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TRICO BANCSHARES /
Form 8-K
January 31, 2008

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):

January 30, 2008

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

| | | |
|--|-----------------------|---|
| California | 0-10661 | 94-2792841 |
| ----- | ----- | ----- |
| (State or other jurisdiction of incorporation or organization) | (Commission File No.) | (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

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

On January 30, 2008 TriCo Bancshares announced its quarterly earnings for the period ended December 31, 2007. 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

(c) Exhibits

99.1 Press release dated January 30, 2008

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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: January 30, 2008

By: /s/ Thomas J. Reddish

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 January 30, 2008 |

PRESS RELEASE
For Immediate Release

Contact: Thomas J. Reddish
Executive Vice President & CFO
(530) 898-0300

TRICO BANCSHARES ANNOUNCES ANNUAL AND QUARTERLY EARNINGS FOR THE PERIODS ENDED DECEMBER 31, 2007

CHICO, Calif. - (January 30, 2008) - TriCo Bancshares (NASDAQ: TCBK), parent company of Tri Counties Bank, today announced annual earnings of \$25,693,000 for the year ended December 31, 2007. This represents a 4.2% decrease when compared with earnings of \$26,830,000 for the year ended December 31, 2006. Diluted earnings per share for the year ended December 31, 2007 decreased 4.3% to \$1.57 from \$1.64 for the year ended December 31, 2006. Total assets of the Company increased \$61 million (3.2%) to \$1.981 billion at December 31, 2007 versus \$1.920 billion at December 31, 2006. Total loans of the Company increased \$42 million (2.8%) to \$1.552 billion at December 31, 2007 versus \$1.510 billion at December 31, 2006. Total deposits of the Company decreased \$54 million (3.4%) to \$1.545 billion at December 31, 2007 versus \$1.599 billion at December 31, 2006.

Net income for the quarter ended December 31, 2007 decreased 17.6% to \$5,701,000 from \$6,918,000 in the quarter ended December 31, 2006. Diluted earnings per share decreased 16.7% to \$0.35 in the quarter ended December 31, 2007 from \$0.42 in the quarter ended December 31, 2006.

The decrease in earnings for the quarter ended December 31, 2007 over the year-ago quarter was due to a \$414,000 (1.9%) decrease in net interest income to \$21,310,000, a \$1,350,000 increase in provision for loan losses from \$0 in the year-ago quarter, and a \$749,000 (4.4%) increase in noninterest expense to \$17,751,000, which were partially offset by a \$487,000 (7.3%) increase in noninterest income to \$7,114,000 from the year-ago quarter.

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The \$414,000 decrease in net interest income was due to a 28 basis point decrease in fully tax-equivalent net interest margin to 4.85% during the quarter ended December 31, 2007 versus 5.13% during the quarter ended December 31, 2006, which was partially offset by a \$65 million (3.8%) increase in average balance of interest-earning assets when compared to the year-ago quarter. The fully tax-equivalent net interest margin was 5.12% during the quarter ended September 30, 2007. The decrease in fully tax-equivalent net interest margin to 4.85% during the quarter ended December 31, 2007 was due to many factors including a 100 basis point decrease in the prime lending rate between August 31, 2007 and December 31, 2007 which directly impacted the interest earned on the Company's variable rate loans tied to the prime lending rate, a lag in the downward repricing of interest-bearing liabilities compared to interest-earning assets, a change in the mix of interest-bearing liabilities towards a higher percentage of certificates of deposit and other borrowings, and credit and liquidity troubles at some of our competitors which caused them to offer exceptionally high deposit rates which in turn kept deposit rates for the entire industry elevated more than they possibly otherwise would be.

The provision for loan loss was \$1,350,000 and \$0 during the quarters ended December 31, 2007 and December 31, 2006, respectively. Net loan charge-offs were \$1,158,000 during the quarter ended December 31, 2007 compared to \$79,000 during the quarter ended December 31, 2006. The \$1,158,000 of net loan charge-offs during the quarter ended December 31, 2007 were comprised of \$556,000 of indirect auto loans, \$436,000 of home equity lines of credit and loans, \$84,000 of small business loans, and \$82,000 of other loans. Nonperforming loans, net of government agency guarantees, were \$7,511,000 at December 31, 2007 compared to \$4,512,000 at December 31, 2006. The Company's allowance for losses, which consists of the allowance for loan losses and the reserve for unfunded commitments, was \$19,421,000 or 1.25% of total loans outstanding and 259% of nonperforming loans at December 31, 2007 compared to \$18,763,000 or 1.24% of total loans outstanding and 416% of nonperforming loans at December 31, 2006.

