

TRICO BANCSHARES ANNOUNCES QUARTERLY RESULTS

CHICO, CA – (January 27, 2021) – TriCo Bancshares (NASDAQ: TCBK) (the “Company”), parent company of Tri Counties Bank, today announced net income of \$23,657,000 for the quarter ended December 31, 2020, compared to \$17,606,000 during the trailing quarter ended September 30, 2020 and \$22,890,000 during the quarter ended December 31, 2019. Diluted earnings per share were \$0.79 for the fourth quarter of 2020, compared to \$0.59 for the third quarter of 2020 and \$0.75 for the fourth quarter of 2019.

Financial Highlights

Performance highlights and other developments for the Company as of or for the three and twelve months ended December 31, 2020 included the following:

- For the three and twelve months ended December 31, 2020, the Company’s return on average assets was 1.24% and 0.91%, respectively, and the return on average equity was 10.37% and 7.18%, respectively.
- As of December 31, 2020, the Company reported total loans, total assets and total deposits of \$4.76 billion, \$7.64 billion and \$6.51 billion, respectively.
- The loan to deposit ratio was 73.21% as of December 31, 2020, as compared to 76.12% at September 30, 2020 and 80.26% at December 31, 2019.
- For the current quarter, net interest margin was 3.79% on a tax equivalent basis as compared to 4.39% in the quarter ended December 31, 2019, an increase of 7 basis points from the 3.72% in the trailing quarter.
- Non-interest bearing deposits as a percentage of total deposits were 39.68% at December 31, 2020, as compared to 39.71% at September 30, 2020 and 34.15% at December 31, 2019.
- The average rate of interest paid on deposits, including non-interest-bearing deposits, decreased to 0.07% for the fourth quarter of 2020 as compared with 0.09% for the trailing quarter, and also decreased by 15 basis points from the average rate paid of 0.22% during the same quarter of the prior year.
- Total loan deferral modifications made under the CARES Act legislation had decreased to 28 loans totaling \$48.4 million as of December 31, 2020, of which only seven loans totaling \$5.8 million relate to second deferrals.
- Non-performing assets to total assets were 0.39% at December 31, 2020, as compared to 0.34% as of September 30, 2020, and 0.30% at December 31, 2019.
- Credit provision expense for loans and debt securities was \$4.9 million during the quarter ended December 31, 2020, as compared to provision expense of \$7.6 million during the trailing quarter ended September 30, 2020, and a reversal of provision totaling \$0.3 million for the three month period ended December 31, 2019.
- Allowance for credit losses to total loans increased to 1.93% as of December 31, 2020, an increase of 12 basis points from 1.81% as of September 30, 2020, and a 78 basis point increase from January 1, 2020, following the Company's adoption of CECL.
- Gain on sale of loans for the three and twelve months ended December 31, 2020 totaled \$3.5 million and \$9.1 million, as compared to \$1.1 million and \$3.3 million for the equivalent periods ended December 31, 2019, respectively.
- The efficiency ratio was 55.11% for the fourth quarter of 2020, as compared to 59.44% in the trailing quarter and 59.92% in the same quarter of the 2019 year.

“As we close the doors to 2020 we recognize the challenges that lie ahead and acknowledge, more than ever, the need to focus on the fundamental drivers of value in our industry”, commented Peter Wiese, EVP and Chief Financial Officer. Rick Smith, President and CEO added; “There was much accomplished and we have much to be thankful for about 2020, including the successful navigation of round one with PPP, the strongest residential mortgage origination year in the history of the Bank, and the implementation and utilization of new technologies to drive customer engagement, efficiency gains, and cost reductions to name just a few. We will continue to execute on our strategic priorities including organic loan and deposit growth, prudent expense management, active engagement in PPP lending and other programs for borrowers in need, and the deployment of capital through dividends and additional share repurchases.”

Financial results reported in this document are preliminary. Final financial results and other disclosures will be reported in our Annual Report on Form 10-K for the period ended December 31, 2020, and may differ materially from the results and disclosures in this document due to, among other things, the completion of final review procedures, the occurrence of subsequent events, or the discovery of additional information.

Summary Results

For the three and twelve months ended December 31, 2020, the Company's return on average assets was 1.24% and 0.91%, respectively, and the return on average equity was 10.37% and 7.18%, respectively. For the three and twelve months ended December 31, 2019, the Company's return on average assets was 1.40% and 1.43%, respectively, and the return on average equity was 10.03% and 10.49%, respectively.

