) provided by financing activities	(22,220)	22,380
Net change in cash and cash equivalents	(14,197)	7,509
Cash and cash equivalents and beginning of period	92,939	70,037
Cash and cash equivalents at end of period	\$78,742	\$77,546
Supplemental disclosure of noncash activities:		
Unrealized loss on securities available for sale	(\$2,597)	(\$3,233)
Value of shares tendered in lieu of cash paid to exercise stock options	\$815	-
Supplemental disclosure of cash flow activity:		
Cash paid for interest expense	\$6,016	\$4,018
Cash paid for income taxes	\$900	\$200
Income tax benefit from stock option exercises	-	\$13

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, 2006 and 2005 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, 2005.

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

Use of Estimates in the Preparation of Financial Statements

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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.

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, 2006, and throughout 2005, 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 loss in shareholders' equity until realized.

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

Federal Home Loan Bank Stock

The Bank is a member of the Federal Home Loan Bank of San Francisco ("FHLB"), and as a condition of membership, it is required to purchase stock. The amount of FHLB stock required to be purchased is based on the borrowing capacity desired by the Bank. While technically these are considered equity securities, there is no market for the FHLB stock. Therefore, the shares are considered as restricted investment securities. Such investment is carried at cost.

Loans Held for Sale

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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, 2006 and 2005, and December 31, 2005, the Company had no loans held for sale.

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

Loans

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

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.

-7-

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans and deposit related overdrafts are charged against the allowance for loan losses when Management believes that the collectibility of the principal is unlikely or, with respect to consumer installment loans, according to an established delinquency schedule. The allowance is an amount that Management believes will be adequate to absorb probable losses inherent in existing loans and leases, based on evaluations of the collectibility, impairment and prior loss experience of loans and leases. The evaluations take into consideration such factors as changes in the nature and size of the

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 and the reserve for unfunded commitments 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 Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2005.

Based on the current conditions of the loan portfolio, Management believes that the allowance for loan losses and the reserve for unfunded commitments, which collectively stand at \$18,457,000 at March 31, 2006, 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.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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,	
	2006	2005
Allowance for loan losses:		
Balance at beginning of period	\$16,226	\$14,525
Provision for loan losses	500	100
Loans charged off	(357)	(295)
Recoveries of previously charged-off loans	275	233
Net charge-offs	(82)	(62)
Balance at end of period	\$16,644	\$14,563
Reserve for unfunded commitments:		
Balance at beginning of period	\$1,813	\$1,532
Provision for losses - unfunded commitments	-	100
Balance at end of period	\$1,813	\$1,632
Balance at end of period:		
Allowance for loan losses	\$16,644	\$14,563
Reserve for unfunded commitments	1,813	1,632
Allowance for losses	\$18,457	\$16,195
As a percentage of total loans:		
Allowance for loan losses	1.19%	1.23%
Reserve for unfunded commitments	0.13%	0.14%
Allowance for losses	1.32%	1.37%

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 relative 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.

Effective with the Company's early adoption of SFAS 156, beginning as of January 1, 2006 MSRs are carried at fair value, with changes in fair value reported in

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

noninterest income in the period in which the change occurs. On or before December 31, 2005, MSR's were carried at the lower of amortized cost or market value. The cumulative effect related to the adoption of this change in accounting from lower of amortized cost or market value to fair value on January 1, 2006 was immaterial.

The determination of fair value of our MSR's requires management judgment because they are not actively traded. The determination of fair value for MSR's 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 MSR's, which we believe are consistent with assumptions used by market participants valuing similar MSR's, and from data obtained on the performance of similar MSR's. The key assumptions used in the valuation of MSR's 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 MSR's are prepayment speed and changes in interest rates.

-9-

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,	
	2006	2005
Mortgage servicing rights:		
Balance at beginning of period	\$3,638	\$3,476
Additions	169	172
Amortization	-	(168)
Change in fair value	50	-

Balance at end of period	\$3,857	\$3,480
	=====	
Servicing fees received	\$237	\$231
Balance of loans serviced at:		
Beginning of period	\$373,163	\$368,435
End of period	\$376,988	\$365,156
Weighted-average prepayment speed (CPR)	10.5%	11.7%
Discount rate	10.0%	10.0%

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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

Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and other intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

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

-10-

The following table summarizes the Company's core deposit intangibles as of March 31, 2006 and December 31, 2005.

(Dollar in Thousands)	December 31, 2005	Additions	Reductions	March 31, 2006
Core deposit intangibles	\$13,643	-	-	\$13,643
Accumulated amortization	(10,582)	-	(\$346)	(10,928)
Core deposit intangibles, net	\$3,061	-	(\$346)	\$2,715

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)
2006	\$1,395
2007	\$490
2008	\$523
2009	\$328
2010	\$260
Thereafter	\$65

The following table summarizes the Company's minimum pension liability intangible as of March 31, 2006 and December 31, 2005.

(Dollar in Thousands)	December 31, 2005	Additions	Reductions	March 31, 2006
Minimum pension liability				

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

intangible	\$1,346	-	-	\$1,346

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, 2006 and December 31, 2005.

	December 31, 2005	Additions	Reductions	March 31, 2006
(Dollar in Thousands)				
Goodwill	\$15,519	-	-	\$15,519

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.

-11-

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

Income Taxes

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

On January 1, 2006 the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123R), using the modified-prospective transition method. Under this transition method, compensation cost recognized during the quarter ended March 31, 2006 includes: (a) compensation cost for all share-based awards granted prior to, but not yet

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

vested as of, January 1, 2006, based on the grant-date fair value and related service period estimates in accordance with the original provisions of SFAS 123 and (b) compensation cost for all share-based awards granted subsequent to January 1, 2006, based on the grant-date fair value and related service periods estimated in accordance with the provisions of SFAS 123R. Under the provisions of the modified-prospective transition method, results for the three months ended March 31, 2005 have not been restated. Historically, stock options are the only type of share-based award granted by the Company.

