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TRICO BANCSHARES /  
Form 8-K  
February 04, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

February 2, 2009

TriCo Bancshares  
(Exact name of registrant as specified in its charter)

|  |                       |   |
|--|-----------------------|---|
| California   | 0-10661               | 94-2792841                              |
| -----  | -----                 | -----                                   |
| (State or other<br>jurisdiction of<br>incorporation or organization) | (Commission File No.) | (I.R.S. Employer<br>Identification No.) |

63 Constitution Drive, Chico, California 95973

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(Address of principal executive offices) (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02: Results of Operations and Financial Condition

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On February 2, 2009 TriCo Bancshares announced its quarterly earnings for the period ended December 31, 2008. A copy of the press release is attached as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

Item 9.01: Exhibits

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(c) Exhibits

99.1 Press release dated February 2, 2009

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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, thereunto duly authorized.

TRICO BANCSHARES

Date: February 3, 2009

By: /s/ Thomas J. Reddish

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Thomas J. Reddish, Executive Vice  
President and Chief Financial Officer  
(Principal Financial and Accounting  
Officer)

INDEX TO EXHIBITS

| Exhibit No. | Description                          |
|-------------|--------------------------------------|
| -----       | -----                                |
| 99.1        | Press release dated February 2, 2009 |

PRESS RELEASE  
For Immediate Release

Contact: Richard P. Smith  
President & CEO (530) 898-0300

TRICO BANCSHARES ANNOUNCES ANNUAL AND QUARTERLY EARNINGS FOR THE PERIODS ENDED  
DECEMBER 31, 2008

CHICO, Calif. - (February 2, 2009) - TriCo Bancshares (NASDAQ: TCBK), parent company of Tri Counties Bank, today announced annual earnings of \$16,798,000 for the year ended December 31, 2008. This represents a 34.6% decrease when compared with earnings of \$25,693,000 for the year ended December 31, 2007. Diluted earnings per share for the year ended December 31, 2008 decreased 33.1% to \$1.05 from \$1.57 for the year ended December 31, 2007. Total assets of the Company increased \$63 million (3.2%) to \$2.043 billion at December 31, 2008 versus \$1.980 billion at December 31, 2007. Total loans of the Company increased \$39 million (2.5%) to \$1.591 billion at December 31, 2008 versus \$1.552 billion at December 31, 2007. Total deposits of the Company increased \$124 million (8.0%) to \$1.669 billion at December 31, 2008 versus \$1.545 billion at December 31, 2007.

Net income for the quarter ended December 31, 2008 decreased \$1,460,000 (25.6%) to \$4,241,000 from \$5,701,000 in the quarter ended December 31, 2007. Diluted earnings per share decreased 25.7% to \$0.26 in the quarter ended December 31, 2008 from \$0.35 in the quarter ended December 31, 2007.

The \$1,460,000 decrease in earnings for the quarter ended December 31, 2008 over the year-ago quarter was due to a \$4,100,000 (304%) increase in provision for loan losses and a decrease of \$949,000 (13.3%) in noninterest income, that were partially offset by an increase of \$1,305,000 (6.1%) in net interest income and a decrease of \$1,019,000 (5.7%) in noninterest expense.

The \$1,305,000 increase in net interest income to \$22,615,000 was due to a \$64 million (3.6%) increase in average balance of interest-earning assets and a 10 basis point increase in fully tax-equivalent net interest margin to 4.95% during

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the quarter ended December 31, 2008 versus 4.85% during the quarter ended December 31, 2007.

