TRICO BANCSHARES /
Form 8-K
January 27, 2010

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 26, 2010

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 26, 2010, TriCo Bancshares announced its quarterly earnings for the period ended December 31, 2009. 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 26, 2010

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 27, 2010 By:/s/Thomas J. Reddish

Thomas J. Reddish, Executive Vice President and Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.	Description
99.1	Press release dated January 26, 2010

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, 2009

CHICO, Calif. - (January 26, 2010) - TriCo Bancshares (NASDAQ: TCBK), parent company of Tri Counties Bank, today announced annual earnings of $9,962,000 for the year ended December 31, 2009. This represents a 40.7% decrease when compared with earnings of $16,798,000 for the year ended December 31, 2008. Diluted earnings per share for the year ended December 31, 2009 decreased 41.0% to $0.62 from $1.05 for the year ended December 31, 2008. Total assets of the Company increased $127 million (6.2%) to $2.170 billion at December 31, 2009 versus $2.043 billion at December 31, 2008. Total loans of the Company decreased $91 million (5.7%) to $1.500 billion at December 31, 2009 versus $1.591 billion at December 31, 2008. Total deposits of the Company increased $159 million (9.5%) to $1.828 billion at December 31, 2009 versus $1.669 billion at December 31, 2008.

Net income for the quarter ended December 31, 2009 decreased $1,928,000 (45.5%) to $2,313,000 from $4,241,000 for the quarter ended December 31, 2008. Diluted earnings per share decreased 46.2% to $0.14 in the quarter ended December 31, 2009 from $0.26 in the quarter ended December 31, 2008.

The $1,928,000 decrease in earnings for the quarter ended December 31, 2009 over the year-ago quarter was primarily due to a $2,350,000 (43.1%) increase in provision for loan losses and a $2,796,000 (16.7%) increase in noninterest expense, that were partially offset by a $1,760,000 (28.6%) increase in noninterest income. Net interest income decreased $146,000 (0.7%) for the quarter ended December 31, 2009, from the year-ago quarter. The effective tax rate in the quarter ended December 31, 2009 was 24.6% versus 35.7% in the year-ago quarter due to a higher percentage of tax free revenue to total net income before taxes in the fourth quarter of 2009 versus the year-ago quarter. The main components of tax free revenue include the increase in cash value of life insurance, which is federal and state tax free, interest on municipal bonds which is federal tax free, and interest earned on loans that qualify for the state tax deduction related to enterprise zones.

The $146,000 decrease in net interest income to $22,469,000 was mainly due to a 40 basis point decrease in the fully tax-equivalent net interest margin to 4.55% during the quarter ended December 31, 2009 versus 4.95% during the quarter ended December 31, 2008. Much of the 40 basis point decrease in net interest margin is due to the fact that despite historically low deposit rates, deposit balances continue to grow while the ability to deploy these growing deposits into some interest-earning asset other than short-term low-yield interest-earning cash at the Federal Reserve Bank has been limited. This limitation is the result of weak loan demand and investment yields that have been unattractive due to their interest rate risk profile.

The following table details the components of the net interest income and net interest margin on a fully tax-equivalent basis for the quarters ended December 31, 2009 and 2008:

	Quarter ended December 31, 2009			Quarter ended December 31, 200		
(Dollars in thousands)	Average Balance	Income	Yield/ Rate	Average Balance	Income	Yield/ Rate
Assets:						
Loans	$1,508,472	$24,356	6.46%	$1,565,343	$26,365	6.74%
Securities	232,881	2,745	4.71%	265,223	3,441	5.19%
Cash at Fed and other banks	$246,658	154	0.25%	10,349	31	1.18%
Total earning assets	1,988,011	27,255	5.48%	1,840,915	29,837	6.48%
Other assets	147,611			154,324		
Total assets	2,135,622			1,995,239		
Liabilities and shareholders' equity:						
Interest-bearing demand deposits	$339,924	$709	0.83%	$242,390	$311	0.51%
Savings deposits	484,638	762	0.63%	380,172	1,044	1.10%
Time deposits	597,091	2,254	1.51%	598,373	4,503	3.01%
Federal funds purchased	-	-		16,841	46	1.09%
Junior sub debt	41,238	319	3.09%	41,238	520	5.04%
Other borrwings	69,593	617	3.55%	84,952	640	3.01%
Total interest-bearing liabilities	1,532,484	4,661	1.22%	1,363,966	7,064	2.07%
Noninterest-bearing deposits	362,618			404,639		
Other liabilities	35,264			30,806		