Prior to the adoption of SFAS 123R, the Company used the intrinsic value method to account for its stock option plans (in accordance with the provisions of Accounting Principles Board Opinion No. 25). Intrinsic value is the difference between share fair market value and option exercise price. Under this method, compensation expense was recognized for awards of options to purchase shares of common stock to employees under compensatory plans only if the fair market value of the stock at the option grant date (or other measurement date, if later) was greater than the amount the employee was required to pay to acquire the stock. Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), permitted companies to continue using the intrinsic value method or to adopt a fair value based method to account for stock option plans. The fair value based method would have resulted in the recognition, as expense over the vesting period, of the fair value of all stock-based awards on the date of grant.

SFAS 123R clarifies and expands the guidance in SFAS 123 in several areas, including measuring fair value and attributing compensation cost to reporting periods. SFAS 123R includes a requirement to: (a) estimate forfeitures of share-based awards at the date of grant, (b) expense share-based awards granted to retirement eligible employees and those employees with non-substantive non-compete agreements immediately, (c) attribute compensation costs of share-based award grants to the stated future vesting period, (d) recognize compensation cost of all share-based awards based upon the grant-date fair value (including pre-2006 options).

The Company did not recognize any gain or loss resulting from the cumulative effect of a change in accounting principle upon adoption of SFAS 123R on January 1, 2006. Based on the stock-based compensation awards outstanding as of December 31, 2005, for which the requisite service was not fully rendered prior to January 1, 2006, and any subsequent option grants as of March 31, 2006, the Company expects to recognize total pre-tax compensation cost of approximately \$869,000 related to outstanding stock option grants, of which \$139,000 was recognized in the first quarter of 2006, in accordance with the accounting requirements of SFAS 123R. The after-tax effect of adopting SFAS 123R was a reduction of net income of \$100,000 and \$0, and a reduction in diluted earnings per share of \$0.006 and \$0, for the first quarters of 2006 and 2005, respectively. Future levels of compensation cost recognized related to stock-based compensation awards may be impacted by new awards and/or modifications, repurchases and cancellations of existing awards before and after the adoption SFAS 123R.

-12-

For the three months ended March 31, 2005, had compensation cost for the Company's option plans been determined using the fair-value method of SFAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(in thousands, except per share amounts)

Net income	As reported	\$5,239
------------	-------------	---------

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

	Pro forma	\$5,153
Basic earnings per share	As reported	\$0.33
	Pro forma	\$0.33
Diluted earnings per share	As reported	\$0.32
	Pro forma	\$0.31
Stock-based employee compensation		
cost, net of related tax effects,	As reported	\$0
included in net income	Pro forma	\$86

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model.

In May 2001, the Company adopted the TriCo Bancshares 2001 Stock Option Plan (2001 Plan) covering officers, employees, directors of, and consultants to the Company. Under the 2001 Plan, the option price cannot be less than the fair market value of the Common Stock at the date of grant except in the case of substitute options. Options for the 2001 Plan expire on the tenth anniversary of the grant date. Vesting schedules under the 2001 Plan are determined individually for each grant.

In May 1995, the Company adopted the TriCo Bancshares 1995 Incentive Stock Option Plan (1995 Plan) covering key employees. Under the 1995 Plan, the option price cannot be less than the fair market value of the Common Stock at the date of grant. Options for the 1995 Plan expire on the tenth anniversary of the grant date. Vesting schedules under the 1995 Plan are determined individually for each grant.

As of March 31, 2006, options for the purchase of 502,436 and 0 common shares remained available for grant under the 2001 and 1995 Plans, respectively. Shares issued under the Company's option plans are "new issue" shares rather than treasury shares.

Stock option activity for the three months ended March 31, 2006 and 2005 is summarized in the following tables:

	Number Of Shares	Option Price Per Share		Weighted Average Exercise Price	Weighted Average Fair Value of Grants
Outstanding at					
December 31, 2005	1,636,762	\$5.65	to	\$20.58	\$11.44
Options granted	-	-	to	-	-
Options exercised	(100,380)	\$7.08	to	\$9.13	\$8.37
Options forfeited	-	-	to	-	-
Outstanding at					
March 31, 2006	1,536,382	\$5.65	to	\$20.58	\$11.64
=====					
Outstanding at					
December 31, 2004	1,661,547	\$2.62	to	\$17.40	\$10.52
Options granted	65,000	\$19.35	to	\$19.35	\$4.56
Options exercised	(24,000)	\$5.37	to	\$12.60	\$6.57
Options forfeited	(496)	\$5.65	to	\$5.65	\$5.65
Outstanding at					
March 31, 2005	1,702,051	\$2.62	to	\$19.35	\$10.91
=====					

During the three months ended March 31, 2006, the intrinsic value of options

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

exercised and the fair value of options that vested were \$1,879,000 and \$139,000, respectively. No options were granted during the three months ended March 31, 2006.

During the three months ended March 31, 2005, the intrinsic value of options exercised and the fair value of options that vested were \$353,000 and \$169,000, respectively. The fair value of options granted during the three months ended March 31, 2005 was based on the following expectations: term of 8 years, volatility of 20.5%, annual rate of quarterly dividends of 2.27%, and a discount rate of 4.00%.

The total intrinsic value of stock options exercised during the quarter ended March 31, 2006 was \$1,879,000 for which no compensation costs were previously recognized nor tax benefits recognized in equity upon issuance. Cash received from the exercise of stock options during the three months ended March 31, 2006 totaled \$26,000. In addition, 30,125 shares of the Company's common stock with market value of \$815,000 were tendered by optionees and repurchased at market value by the Company, in lieu of cash, to exercise options during the three months ended March 31, 2006 as permitted by the Company's option plans.