The provision for loan loss was \$5,450,000 and \$1,350,000 during the quarters ended December 31, 2008 and December 31, 2007, respectively. Net loan charge-offs were \$2,448,000 during the quarter ended December 31, 2008 compared to \$1,158,000 during the quarter ended December 31, 2007. The \$2,448,000 of net loan charge-offs during the quarter ended December 31, 2008 were comprised of \$1,140,000 of home equity lines of credit and loans, \$378,000 of indirect auto loans, \$330,000 of residential mortgages, \$189,000 of residential construction, \$175,000 of small business loans, and \$236,000 of other loans. The \$1,158,000 of net loan charge-offs during the quarter ended December 31, 2007 were comprised of \$436,000 of home equity lines of credit and loans, \$556,000 of indirect auto loans, \$84,000 of small business loans, and \$82,000 of other loans. Nonperforming loans, net of government agency guarantees, were \$27,525,000 at December 31, 2008 compared to \$17,041,000 and \$7,511,000 at September 30, 2008 and December 31, 2007, respectively. The increase in nonperforming loans during the quarter ended December 31, 2008 was mainly due to a single \$5,683,000 real estate construction loan that was previously classified and substantially reserved that was deemed nonperforming during the most recent quarter due to continued downward pressure on residential real estate values and the unlikely near-term development of this single family residential development. In addition, approximately \$1.6 million of agriculture loans, \$1.1 million of Home equity lines of credit and \$900,000 and residential 1st mortgages became nonperforming in the most recent quarter. The \$1.6 million increase in agriculture nonperforming loans was due to a single loan that is well secured. At December 31, 2008, the Company's allowance for losses, which consists of the allowance for loan losses (\$27,590,000) and the reserve for unfunded commitments (\$2,565,000), was \$30,155,000 or 1.90% of total loans outstanding and 110% of nonperforming loans at December 31, 2008 compared to \$19,421,000 or 1.25% of total loans outstanding and 259% of nonperforming loans at December 31, 2007.

The \$949,000 decrease in noninterest income was primarily due to an \$853,000 decrease in change in value of mortgage servicing rights and a \$351,000 decrease in service charges on deposit accounts that were partially offset by a \$524,000 increase in increase in cash value of life insurance. The decrease in change in value of mortgage servicing rights is mainly due to recent decreases in mortgage rates, which in turn leads to higher anticipated mortgage refinances, which in turn lead to estimated shorter average lives of servicing assets and thus lower values for mortgage servicing rights. The decrease in service charges on deposit products is mainly due to lower returned item fees which appear to be due to general economic conditions and the effects of such on our customers' behavior. The increase in cash value of life insurance is based on returns on such life insurance policies as reported by the life insurance companies. The following table summarizes the components of noninterest income for the quarters ended December 31, 2008 and 2007 (dollars in thousands).

|  | Three months ended<br>December 31, |         |
|--|------------------------------------|---------|
|  | 2008                               | 2007    |
| Service charges on deposit accounts                      | \$3,862                            | \$4,213 |
| ATM fees and interchange revenue                         | 1,104                              | 1,057   |
| Other service fees                                       | 528                                | 540     |
| Change in value of mortgage servicing rights             | (1,117)                            | (264)   |
| Gain on sale of loans                                    | 212                                | 238     |
| Commissions on sale of<br>nondeposit investment products | 530                                | 698     |

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|  |         |         |
|--|---------|---------|
| Increase in cash value of life insurance | 754     | 230     |
| Other noninterest income                 | 292     | 402     |
|  | -----   |         |
| Total noninterest income                 | \$6,165 | \$7,114 |
|  | =====   |         |

The \$1,019,000 decrease in noninterest expense during the quarter ended December 31, 2008 compared to the year-ago quarter was mainly due to an \$850,000 decrease in change in reserve for unfunded commitments and a \$315,000 decrease in the "other" category of other noninterest expense. The decrease in change in reserve for unfunded commitments is based on the Company's projection of reduced future usage of unfunded commitments and the associated reduced future losses. The decrease in the "other" category of other noninterest income is due to reduced business activity in many areas including home equity lending, travel and meals.