Shareholders' equity	205,256			195,828		
Total liabilities and shareholders' equity	$2,135,622			$1,995,239		
Net interest rate spread			4.27%			4.41%
Net interest income/net interest margin (FTE)		$22,594	4.55%		$22,773	4.95%
FTE adjustment		(125)			(158)	
Net interest income before FTE adjustment		$22,469			$22,615	

The provision for loan loss was $7,800,000 and $5,450,000 during the quarters ended December 31, 2009 and December 31, 2008, respectively. Net loan charge-offs were $6,878,000 during the quarter ended December 31, 2009 compared to $2,448,000 during the quarter ended December 31, 2008. The $6,878,000 of net loan charge-offs during the quarter ended December 31, 2009 were comprised of $2,355,000 of home equity lines of credit and loans, $541,000 of indirect auto loans, $10,000 of residential mortgages, $2,350,000 of residential construction, $290,000 of small business loans, and $1,332,000 of other loans. The $2,350,000 of net residential construction loan charge-offs were primarily comprised of $850,000 for a SFR land acquisition loan in the Sacramento Valley, $565,000 on a condominium construction loan in the Sacramento Valley, $524,000 for a SFR land acquisition, development, and construction loan in the Sacramento Valley, and $234,000 for a SFR lot loan in the Sacramento Valley. In comparison, 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.

Nonperforming loans, net of government agency guarantees, were $44,896,000 at December 31, 2009 compared to $46,607,000 and $27,525,000 at September 30, 2009 and December 31, 2008, respectively. The $1,711,000 decrease in nonperforming loans, net of government guarantees, during the fourth quarter of 2009 was the result of new nonperforming loans of $14,691,000, advances on existing nonperforming loans of $206,000, recoveries on existing nonperforming loans of $381,000, less gross charge-offs of $7,258,000, and reductions to existing nonperforming loans of $9,730,000.

The primary causes of the $14,691,000 in new nonperforming loans during the third quarter of 2009 were increases of $1,382,000 in residential real estate, $3,044,000 in commercial real estate, $2,787,000 in home equity lines and loans, $684,000 in auto loans, $164,000 in other consumer loans, $1,599,000 in Commercial (C&I) loans, $4,437,000 in residential construction loans and $448,000 in commercial construction loans.

The $3,044,000 in new nonperforming commercial real estate loans were primarily made up of a $499,000 commercial office building in the Sacramento Valley, a $464,000 commercial office building in the Sacramento Valley, and the transfer of a $1,439,000 condominium construction loan in the Sacramento Valley from the residential construction loan category to the commercial real estate category as described below.

The $1,599,000 in new nonperforming commercial (C&I) loans were primarily made up of a $487,000 line of credit to a developer in the Sacramento Valley, and a

$198,000 line of credit to a contractor in the Sacramento Valley. The remainder is made up of several small loans or lines to commercial borrowers.

The $4,437,000 in new nonperforming residential construction loans were primarily made up of a $2,500,000 SFR land acquisition loan in the Sacramento Valley which was also charged down to $1,649,000 during the quarter, a $700,000 SFR land acquisition loan in the Sacramento Valley, a $524,000 SFR land acquisition loan in the Sacramento Valley which was also charged off during the quarter, a $403,000 SFR construction loan for a single home in Northern California, and a $283,000 land loan in the Sacramento Valley.

The primary causes of the $9,730,000 in reductions to existing non-performing loans were paydowns or upgrades of $251,000 in residential real estate, $448,000 in commercial real estate, $664,000 in home equity lines and loans, $641,000 in auto loans, $3,080,000 in Commercial (C&I) loans, and $4,617,000 in residential construction loans.

The $3,080,000 in paydowns or upgrades of nonperforming commercial (C&I) loans were primarily made up of a paydown of $2,186,000 on a production loan to a dairy in the San Joaquin Valley, and a $807,000 paydown on a line of credit to a subcontractor in the Sacramento Valley.

The $4,617,000 in paydowns or upgrades of nonperforming residential construction loans were primarily made up of a $3,689,000 condominium construction loan of which $2,250,000 was upgraded to performing status, and the remaining $1,439,000 was transferred to the commercial real estate category as the project is now rented out and generating income. An additional $876,000 SFR lot development loan was transferred to OREO accounting for the bulk of the $1,354,000 increase in OREO.

At December 31, 2009, the Company's allowance for losses, which consists of the allowance for loan losses ($35,473,000) and the reserve for unfunded commitments ($3,640,000), was $39,113,000 or 2.61% of total loans outstanding and 87% of nonperforming loans versus $30,155,000 or 1.90% of total loans outstanding and 110% of nonperforming loans at December 31, 2008.