The following table shows the number, weighted-average exercise price, and the weighted average remaining contractual life of options outstanding, and the number and weighted-average exercise price of options exercisable as of March 31, 2006 by range of exercise price:

Range of Exercise Price	Outstanding Options			Exercisable	
	Number	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (yrs.)	Number	Weighted-Average Exercise Price
\$4-\$6	1,442	\$5.82	3.83	1,442	
\$6-\$8	30,000	\$6.13	0.23	30,000	
\$8-\$10	734,420	\$8.24	4.76	734,420	
\$10-\$12	40,000	\$11.72	6.69	26,666	
\$12-\$14	387,000	\$12.71	7.17	293,666	
\$16-\$18	231,520	\$17.38	7.92	158,105	
\$18-\$20	65,000	\$19.35	8.90	27,084	
\$20-\$22	47,000	\$20.58	9.15	36,831	

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, total options outstanding as of March 31, 2006:

(dollars in thousands except exercise price)	Currently Exercisable	Currently Not Exercisable	Total Outstanding
Number of options	1,308,214	228,168	1,536,382
Weighted average exercise price	\$10.94	\$15.65	\$11.64
Intrinsic value	\$22,737	\$2,891	\$25,628
Weighted average remaining contractual term (yrs.)	5.82	7.77	6.11

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

The 228,168 options that are not currently exercisable as of March 31, 2006 are expected to vest, on a weighted-average basis, over the next 1.80 years, and the Company is expected to recognize \$730,000 of compensation costs related to these options as they vest.

-14-

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. In applying the treasury method, the Company uses the entire tax benefit that would result from the assumed issuance.

Earnings per share have been computed based on the following:

	Three Months Ended March 31,	
	2006	2005

	(in thousands)	
Net income	\$6,535	\$5,239
Average number of common shares outstanding	15,737	15,730
Effect of dilutive stock options	643	637

Average number of common shares outstanding used to calculate diluted earnings per share	16,380	16,367
	=====	

There were no options excluded from the computation of diluted earnings per share for the three month periods ended March 31, 2006 and 2005, 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 loss and related tax effects are as follows:

	Three Months Ended March 31,	
	2006	2005

	(in thousands)	
Unrealized holding losses on available-for-sale securities	(\$2,597)	(\$3,233)
Tax effect	1,092	1,343

Unrealized holding losses on available-for-sale securities, net of tax	(\$1,505)	(\$1,890)

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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

	March 31, 2006	December 31, 2005

	(in thousands)	
Net unrealized losses on available-for-sale securities	(\$7,347)	(\$4,750)
Tax effect	3,089	1,997

Unrealized holding losses on available-for-sale securities, net of tax	(4,258)	(2,753)

Minimum pension liability	(1,851)	(1,851)
Tax effect	779	779

Minimum pension liability, net of tax	(1,072)	(1,072)

Accumulated other comprehensive loss	(\$5,330)	(\$3,825)
	=====	

-15-

Retirement Plans

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

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

	Three Months Ended March 31, 2006	2005

	(in thousands)	
Net pension cost included the following components:		
Service cost-benefits earned during the period	\$139	\$104
Interest cost on projected benefit obligation	132	133
Amortization of net obligation at transition	-	56
Amortization of prior service cost	50	24
Recognized net actuarial loss	34	1

Net periodic pension cost	\$355	\$318
	=====	

During the three months ended March 31, 2006 and 2005, the Company contributed and paid out as benefits \$151,000 and \$152,000, respectively, to participants under the plans. For the year ending December 31, 2006, the Company expects to contribute and pay out as benefits \$530,000 to participants under the plans.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Payment (SFAS 123R), which replaces SFAS No. 123, Accounting for Stock-Based Compensation, (SFAS 123) and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first interim reporting period of the Company's fiscal year beginning after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. The Company adopted SFAS 123R on January 1, 2006 using a modified version of prospective application ("modified prospective application"). Under modified prospective application, as it is applicable to the Company, SFAS 123R applies to new grants and to grants modified, repurchased, or cancelled after January 1, 2006. Additionally, compensation cost for the portion of grants for which the requisite service has not been rendered (generally referring to non-vested grants) that are outstanding as of January 1, 2006 must be recognized as the remaining requisite service is rendered during the period of and/or the periods after the adoption of SFAS 123R. The attribution of compensation cost for those earlier grants will be based on the same method and on the same grant-date fair values previously determined for the pro forma disclosures required for companies that did not adopt the fair value accounting method for stock-based employee compensation.

The Company did not recognize any gain or loss resulting from the cumulative effect of a change in accounting principle upon adoption of SFAS 123R on January 1, 2006. Based on the stock-based compensation awards outstanding as of December 31, 2005, for which the requisite service was not fully rendered prior to January 1, 2006, and any subsequent option grants as of March 31, 2006, the Company expects to recognize total pre-tax compensation cost of approximately \$869,000 related to outstanding stock option grants, of which \$139,000 was recognized in the first quarter of 2006, in accordance with the accounting requirements of SFAS 123R. The after-tax effect of adopting SFAS 123R was a reduction of net income of \$100,000 and \$0, and a reduction in diluted earnings per share of \$0.006 and \$0, for the first quarters of 2006 and 2005, respectively. Future levels of compensation cost recognized related to stock-based compensation awards may be impacted by new awards and/or modifications, repurchases and cancellations of existing awards before and after the adoption SFAS 123R.