The following table summarizes the components of noninterest expense for the quarters ended December 31, 2008 and 2007 (dollars in thousands).

|  | Three months ended<br>December 31, |          |
|--|------------------------------------|----------|
|  | 2008                               | 2007     |
|  | -----                              |          |
| Base salaries, net of<br>deferred loan origination costs | \$6,394                            | \$6,504  |
| Incentive compensation                                   | 794                                | 873      |
| Benefits and other compensation costs                    | 2,368                              | 2,353    |
|  | -----                              |          |
| Total salaries and benefits expense                      | \$9,556                            | \$9,730  |
|  | -----                              |          |
| Equipment and data processing                            | \$1,597                            | \$1,597  |
| Occupancy  | 1,224                              | 1,260    |
| ATM network charges                                      | 552                                | 468      |
| Professional fees  | 552                                | 299      |
| Advertising and marketing                                | 547                                | 562      |
| Operational losses                                       | 291                                | 141      |
| Assessments  | 287                                | 83       |
| Telecommunications                                       | 285                                | 467      |
| Courier service  | 273                                | 356      |
| Postage  | 248                                | 314      |
| Intangible amortization                                  | 135                                | 122      |
| Change in reserve for unfunded commitments               | (800)                              | 50       |
| Other  | 1,985                              | 2,302    |
|  | -----                              |          |
| Total other noninterest expense                          | \$7,176                            | \$8,021  |
|  | -----                              |          |
| Total noninterest expense                                | \$16,732                           | \$17,751 |
|  | =====                              |          |
| Average full time equivalent staff                       | 630                                | 645      |
| Noninterest expense to revenue (FTE)                     | 57.8%                              | 62.6%    |

As of December 31, 2008, the Company has repurchased 166,600 shares of its common stock under its stock repurchase plan adopted on August 21, 2007, which left 333,400 shares available for repurchase under the plan.

Richard Smith, President and Chief Executive Officer commented, "Earnings for the fourth quarter of 2008 are reflective of the challenging economic conditions facing our bank and nation. We continue to remain focused upon the key measurements of banking success that we define as maintaining a strong capital

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position, building reserves for loans losses, maintaining ample liquidity, controlling our non-interest expenses and focusing on the needs of our customers. While our annual earnings per share this year are lower than in 2007, bank revenues were higher in 2008 than 2007. This strong revenue stream continues to provide the bank with the necessary earnings to successfully execute our banking strategies during these deep recessionary periods." Smith added, "At year end our bank achieved new milestones by exceeding \$2 billion in total assets for the first time in our history. We also achieved record ending balances in total loans and deposits. Our strong, loyal and growing customer base continues to provide the impetus for future growth and expansion."

In addition to the historical information contained herein, this press release may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The reader of this press release should understand that all such forward-looking statements are subject to various uncertainties and risks that could affect their outcome. The Company's actual results could differ materially from those suggested by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, variances in the actual versus projected growth in assets, return on assets, interest rate fluctuations, economic conditions in the Company's primary market area, demand for loans, regulatory and accounting changes, loan losses, expenses, rates charged on loans and earned on securities investments, rates paid on deposits, competition effects, fee and other noninterest income earned as well as other factors detailed in the Company's reports filed with the Securities and Exchange Commission which are incorporated herein by reference, including the Form 10-K for the year ended December 31, 2007. These reports and this entire press release should be read to put such forward-looking statements in context and to gain a more complete understanding of the uncertainties and risks involved in the Company's business. Any forward-looking statement may turn out to be wrong and cannot be guaranteed. The Company does not intend to update any of the forward-looking statements after the date of this release.

TriCo Bancshares and Tri Counties Bank are headquartered in Chico, California. Tri Counties Bank has a 33-year history in the banking industry. Tri Counties Bank operates 32 traditional branch locations and 25 in-store branch locations in 23 California counties. Tri Counties Bank offers financial services and provides a diversified line of products and services to consumers and businesses, which include demand, savings and time deposits, consumer finance, online banking, mortgage lending, and commercial banking throughout its market area. It operates a network of 64 ATMs and a 24-hour, seven days a week telephone customer service center. Brokerage services are provided at the Bank's offices by the Bank's association with Raymond James Financial, Inc. For further information please visit the Tri Counties Bank web-site at <http://www.tricountiesbank.com>.