The following table details the components of noninterest income during the fourth quarters of 2009 and 2008:

(Dollars in thousands)	Q4'09	Q4'08
Noninterest income:		
Service charges on deposit accounts	$4,153	$3,862
ATM fees and interchange	1,317	1,104
Other service fees	402	259
Mortgage banking service fees	306	269
Change in value of mortgage servicing rights	(235)	(1,117)
Service charges and fees	5,943	4,377
Gain on sale of investments	-	-
Gain on sale of loans	673	212
Commission on sale of NDIP	271	530
Increase in CV of life insurance	1,059	754
Other	(21)	292

Total noninterest income	$7,925	$6,165

Noninterest income increased $1,760,000 (28.5%) to $7,925,000 during the quarter ended December 31, 2009 versus $6,165,000 in the year-ago quarter. Service charges on deposit accounts were up $291,000 (7.5%) due primarily to increased per item overdraft fees implemented during 2009. ATM fees and interchange, and other service fees were up $213,000 (19.3%) and $143,000 (55.2%) due to increased debit card usage and an expanded customer base. Overall, mortgage banking activities, which includes amortization of mortgage servicing rights, mortgage servicing fees, change in value of mortgage servicing rights, and gain on sale of loans, accounted for $744,000 of noninterest income in the fourth quarter of 2009 compared to a $636,000 reduction of noninterest income in the fourth quarter of 2008. The increased contribution from mortgage banking activities was due to increased loan sales during the fourth quarter of 2009 and a significant decrease in the value of mortgage rights at the end of 2008. Commissions on sale of nondeposit investment products decreased $259,000 (48.9%) in the fourth quarter of 2009 compared to the year-ago quarter due to lesser demand for these products and decreased resources focused in that area. Increase in cash value of life insurance was $305,000 (40.5%) higher than in the year-ago quarter due to higher than expected earning rates on the related life insurance policies in the fourth quarter of 2009. Other noninterest income decreased $313,000 (107%) due primarily to decreases in deposit sweep income, official check float commission rebates, lease brokerage income, and a nonrecurring loss on disposal of fixed assets related to branch remodels in the fourth quarter of 2009.

The following table summarizes the components of noninterest expense for the quarters ended December 31, 2009 and 2008:

(Dollars in thousands)	Q4'09	Q4'08
Salaries and benefit expense:		
Base salaries net of deferred origination costs	$7,031	$6,394
Incentive compensation expense	308	794
Benefits and other compensation costs	2,350	2,368
Total salaries and benefits expense	9,689	9,556
Equipment and data processing	1,804	1,597
Occupancy	1,276	1,224
Advertising	706	547
ATM network charges	687	552
Telecommunications	496	285
Professional fees	571	552
Courier service	221	273
Postage	226	248
Intangible amortization	65	135
Operational losses	90	291
Assessments	1,465	287
Change in reserve for unfunded commitments	-	(800)
Net foreclosed assets expense	100	63
Other	2,132	1,922
Total other noninterest expense	9,839	7,176

Total noninterest expense	$19,528	$16,732
Average full time equivalent employees	658	630

The $2,796,000 increase in noninterest expense during the quarter ended December 31, 2009 compared to the year-ago quarter was mainly due to increased deposit insurance assessments, and the absence of a reduction in the reserve for unfunded commitments as was present in the year-ago quarter. The changes in certain other categories of noninterest expense, such as equipment and data processing and telecommunications, from the year-ago quarter are indicative of the Company's efforts to use technology to become more efficient. Salaries and benefits expense increased $133,000 (1.4%) due to annual salary increases and an increase in the number of full time equivalent employees that were substantially offset by a decrease in incentive compensation.

As of December 31, 2009, 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, "While earnings per share are lower in 2009 versus 2008, total bank revenues reached record levels in 2009. This strong and growing revenue stream continues to provide the support necessary to expand upon our already strong capital and liquidity positions, allows for increases in our loan loss provisions, and provides us the opportunity to continue to make loans available in our marketplace." Smith added, "We persist in the belief that economic conditions in California will remain under considerable pressure and unemployment levels will remain at very high levels throughout 2010. While economic conditions create growth challenges, we continue to benefit from the addition of many new customers, as evidenced by our strong core deposit growth, that prefer our local, relationship oriented, community focused banking model."