-16-

In March 2006, the FASB issued FASB Statement of Financial Accounting Standards No. 156, Accounting for Servicing of Financial Assets, (SFAS 156) an amendment of FASB Statement No. 140. SFAS 156 requires all separately-recognized servicing assets and liabilities to be initially measured at fair value, and permits companies to elect, on a class-by-class basis, to account for servicing assets and liabilities on either a lower of cost or market value basis or a fair value measurement basis.

The Company elected to early adopt SFAS 156 as of January 1, 2006 and to measure residential mortgage servicing rights (MSRs) at fair value. At December 31, 2005, MSRs were accounted for at the lower of amortized cost or market value basis. As a result of adopting SFAS 156, the Company's adjustment to opening retained earnings as of January 1, 2006, representing the effect of remeasuring all MSRs that existed at December 31, 2005 from a lower of amortized cost or market basis to a fair value basis, was immaterial.

Reclassifications

Certain amounts previously reported in the 2005 financial statements have been reclassified to conform to the 2006 presentation. These reclassifications did not affect previously reported net income or total shareholders' equity.

-17-

TRICO BANCSHARES Financial Summary (in thousands, except per share amounts)		
(Unaudited) Three months ended March 31,		
	2006	2005
Net Interest Income (FTE)	\$21,468	\$18,756
Provision for loan losses	(500)	(100)
Noninterest income	6,448	5,327
Noninterest expense	(16,422)	(15,113)
Provision for income taxes (FTE)	(4,459)	(3,631)
Net income	\$6,535	\$5,239
Earnings per share:		
Basic	\$0.42	\$0.33
Diluted	\$0.40	\$0.32
Per share:		
Dividends paid	\$0.12	\$0.11
Book value at period end	9.68	8.88
Tangible book value at period end	8.44	7.57
Average common shares outstanding	15,737	15,730
Average diluted common shares outstanding	16,380	16,367
Shares outstanding at period end	15,778	15,734
At period end:		
Loans, net	\$1,383,464	\$1,167,870
Total assets	1,829,526	1,655,612
Total deposits	1,527,391	1,398,749
Other borrowings	31,441	28,176
Junior subordinated debt	41,238	41,238
Shareholders' equity	152,797	139,634
Financial Ratios:		
During the period (annualized):		
Return on assets	1.43%	1.29%
Return on equity	16.93%	14.83%
Net interest margin(1)	5.21%	5.12%
Net loan charge-offs to average loans	0.01%	0.01%
Efficiency ratio(1)	58.83%	62.75%
Average equity to average assets	8.47%	8.67%
At period end:		
Equity to assets	8.35%	8.43%
Total capital to risk-adjusted assets	11.09%	11.91%
Allowance for losses to loans(2)	1.32%	1.37%

(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.

Critical Accounting Policies and Estimates

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

Results of Operations

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

The Company had quarterly earnings of \$6,535,000, or \$0.40 per diluted share, for the three months ended March 31, 2006. These results represent a 25.0% increase from the \$0.32 earnings per diluted share reported for the three months ended March 31, 2005 on earnings of \$5,239,000. The improvement in results from the year-ago quarter was due to a \$2,712,000 (14.5%) increase in fully tax-equivalent net interest income to \$21,468,000, and a \$1,121,000 (21.0%) increase in noninterest income. These contributing factors were partially offset by a \$400,000 (400%) increase in provision for loan losses to \$500,000 and a \$1,309,000 (8.7%) increase in noninterest expense to \$16,422,000 for the quarter ended March 31, 2006.

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,	
	----- 2006	2005 -----
Net Interest Income (FTE)	\$21,468	\$18,756

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Provision for loan losses	(500)	(100)
Noninterest income	6,448	5,327
Noninterest expense	(16,422)	(15,113)
Provision for income taxes (FTE)	(4,459)	(3,631)
	-----	-----
Net income	\$6,535	\$5,239
	=====	=====

-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,	
	2006	2005
	-----	-----
Interest income	\$27,978	\$22,636
Interest expense	(6,773)	(4,121)
FTE adjustment	263	241
	-----	-----
Net interest income (FTE)	\$21,468	\$18,756
	=====	=====
Average earning assets	\$1,646,777	\$1,464,028
Net interest margin (FTE)	5.21%	5.12%

The Company's primary source of revenue is net interest income, or the difference between interest income on earning assets and interest expense in interest-bearing liabilities. Net interest income (FTE) during the first quarter of 2006 increased \$2,712,000 (14.5%) from the same period in 2005 to \$21,468,000. The increase in net interest income (FTE) was due to a \$182,749,000 (12.5%) increase in average balances of earning assets to \$1,646,777,000 and a 0.09% increase in net interest margin (FTE) to 5.21%.

Interest and Fee Income

Interest and fee income (FTE) for the first quarter of 2006 increased \$5,364,000 (23.4%) from the first quarter of 2005. The increase was due to the \$182,749,000 (12.5%) increase in average interest-earning assets and a 0.61% increase in the yield on those average earning assets to 6.86%. The growth in interest-earning assets was the result of a \$217,502,000 (18.6%) increase in average loan balances to \$1,384,541,000 that was offset by a \$34,813,000 (11.7%) decrease in average balance of investments to \$261,568,000.

Contributing to the 0.61% increase in average yield on interest-earning assets was a 0.55% increase in average yield on loans to 7.24% in the quarter ended March 31, 2006 compared to 6.69% in the year-ago quarter. This 0.55% increase in average yield on loans is primarily the result of increases in short-term lending rates including the prime rate of lending which increased steadily from 5.25% at December 31, 2004 to 7.75% at March 31, 2006. The average yield on the Company's combined taxable and nontaxable investment balances increased 0.32% to 4.84% in the quarter ended March 31, 2006 compared to 4.52% in the year-ago quarter. The increase in the average yield on investment balances was primarily due to maturity of lower yielding fixed rate mortgage backed securities.