### TRICO BANCSHARES - CONSOLIDATED FINANCIAL DATA (Unaudited. Dollars in thousands, except share data)

|                          | Three months ended   |                       |                  |
|--------------------------|----------------------|-----------------------|------------------|
|                          | December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008 |
|                          |                      |                       |                  |
| Statement of Income Data |                      |                       |                  |
| Interest income          | \$29,679             | \$29,971              | \$30,332         |
| Interest expense         | \$7,064              | 7,252                 | 7,471            |

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|  |            |            |            |      |
|--|------------|------------|------------|------|
| Net interest income  | \$22,615   | 22,719     | 22,861     |      |
| Provision for loan losses  | \$5,450    | 2,600      | 8,800      |      |
| Noninterest income:  |            |            |            |      |
| Service charges and fees   | \$4,377    | 5,224      | 5,826      |      |
| Other income   | \$1,788    | 1,568      | 1,454      |      |
| Total noninterest income   | \$6,165    | 6,792      | 7,280      |      |
| Noninterest expense:   |            |            |            |      |
| Base salaries net of deferred<br>loan origination costs  | \$6,394    | 6,331      | 6,316      |      |
| Incentive compensation expense   | \$794      | 675        | 830        |      |
| Employee benefits and other<br>compensation expense  | \$2,368    | 2,425      | 2,499      |      |
| Total salaries and benefits expense  | \$9,556    | 9,431      | 9,645      |      |
| Intangible amortization  | \$135      | 133        | 133        |      |
| Provision for losses -<br>unfunded commitments   | (\$800)    | (100)      | 550        |      |
| Other expense  | \$7,841    | 7,125      | 7,516      |      |
| Total noninterest expense  | \$16,732   | 16,589     | 17,844     |      |
| Income before taxes  | \$6,598    | 10,322     | 3,497      |      |
| Net income   | \$4,241    | \$6,235    | \$2,274    |      |
| Share Data   |            |            |            |      |
| Basic earnings per share   | \$0.27     | \$0.40     | \$0.14     |      |
| Diluted earnings per share   | 0.26       | 0.39       | 0.14       |      |
| Book value per common share  | 12.56      | 12.14      | 11.86      |      |
| Tangible book value per common share   | \$11.54    | \$11.10    | \$10.81    |      |
| Shares outstanding   | 15,756,101 | 15,744,881 | 15,744,881 | 15,7 |
| Weighted average shares  | 15,750,857 | 15,744,881 | 15,744,881 | 15,8 |
| Weighted average diluted shares  | 16,068,456 | 15,951,668 | 15,953,288 | 16,0 |
| Credit Quality   |            |            |            |      |
| Non-performing loans, net of<br>government agency guarantees                                     | \$27,525   | \$17,041   | \$14,808   |      |
| Other real estate owned  | 1,185      | 1,178      | 1,178      |      |
| Loans charged-off  | 2,780      | 2,578      | 4,176      |      |
| Loans recovered  | \$332      | \$285      | \$274      |      |
| Allowance for losses to total loans(1)   | 1.90%      | 1.79%      | 1.80%      |      |
| Allowance for losses to NPLs(1)  | 110%       | 164%       | 187%       |      |
| Allowance for losses to NPAs(1)  | 105%       | 153%       | 174%       |      |
| Selected Financial Ratios  |            |            |            |      |
| Return on average total assets   | 0.85%      | 1.26%      | 0.46%      |      |
| Return on average equity   | 8.66%      | 13.04%     | 4.74%      |      |
| Average yield on loans   | 6.73%      | 6.92%      | 6.99%      |      |
| Average yield on interest-earning assets   | 6.48%      | 6.68%      | 6.71%      |      |
| Average rate on interest-bearing liabilities   | 2.07%      | 2.06%      | 2.11%      |      |
| Net interest margin (fully tax-equivalent)   | 4.95%      | 5.07%      | 5.06%      |      |
| Total risk based capital ratio   | 12.4%      | 12.4%      | 12.3%      |      |
| Tier 1 Capital ratio   | 11.2%      | 11.1%      | 11.0%      |      |
| (1) Allowance for losses includes allowance for loan losses and reserve for unfunded commitments |            |            |            |      |