The \$749,000 (4.4%) increase in noninterest expense during the quarter ended December 31, 2007 compared to the year-ago quarter was due to a \$325,000 (3.5%) increase in salaries and benefits expense to \$9,730,000 and a \$602,000 (8.3%) increase in other noninterest expenses to \$7,849,000. The increase in salaries and benefits expense was due to increases in base salaries and benefits expenses that were partially offset by a decrease in incentive compensation expense. The increase in other noninterest expense was primarily due to increased occupancy, equipment, and marketing expense that were partially offset by reduced intangible amortization.

The \$487,000 (7.3%) increase in noninterest income was primarily due to a \$606,000 (12.3%) increase in service charges and fees to \$5,546,000 during the quarter ended December 31, 2007 from the quarter ended December 31, 2006. Other noninterest income decreased \$119,000 (7.1%) to \$1,568,000 due mainly to a \$314,000 (58%) decrease in income from cash value of life insurance to \$230,000, and a \$111,000 (31.8%) decrease in gain on sale of loans to \$238,000, that were partially offset by a \$281,000 (67.4%) increase in commission on sale of nondeposit investment products to \$698,000.

As of December 31, 2007, the Company had not repurchased any shares of its common stock under its stock repurchase plan adopted on August 21, 2007, which left 500,000 shares available for repurchase under the plan.

Richard Smith, President and Chief Executive Officer commented, "Earnings for the fourth quarter of 2007 proved to be very challenging for the banking industry as well as our bank. The difference is that our lower earnings in the fourth quarter are based more upon lower asset yields as a result of a lower prime rate and liabilities that could not re-price quickly due to industry liquidity challenges. Our earnings results were only minimally affected by loan

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losses as our loan portfolio has held up well during this slowing economic cycle."

In addition to the historical information contained herein, this press release contains certain forward-looking statements. 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, 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. 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.

TriCo Bancshares and Tri Counties Bank are headquartered in Chico, California. Tri Counties Bank has a 32-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, 2007 | September 30, 2007 | June 30, 2007 | |
|---|----------------------|-----------------------|------------------|----|
| Statement of Income Data | | | | |
| Interest income | \$32,179 | \$32,442 | \$31,986 | \$ |
| Interest expense | 10,869 | 10,602 | 9,895 | |
| Net interest income | 21,310 | 21,840 | 22,091 | |
| Provision for loan losses | 1,350 | 700 | 500 | |
| Noninterest income: | | | | |
| Service charges and fees | 5,546 | 5,218 | 5,375 | |
| Other income | 1,568 | 1,629 | 1,654 | |
| Total noninterest income | 7,114 | 6,847 | 7,029 | |
| Noninterest expense: | | | | |
| Base salaries net of deferred loan origination costs | 6,504 | 6,142 | 5,940 | |
| Incentive compensation expense | 873 | 452 | 1,281 | |
| Employee benefits and other compensation expense | 2,353 | 2,381 | 2,398 | |
| Total salaries and benefits expense | 9,730 | 8,975 | 9,619 | |
| Intangible amortization | 122 | 122 | 122 | |
| Provision for losses - unfunded commitments | 50 | - | 74 | |
| Other expense | 7,849 | 7,655 | 7,628 | |