-20-

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Interest Expense

Interest expense increased \$2,652,000 (64.4%) in the first quarter of 2006 compared to the year-ago quarter. The increase was due to a 0.68% increase in the average rate paid on interest-bearing liabilities from 1.43% in the first quarter of 2005 to 2.11% in the first quarter of 2006.

The average balance of interest-bearing liabilities increased \$134,721,000 (11.7%) in the first quarter of 2006 compared to the year-ago quarter. The average balance of interest-bearing demand deposits, time deposits, and Federal funds purchased were up \$8,184,000 (3.4%), \$133,541,000 (40.4%), and \$39,357,000 (138%), respectively, from the year-ago quarter. In addition, the average balance of noninterest-bearing deposits increased \$44,291,000 (14.2%) from the year-ago quarter. The average balance of savings deposits was down \$50,255,000 (10.4%) from the year-ago quarter. The average rates paid for all categories of interest-bearing liabilities except interest-bearing demand deposits and other borrowings were up due to increases in market rates. The average rate paid on savings deposits, time deposits, federal funds purchased, and junior subordinated debt increased 0.02%, 0.93%, 2.01%, and 1.90%, respectively, to 0.74%, 3.47%, 4.42%, and 7.11%, respectively. The average rate paid on interest-bearing demand deposits was unchanged at 0.20% while the average rate paid on other borrowings decreased 0.30% basis points to 4.35% due to the addition of short-term other borrowings at significantly lower rates than what previously existed in that category.

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,	
	2006	2005
Yield on earning assets	6.86%	6.25%
Rate paid on interest-bearing liabilities	2.11%	1.42%
Net interest spread	4.75%	4.82%
Impact of all other net noninterest-bearing funds	0.46%	0.30%
Net interest margin	5.21%	5.12%

Net interest margin in the first quarter of 2006 increased 0.09% compared to the first quarter of 2005. This increase in net interest margin was mainly due to a larger favorable impact of all other net noninterest-bearing funds, principally noninterest-bearing demand deposits, offset by a slightly reduced net interest spread when compared to the year-ago quarter.

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 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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, 2006			March 31, 2005		
	Average Balance	Interest Income/ Expense	Rates Earned Paid	Average Balance	Interest Income/ Expense	Ra Ear Pa
Assets:						
Loans	\$1,384,541	\$25,069	7.24%	\$1,167,039	\$19,527	6.
Investment securities - taxable	226,164	2,440	4.32%	264,015	2,690	4.
Investment securities - nontaxable	35,403	725	8.20%	32,366	656	8.
Federal funds sold	669	7	4.19%	608	4	2.
Total earning assets	1,646,777	28,241	6.86%	1,464,028	22,877	6.
Other assets	175,664			164,799		
Total assets	\$1,822,441			\$1,628,827		
Liabilities and shareholders' equity:						
Interest-bearing demand deposits	\$247,466	122	0.20%	\$239,282	121	0.
Savings deposits	432,206	797	0.74%	482,461	870	0.
Time deposits	463,884	4,023	3.47%	330,343	2,094	2.
Federal funds purchased	67,926	750	4.42%	28,569	172	2.
Other borrowings	32,006	348	4.35%	28,112	327	4.
Junior subordinated debt	41,238	733	7.11%	41,238	537	5.
Total interest-bearing liabilities	1,284,726	6,773	2.11%	1,150,005	4,121	1.
Noninterest-bearing deposits	355,269			310,978		
Other liabilities	28,036			26,580		
Shareholders' equity	154,410			141,264		
Total liabilities and shareholders' equity	\$1,822,441			\$1,628,827		
Net interest spread(1)			4.75%			4.
Net interest income and interest margin(2)		\$21,468	5.21%		\$18,756	5.

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

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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Asset and Liability Balances and Yields Earned and Rates Paid

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

	Three months ended March 31, 2006 compared with three months ended March 31, 2005		
	Volume	Rate	Total

Increase (decrease) in interest income:			
Loans	\$3,638	\$1,904	\$5,542
Investment securities	(393)	212	(181)
Federal funds sold	-	3	3

Total earning assets	3,245	2,119	5,364

Increase (decrease) in interest expense:			
Interest-bearing demand deposits	4	(3)	1
Savings deposits	(90)	17	(73)
Time deposits	848	1,081	1,929
Federal funds purchased	237	341	578
Other borrowings	45	(24)	21
Junior subordinated debt	-	196	196

Total interest-bearing liabilities	1,044	1,608	2,652

Increase (decrease) in Net Interest Income	\$2,201	\$511	\$2,712
	=====		

Provision for Loan Losses

The Company provided \$500,000 for loan losses in the first quarter of 2006 versus \$100,000 in the first quarter of 2005. During the first quarter of 2006, the Company recorded \$82,000 of net loan charge-offs versus \$62,000 of net loan charge-offs in the year-ago quarter.

Noninterest Income

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

	Three months ended March 31,	
	2006	2005

Service charges on deposit accounts	\$3,474	\$3,034
ATM fees and interchange	818	712
Other service fees	515	484
Amortization of mortgage servicing rights	-	(168)
Change in value of mortgage servicing rights	50	-
Gain on sale of loans	298	292
Commissions on sale of nondeposit investment products	558	532
Increase in cash value of life insurance	400	220
Other noninterest income	335	221

Total noninterest income	\$6,448	\$5,327
	=====	

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Noninterest income for the first quarter of 2006 increased \$1,121,000 (21.0%) from the year-ago quarter. The increase in noninterest income from the year-ago quarter was mainly due to a \$440,000 (14.5%) increase in service charges on deposit accounts to \$3,474,000, a \$180,000 (81.8%) gain in the increase in cash value of life insurance, and a \$218,000 increase related to the change in value of mortgage servicing rights. The increase in service charges on deposit accounts was primarily due to the introduction of a business overdraft privilege product in March 2005 and growth in customer count. The gain in the increase in cash value of life insurance was due to higher earning rates on the related insurance policies. The increased related to the change in value of mortgage servicing rights is due to the adoption of market value accounting for mortgage servicing rights effective January 1, 2006 and the related change in market value from January 1, 2006 to March 31, 2006.