TRICO BANCSHARES - CONSOLIDATED FINANCIAL DATA  
(Unaudited. Dollars in thousands, except share data)

Three months ended

| December 31,<br>2008 | September 30,<br>2008 | June 30,<br>2008 |
|----------------------|-----------------------|------------------|
| =====                |                       |                  |

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|                                     |           |           |           |
|-------------------------------------|-----------|-----------|-----------|
| Balance Sheet Data                  |           |           |           |
| Cash and due from banks             | \$86,355  | \$67,300  | \$76,658  |
| Federal funds sold                  | -         | -         | -         |
| Securities, available-for-sale      | 266,561   | 241,900   | 253,129   |
| Federal Home Loan Bank Stock        | 9,235     | 9,147     | 9,010     |
| Loans                               |           |           |           |
| Commercial loans                    | 189,645   | 189,837   | 178,104   |
| Consumer loans                      | 514,448   | 513,132   | 518,200   |
| Real estate mortgage loans          | 802,527   | 770,553   | 751,651   |
| Real estate construction loans      | 84,229    | 89,714    | 95,369    |
| Total loans, gross                  | 1,590,849 | 1,563,236 | 1,543,324 |
| Allowance for loan losses           | (27,590)  | (24,588)  | (24,281)  |
| Premises and equipment              | 18,841    | 19,094    | 19,580    |
| Cash value of life insurance        | 46,815    | 46,061    | 45,701    |
| Goodwill                            | 15,519    | 15,519    | 15,519    |
| Intangible assets                   | 653       | 786       | 920       |
| Other assets                        | 35,952    | 38,012    | 40,930    |
| Total assets                        | 2,043,190 | 1,976,467 | 1,980,490 |
| Deposits                            |           |           |           |
| Noninterest-bearing demand deposits | 401,247   | 334,015   | 347,336   |
| Interest-bearing demand deposits    | 241,560   | 228,441   | 215,530   |
| Savings deposits                    | 380,799   | 374,640   | 382,918   |
| Time certificates                   | 645,664   | 626,745   | 565,269   |
| Total deposits                      | 1,669,270 | 1,563,841 | 1,511,053 |
| Federal funds purchased             | -         | 67,000    | 123,750   |
| Reserve for unfunded commitments    | 2,565     | 3,365     | 3,465     |
| Other liabilities                   | 30,180    | 30,048    | 29,250    |
| Other borrowings                    | 102,005   | 79,873    | 85,048    |
| Junior subordinated debt            | 41,238    | 41,238    | 41,238    |
| Total liabilities                   | 1,845,258 | 1,785,365 | 1,793,804 |
| Total shareholders' equity          | 197,932   | 191,102   | 186,686   |
| Accumulated other                   |           |           |           |
| comprehensive gain (loss)           | 2,056     | (2,455)   | (2,980)   |
| Average loans                       | 1,565,343 | 1,549,009 | 1,546,257 |
| Average interest-earning assets     | 1,840,915 | 1,806,010 | 1,819,222 |
| Average total assets                | 1,995,239 | 1,974,392 | 1,986,674 |
| Average deposits                    | 1,625,574 | 1,545,435 | 1,507,252 |
| Average total equity                | \$195,828 | \$191,211 | \$192,005 |