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, 2008. 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 34-year history in the banking industry. It 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 by the Bank's investment services affiliate, Raymond James Financial Services, 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 ende			
	December 31, 2009	September 30, 2009	June 30, 2009	M
Statement of Income Data				
Interest income	$27,130	$27,889	$28,432	
Interest expense	4,661	4,784	5,286	
Net interest income	22,469	23,105	23,146	
Provision for loan losses	7,800	8,000	7,850	
Noninterest income:				
Service charges and fees	5,943	5,645	6,182	
Other income	1,982	2,148	1,814	
Total noninterest income	7,925	7,793	7,996	
Noninterest expense:				
Base salaries net of deferred loan origination costs	7,031	6,827	6,568	
Incentive compensation expense	308	980	1,024	
Employee benefits and other compensation expense	2,350	2,456	2,477	
Total salaries and benefits expense	9,689	10,263	10,069	
Intangible amortization	65	65	64	
Provision for losses - unfunded commitments	-	500	400	
Other expense	9,774	8,549	8,811	
Total noninterest expense	19,528	19,377	19,344	
Income before taxes	3,066	3,521	3,948	
Net income	$2,313	$2,255	$2,512	
Share Data				
Basic earnings per share	$0.15	$0.14	$0.16	
Diluted earnings per share	0.14	0.14	0.16	
Book value per common share	12.71	12.79	12.67	
Tangible book value per common share	$11.71	$11.78	$11.66	
Shares outstanding	15,787,753	15,787,753	15,782,753	15,
Weighted average shares	15,787,753	15,787,264	15,782,753	15,
Weighted average diluted shares	16,012,078	16,015,952	15,997,437	16,
Credit Quality				
Non-performing loans, net of government agency guarantees	$44,896	$46,607	$43,373	
Foreclosed assets, net of allowance	3,726	2,372	2,622	
Loans charged-off	7,258	7,471	7,308	
Loans recovered	$380	$398	$308	
Allowance for losses to total loans(1)	2.61%	2.49%	2.37%	

Allowance for losses to NPLs(1)	87%	82%	85%
Allowance for losses to NPAs(1)	80%	78%	80%
Selected Financial Ratios			
Return on average total assets	0.43%	0.43%	0.48%
Return on average equity	4.51%	4.43%	4.94%
Average yield on loans	6.46%	6.48%	6.48%
Average yield on interest-earning assets	5.48%	5.70%	5.91%
Average rate on interest-bearing liabilities	1.22%	1.27%	1.42%
Net interest margin (fully tax-equivalent)	4.55%	4.72%	4.82%

(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 ende			
	December 31, 2009	September 30, 2009	June 30, 2009	M
Balance Sheet Data				
Cash and due from banks	$346,589	$234,570	$182,923	
Securities, available-for-sale	211,622	230,962	252,104	
Federal Home Loan Bank Stock	9,274	9,274	9,274	
Loans				
Commercial loans	163,181	171,583	172,732	
Consumer loans	458,083	473,411	486,548	
Real estate mortgage loans	820,016	814,132	813,898	
Real estate construction loans	58,931	72,086	79,057	
Total loans, gross	1,500,211	1,531,212	1,552,235	
Allowance for loan losses	(35,473)	(34,551)	(33,624)	
Premises and equipment	18,742	18,102	18,208	
Cash value of life insurance	48,694	47,635	47,365	
Goodwill	15,519	15,519	15,519	
Intangible assets	325	389	454	
Other assets	55,017	42,554	43,383	
Total assets	2,170,520	2,095,666	2,087,841	
Deposits				
Noninterest-bearing demand deposits	377,334	349,949	358,618	
Interest-bearing demand deposits	359,179	314,160	291,641	
Savings deposits	511,671	473,915	431,424	
Time certificates	580,328	613,871	655,702	
Total deposits	1,828,512	1,751,895	1,737,385	
Federal funds purchased	-	-	-	
Reserve for unfunded commitments	3,640	3,640	3,140	
Other liabilities	29,728	30,759	32,201	
Other borrowings	66,753	66,197	73,898	
Junior subordinated debt	41,238	41,238	41,238	
Total liabilities	1,969,871	1,893,729	1,887,862	
Total shareholders' equity	200,649	201,937	199,979	
Accumulated other comprehensive gain (loss)	2,278	3,934	2,322	
Average loans	1,508,472	1,538,239	1,555,778	
Average interest-earning assets	1,988,011	1,969,043	1,933,633	

Average total assets	2,135,622	2,099,053	2,088,875
Average deposits	1,784,271	1,744,336	1,735,434
Average total equity	$205,256	$203,452	$203,596
Total risk based capital ratio	13.4%	13.2%	12.9%
Tier 1 capital ratio	12.1%	11.9%	11.6%
Tier 1 leverage ratio	10.5%	10.6%	10.7%
Tangible capital ratio	8.6%	8.9%	8.9%