-23-

Noninterest Expense

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

	Three months ended March 31,	
	2006	2005
Salaries & benefits	\$9,156	\$8,369
Equipment	1,145	993
Occupancy	1,022	980
Advertising and marketing	440	342
ATM network charges	434	371
Data processing and software	412	374
Professional fees	380	407
Telecommunications	370	384
Intangible amortization	346	343
Courier service	297	278
Postage	244	237
Assessments	80	76
Operational losses	44	26
Other	2,052	1,933

Total	\$16,422	\$15,113
	=====	
Average full time equivalent staff	607	565
Noninterest expense to revenue (FTE)	58.83%	62.75%

Noninterest expense for the first quarter of 2006 increased \$1,309,000 (8.7%) compared to the first quarter of 2005. Salaries and benefits expense increased \$787,000 (9.4%) to \$9,156,000. The increase in salaries and benefits expense was mainly due to annual salary increases, and new employees at the Company's recently opened branches in Lincoln (February 2005), Folsom-East Bidwell (March 2005), Roseville-Pleasant Grove (November 2005), Yuba City-Marketplace (January 2006), and Folsom-Empire Ranch (March 2006). Other categories of noninterest expense such as equipment, occupancy, ATM network charges, and other also increased, in part, due to these newly opened branches. Advertising and marketing expense increased \$98,000 (28.7%) to \$440,000.

Provision for Income Tax

The effective tax rate for the three months ended March 31, 2006 was 39.1% and reflects a decrease from 39.3% for the three months ended March 31, 2005. The provision for income taxes for all periods presented is primarily attributable to the respective level of earnings and the incidence of allowable deductions,

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

particularly from increase in cash value of life insurance, tax-exempt loans and state and municipal securities.

-24-

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, 2006			At December 31, 2005		
	Gross	Guaranteed	Net	Gross	Guaranteed	Net
Classified loans	\$13,936	\$7,257	\$6,679	\$13,086	\$7,110	\$5,976
Other classified assets	-	-	-	-	-	-
Total classified assets	\$13,936	\$7,257	\$6,679	\$13,086	\$7,110	\$5,976
Allowance for loan losses/classified loans			249.2%			271.5%

Classified assets, net of guarantees of the U.S. Government, including its agencies and its government-sponsored agencies increased \$703,000 (11.8%) to \$6,679,000 at March 31, 2006 from \$5,976,000 at December 31, 2005.

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, 2006, if all such loans had been current in accordance with their original terms, totaled \$357,000. Interest income actually

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

recognized on these loans during the three months ended March 31, 2006 was \$249,000.

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

-25-

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

As shown in the following table, total nonperforming assets net of guarantees of the U.S. Government, including its agencies and its government-sponsored agencies, increased \$1,087,000 (36.7%) to \$4,048,000 during the first three months of 2006. Nonperforming assets net of guarantees represent 0.22% 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.

(dollars in thousands):

	At March 31, 2006			At December 31, 2005		
	Gross	Guaranteed	Net	Gross	Guaranteed	Net
Performing nonaccrual loans	\$9,871	\$6,826	\$3,045	\$9,315	\$6,933	\$2,382
Nonperforming, nonaccrual loans	1,286	283	1,003	579	-	579
Total nonaccrual loans	11,157	7,109	4,048	9,894	6,933	2,961
Loans 90 days past due and still accruing	-	-	-	-	-	-
Total nonperforming loans	11,157	7,109	4,048	9,894	6,933	2,961
Other real estate owned	-	-	-	-	-	-
Total nonperforming assets	\$11,157	\$7,109	\$4,048	\$9,894	\$6,933	\$2,961
Nonperforming loans to total loans			0.29%			0.22%
Nonperforming assets to total assets			0.22%			0.17%
Allowance for loan losses to nonperforming loans			411%			54%

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.

On March 11, 2004, the Board of Directors approved an increase in the maximum

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

number of shares to be repurchased under the Company's stock repurchase plan originally announced on July 31, 2003 from 250,000 to 500,000 effective on April 9, 2004, solely to conform with the two-for-one stock split effective on April 9, 2004. The 250,000 shares originally authorized for repurchase under this plan represented approximately 3.2% of the Company's approximately 7,852,000 common shares outstanding as of July 31, 2003. This plan has no stated expiration date for the repurchases, which may occur from time to time as market conditions allow. As of March 31, 2006, the Company had repurchased 374,371 shares under this plan as adjusted for the 2-for-1 stock split paid on April 30, 2004, which left 125,629 shares available for repurchase under the plan.

The Company's primary capital resource is shareholders' equity, which was \$152,797,000 at March 31, 2006. This amount represents an increase of \$3,304,000 from December 31, 2005, the net result of comprehensive income for the period of \$5,030,000, the issuance of common shares via the exercise of stock options of \$841,000, and the effect of stock option vesting of \$139,000, partially offset by the retirement of common stock with value of \$815,000 tendered by employees, in lieu of cash, to exercise stock options, and dividends paid of \$1,891,000. The Company's ratio of equity to total assets was 8.35%, 8.43%, and 8.12% as of March 31, 2006, March 31, 2005, and December 31, 2005, respectively.