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| | | | | |
|--|------------|------------|------------|------|
| Total noninterest expense | 17,751 | 16,752 | 17,443 | |
| Income before taxes | 9,323 | 11,235 | 11,177 | |
| Net income | \$5,701 | \$6,793 | \$6,755 | |
| Share Data | | | | |
| Basic earnings per share | \$0.36 | \$0.43 | \$0.42 | |
| Diluted earnings per share | 0.35 | 0.42 | 0.41 | |
| Book value per common share | 11.87 | 11.50 | 11.22 | |
| Tangible book value per common share | \$10.82 | \$10.44 | \$10.16 | |
| Shares outstanding | 15,911,550 | 15,891,300 | 15,917,291 | 15,9 |
| Weighted average shares | 15,908,151 | 15,889,061 | 15,916,313 | 15,8 |
| Weighted average diluted shares | 16,265,571 | 16,310,631 | 16,463,389 | 16,4 |
| Credit Quality | | | | |
| Non-performing loans, net of | | | | |
| government agency guarantees | \$7,511 | \$7,507 | \$13,360 | |
| Other real estate owned | 187 | 187 | 187 | |
| Loans charged-off | 1,425 | 843 | 751 | |
| Loans recovered | \$267 | \$283 | \$355 | |
| Allowance for losses to total loans(1) | 1.25% | 1.25% | 1.26% | |
| Allowance for losses to NPLs(1) | 259% | 255% | 143% | |
| Allowance for losses to NPAs(1) | 252% | 249% | 141% | |
| Selected Financial Ratios | | | | |
| Return on average total assets | 1.17% | 1.44% | 1.44% | |
| Return on average equity | 12.08% | 14.92% | 15.11% | |
| Average yield on loans | 7.64% | 7.93% | 7.93% | |
| Average yield on interest-earning assets | 7.29% | 7.58% | 7.58% | |
| Average rate on interest-bearing liabilities | 3.16% | 3.18% | 3.02% | |
| Net interest margin (fully tax-equivalent) | 4.85% | 5.12% | 5.25% | |
| Total risk based capital ratio | 11.9% | 11.7% | 11.8% | |
| Tier 1 Capital ratio | 10.9% | 10.7% | 10.8% | |

(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, 2007 | September 30, 2007 | June 30, 2007 |
|--------------------------------|----------------------|-----------------------|------------------|
| Balance Sheet Data | | | |
| Cash and due from banks | \$88,798 | \$70,791 | \$93,636 |
| Federal funds sold | - | 488 | 1,715 |
| Securities, available-for-sale | 232,427 | 239,242 | 175,891 |
| Federal Home Loan Bank Stock | 8,766 | 8,652 | 8,543 |
| Loans | | | |
| Commercial loans | 164,815 | 165,559 | 159,822 |
| Consumer loans | 535,819 | 542,875 | 526,575 |
| Real estate mortgage loans | 716,013 | 697,670 | 687,744 |
| Real estate construction loans | 135,319 | 128,972 | 133,487 |
| Total loans, gross | 1,551,966 | 1,535,076 | 1,507,628 |
| Allowance for loan losses | (17,331) | (17,139) | (16,999) |
| Premises and equipment | 20,492 | 20,804 | 20,891 |
| Cash value of life insurance | 44,981 | 44,751 | 44,346 |
| Goodwill | 15,519 | 15,519 | 15,519 |
| Intangible assets | 1,176 | 1,298 | 1,421 |
| Other assets | 33,827 | 34,041 | 34,436 |

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| | | | |
|-------------------------------------|-----------|-----------|-----------|
| Total assets | 1,980,621 | 1,953,523 | 1,887,027 |
| Deposits | | | |
| Noninterest-bearing demand deposits | 378,680 | 345,467 | 366,321 |
| Interest-bearing demand deposits | 216,952 | 214,726 | 226,591 |
| Savings deposits | 383,226 | 386,866 | 387,422 |
| Time certificates | 566,365 | 585,083 | 530,545 |
| Total deposits | 1,545,223 | 1,532,142 | 1,510,879 |
| Federal funds purchased | 56,000 | 66,000 | 80,500 |
| Reserve for unfunded commitments | 2,090 | 2,040 | 2,040 |
| Other liabilities | 31,066 | 29,382 | 28,878 |
| Other borrowings | 116,126 | 99,996 | 44,892 |
| Junior subordinated debt | 41,238 | 41,238 | 41,238 |
| Total liabilities | 1,791,743 | 1,770,798 | 1,708,427 |
| Total shareholders' equity | 188,878 | 182,725 | 178,600 |
| Accumulated other | | | |
| comprehensive loss | (1,552) | (3,628) | (4,779) |
| Average loans | 1,530,729 | 1,517,419 | 1,506,913 |
| Average interest-earning assets | 1,776,770 | 1,721,547 | 1,698,620 |
| Average total assets | 1,949,096 | 1,891,992 | 1,871,260 |
| Average deposits | 1,545,369 | 1,499,793 | 1,500,733 |
| Average total equity | \$188,753 | \$182,080 | \$178,836 |