-26-

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

	At March 31,		At December 31,	Minimum Regulatory Requirement
	2006	2005	2005	
Tier I Capital	10.04%	10.81%	9.76%	4.00%
Total Capital	11.09%	11.91%	10.79%	8.00%
Leverage ratio	9.82%	9.95%	9.72%	4.00%

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, 2006 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 \$606,542,000 and \$626,490,000 at March 31, 2006 and December 31, 2005, respectively, and represent 43.3% of the total loans outstanding at March 31, 2006 versus 45.2% at December 31, 2005. Commitments related to the Bank's deposit overdraft privilege product totaled \$35,890,000 and \$35,002,000 at March 31, 2006 and December 31, 2005, respectively.

Certain Contractual Obligations

The following chart summarizes certain contractual obligations of the Company as of December 31, 2005:

(dollars in thousands)	Total	Less than one year	1-3 years	3-5 years
Federal funds purchased	\$96,800	\$96,800	-	-
FHLB loan, fixed rate of 5.41%				

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

payable on April 7, 2008, callable in its entirety by FHLB on a quarterly basis beginning April 7, 2003	20,000	-	20,000	-
FHLB loan, fixed rate of 5.35% payable on December 9, 2008	1,500	-	1,500	-
FHLB loan, fixed rate of 5.77% payable on February 23, 2009	1,000	-	-	1,000
Capital lease obligation on premises, effective rate of 13% payable monthly in varying amounts through December 1, 2009	293	-	-	293
Other collateralized borrowings, fixed rate of 1.44% payable on January 3, 2006	8,597	8,597	-	-
Junior subordinated debt, adjustable rate of three-month LIBOR plus 3.05%, callable in whole or in part by the Company on a quarterly basis beginning October 7, 2008, matures October 7, 2033	20,619	-	-	-
Junior subordinated debt, adjustable rate of three-month LIBOR plus 2.55%, callable in whole or in part by the Company on a quarterly basis beginning July 23, 2009, matures July 23, 2034	20,619	-	-	-
Operating lease obligations	7,095	1,522	2,600	1,888
Deferred compensation(1)	1,464	264	481	454
Supplemental retirement plans(1)	4,528	477	938	926
Employment agreements	119	119	-	-
 Total contractual obligations	 \$182,634	 \$107,779	 \$25,519	 \$4,561

(1) These amounts represent known certain payments to participants under the Company's deferred compensation and supplemental retirement plans. See "Retirement Plans" at Part I, Item 1 of this report for additional information related to the Company's deferred compensation and supplemental retirement plan liabilities.

-27-

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Asset and Liability Management

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

Activities involved in asset/liability management include but are not limited to lending, accepting and placing deposits, investing in securities and issuing debt. Interest rate risk is the primary market risk associated with asset/liability management. Sensitivity of earnings to interest rate changes 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

earnings even in periods of volatile interest rates. The asset/liability management policy sets limits on the acceptable amount of variance in net interest margin, net income and market value of equity under changing interest environments. Market value of equity is the net present value of estimated cash flows from the Company's assets, liabilities and off-balance sheet items. The Company uses simulation models to forecast net interest margin, net income and market value of equity.

Simulation of net interest margin, net income and market value of equity under various interest rate scenarios is the primary tool used to measure interest rate risk. Using computer-modeling techniques, the Company is able to estimate the potential impact of changing interest rates on net interest margin, net income and market value of equity. A balance sheet forecast is prepared using inputs of actual loan, securities and interest-bearing liability (i.e. deposits/borrowings) positions as the beginning base.

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

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

At March 31, 2006, 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, 2006 and 2005, the Company had no derivative financial instruments.

-28-

Liquidity

The Company's principal source of asset liquidity is federal funds sold and marketable investment securities available for sale. At March 31, 2006, federal funds sold and investment securities available for sale totaled \$244,441,000, representing a decrease of \$18,214,000 (6.9%) from December 31, 2005, and a decrease of \$49,470,000 (16.8%) from March 31, 2005. In addition, the Company generates additional liquidity from its operating activities. The Company's profitability during the first three months of 2006 generated cash flows from

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

operations of \$10,833,000 compared to \$7,446,000 during the first three months of 2005. Additional cash flows may be provided by financing activities, primarily the acceptance of deposits and borrowings from banks. Sales and maturities of investment securities produced cash inflows of \$13,894,000 during the three months ended March 31, 2005 compared to \$14,244,000 for the three months ended March 31, 2006. During the three months ended March 31, 2006, the Company invested \$985,000 and \$15,155,000 in securities and net loan growth, respectively, compared to \$25,525,000 and \$9,528,000 invested in securities and net loan growth, respectively, during the first three months of 2005. These changes in investment and loan balances contributed to net cash used for investing activities of \$2,860,000 during the three months ended March 31, 2006, compared to net cash used for investing activities of \$22,317,000 during the three months ended March 31, 2005. Financing activities used net cash of \$22,220,000 during the three months ended March 31, 2006, compared to net cash provided by financing activities of \$22,380,000 during the three months ended March 31, 2005. Deposit balance increases accounted for \$30,594,000 of financing sources of funds during the three months ended March 31, 2006, compared to \$49,916,000 during the three months ended March 31, 2005. Dividends paid used \$1,891,000 and \$1,732,000 of cash during the three months ended March 31, 2006 and 2005, respectively. Decreases in Federal funds purchased used \$51,000,000 and \$25,700,000 of cash, respectively, during the quarters ended March 31, 2006 and 2005, respectively. 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, 2006 ("Evaluation Date"). Based on that evaluation, they concluded that as of the Evaluation Date the Company's disclosure controls and procedures are effective to allow timely communication to them of information relating to the Company and the Bank required to be disclosed in its filings with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended ("Exchange Act"). Disclosure controls and procedures are Company controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No changes in the Company's internal control over financial reporting occurred during the first quarter of 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

-29-

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

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

Item 1A - Risk Factors

There have been no material changes to the risk factors previously disclosed in

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

Item 1A to Part I of our Annual Report on Form 10-K for the year ended December 31, 2005.

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 2006 pursuant to the Company's stock repurchase plan originally announced on July 31, 2003, as amended on March 11, 2004, to conform with the Company's two-for-one stock split effective on April 9, 2004, which is discussed in more detail under "Capital Resources" in this report:

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, 2006	-	-	-	125,629
Feb. 1-28, 2006	-	-	-	125,629
Mar. 1-31, 2006	-	-	-	125,629
Total	-	-	-	125,629

During the quarter ended March 31, 2006, Employees tendered 30,125 shares of the Company's common stock with an average market value of \$27.05 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 of option exercise.

Item 6 - Exhibits

- 3.1* Restated Articles of Incorporation dated May 9, 2003, filed as Exhibit 3.1 to TriCo's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
- 3.2* Bylaws of TriCo Bancshares, as amended, filed as Exhibit 3.2 to TriCo's Form S-4 Registration Statement dated January 16, 2003 (No. 333-102546).
- 4* Certificate of Determination of Preferences of Series AA Junior Participating Preferred Stock filed as Exhibit 3.3 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
- 10.1* Rights Agreement dated June 25, 2001, between TriCo and Mellon Investor Services LLC filed as Exhibit 1 to TriCo's Form 8-A dated July 25, 2001.
- 10.2* Form of Change of Control Agreement dated July 20, 2004, between TriCo and each of Craig Carney, Gary Coelho, W.R. Hagstrom, Andrew Mastorakis, 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 June 30, 2004.

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

-30-

- 10.3* TriCo's 1993 Non-Qualified Stock Option Plan filed as Exhibit 4.1 to TriCo's Form S-8 Registration Statement dated January 18, 1995 (No. 33-88704).
- 10.4* TriCo's Non-Qualified Stock Option Plan filed as Exhibit 4.2 to TriCo's Form S-8 Registration Statement dated January 18, 1995 (No. 33-88704).
- 10.5* TriCo's Incentive Stock Option Plan filed as Exhibit 4.3 to TriCo's Form S-8 Registration Statement dated January 18, 1995 (No. 33-88704).
- 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 Annual Report on Form 10-K for the year ended December 31, 2004.
- 10.8* Employment Agreement between TriCo and Richard Smith dated April 20, 2004 filed as Exhibit 10.8 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
- 10.9* Tri Counties Bank Executive Deferred Compensation Plan dated September 1, 1987, as restated April 1, 1992, and amended and restated effective as of January 1, 2004 filed as Exhibit 10.9 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
- 10.10* Tri Counties Bank Deferred Compensation Plan for Directors effective April 1, 1992, as amended and restated effective as of January 1, 2004 filed as Exhibit 10.10 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
- 10.11* Amendments to Tri Counties Bank Executive Deferred Compensation Plan referenced at Exhibit 10.9, effective as of January 1, 2005 filed as Exhibit 10.11 to TriCo's Annual Report on Form 10-K for the year ended December 31, 2004.
- 10.12* Amendments to Tri Counties Bank Deferred Compensation Plan for Directors referenced at Exhibit 10.10, effective as of January 1, 2005 filed as Exhibit 10.12 to TriCo's Annual Report on Form 10-K for the year ended December 31, 2004.
- 10.13* Tri Counties Bank Supplemental Retirement Plan for Directors dated September 1, 1987, as restated January 1, 2001, and amended and restated January 1, 2004 filed as Exhibit 10.12 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
- 10.14* 2004 TriCo Bancshares Supplemental Retirement Plan for Directors effective January 1, 2004 filed as Exhibit 10.13 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
- 10.15* Tri Counties Bank Supplemental Executive Retirement Plan effective September 1, 1987, as amended and restated January 1,

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

2004 filed as Exhibit 10.14 to TriCo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.

-31-

- 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, Andrew Mastorakis, 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, Wendell Lundberg, Donald Murphy, Carroll Taresh, and Alex Vereshagin, filed as Exhibit 10.15 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
- 10.19* Form of Tri-Counties Bank Executive Long Term Care Agreement effective June 10, 2003 between Tri Counties Bank and each of Craig Carney, Andrew Mastorakis, Richard Miller, Richard O'Sullivan, and Thomas Reddish, filed as Exhibit 10.16 to TriCo's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
- 10.20* Form of Tri-Counties Bank Director Long Term Care Agreement effective June 10, 2003 between Tri Counties Bank and each of Don Amaral, William Casey, Craig Compton, John Hasbrook, Michael Koehnen, Donald Murphy, Carroll Taresh, and Alex Verischagin, 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 Craig Carney, W.R. Hagstrom, Andrew Mastorakis, 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
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of CFO

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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 2, 2005

/s/ Thomas J. Reddish

Thomas J. Reddish
Executive Vice President and
Chief Financial Officer

-33-

EXHIBITS

Exhibit 31.1

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

I, Richard P. Smith, certify that;

1. I have reviewed this quarterly report on Form 10-Q of TriCo Bancshares;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal control over financial reporting (as defined in Exchange Act Rules 13-d-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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

- supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors;
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2006

/s/ Richard P. Smith

Richard P. Smith
President and Chief Executive Officer

-34-

Exhibit 31.2

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

I, Thomas J. Reddish, certify that;

1. I have reviewed this quarterly report on Form 10-Q of TriCo Bancshares;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

- this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal control over financial reporting (as defined in Exchange Act Rules 13-d-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors;
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2006

/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, 2006 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

Edgar Filing: TRICO BANCSHARES / - Form 10-Q

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, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas J. Reddish, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/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.