The following is a summary of the components of the Company's operating results and performance ratios for the periods indicated:

| (dollars and shares in thousands) | Three months ended | | \$ Change | % Change |
|-----------------------------------|--------------------|--------------------|-----------|----------|
| | December 31, 2020 | September 30, 2020 | | |
| Net interest income | \$ 66,422 | \$ 63,454 | \$ 2,968 | 4.7 % |
| Provision for credit losses | (4,850) | (7,649) | 2,799 | (36.6)% |
| Noninterest income | 16,580 | 15,137 | 1,443 | 9.5 % |
| Noninterest expense | (45,745) | (46,714) | 969 | (2.1)% |
| Provision for income taxes | (8,750) | (6,622) | (2,128) | 32.1 % |
| Net income | \$ 23,657 | \$ 17,606 | \$ 6,051 | 34.4 % |
| Diluted earnings per share | \$ 0.79 | \$ 0.59 | \$ 0.20 | 33.9 % |
| Dividends per share | \$ 0.22 | \$ 0.22 | \$ — | — % |
| Average common shares | 29,757 | 29,764 | (7) | 0.0 % |
| Average diluted common shares | 29,863 | 29,844 | 19 | 0.1 % |
| Return on average total assets | 1.24 % | 0.95 % | | |
| Return on average equity | 10.37 % | 7.79 % | | |
| Efficiency ratio | 55.11 % | 59.44 % | | |

| (dollars and shares in thousands) | Three months ended | | \$ Change | % Change |
|---|--------------------|-------------------|-----------|------------|
| | December 31, 2020 | December 31, 2019 | | |
| Net interest income | \$ 66,422 | \$ 64,196 | \$ 2,226 | 3.5 % |
| (Provision for) reversal of credit losses | (4,850) | 298 | (5,148) | (1,727.5)% |
| Noninterest income | 16,580 | 14,186 | 2,394 | 16.9 % |
| Noninterest expense | (45,745) | (46,964) | 1,219 | (2.6)% |
| Provision for income taxes | (8,750) | (8,826) | 76 | (0.9)% |
| Net income | \$ 23,657 | \$ 22,890 | \$ 767 | 3.4 % |
| Diluted earnings per share | \$ 0.79 | \$ 0.75 | \$ 0.04 | 5.3 % |
| Dividends per share | \$ 0.22 | \$ 0.22 | \$ — | — % |
| Average common shares | 29,757 | 30,520 | (763) | (2.5)% |
| Average diluted common shares | 29,863 | 30,650 | (787) | (2.6)% |
| Return on average total assets | 1.24 % | 1.40 % | | |
| Return on average equity | 10.37 % | 10.03 % | | |
| Efficiency ratio | 55.11 % | 59.92 % | | |

| (dollars and shares in thousands) | Twelve months ended | | \$ Change | % Change |
|---|---------------------|-------------------|-------------|------------|
| | December 31, 2020 | December 31, 2019 | | |
| Net interest income | \$ 257,727 | \$ 257,069 | \$ 658 | 0.3 % |
| (Provision for) reversal of credit losses | (42,813) | 1,690 | (44,503) | (2,633.3)% |
| Noninterest income | 55,194 | 53,520 | 1,674 | 3.1 % |
| Noninterest expense | (182,758) | (185,457) | 2,699 | (1.5)% |
| Provision for income taxes | (22,536) | (34,750) | 12,214 | (35.1)% |
| Net income | \$ 64,814 | \$ 92,072 | \$ (27,258) | (29.6)% |
| Diluted earnings per share | \$ 2.16 | \$ 3.00 | \$ (0.84) | (28.0)% |
| Dividends per share | \$ 0.88 | \$ 0.82 | \$ 0.06 | 7.3 % |
| Average common shares | 29,917 | 30,478 | (561) | (1.8)% |
| Average diluted common shares | 30,028 | 30,645 | (617) | (2.0)% |
| Return on average total assets | 0.91 % | 1.43 % | | |
| Return on average equity | 7.18 % | 10.49 % | | |
| Efficiency ratio | 58.40 % | 59.71 % | | |

SBA Paycheck Protection Program

In March 2020, the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") was created to help small businesses keep workers employed during the COVID-19 crisis. As a SBA Preferred Lender, the Company was able to provide PPP loans to small business customers. As of December 31, 2020, the total gross balance outstanding of PPP loans was \$333,982,000 (approximately 2,300 loans) as compared to total PPP originations of \$438,510,000 (approximately 2,900 loans). Included in the balance of outstanding PPP loans as of December 31, 2020 are approximately 630 loans totaling \$88,623,000 that have been submitted to and are pending forgiveness by the SBA. In connection with the origination of these loans, the Company earned approximately \$15,735,000 in loan fees, offset by deferred loan costs of approximately \$763,000, the net of which will be recognized over the earlier of loan maturity, repayment or receipt of forgiveness confirmation. As of December 31, 2020 there was approximately \$7,212,000 in net deferred fee income remaining to be recognized. During the three and twelve months ended December 31, 2020, the Company recognized \$4,634,000 and \$7,760,000, respectively, in fees on PPP loans.

In December 2020, the SBA announced plans for a second round of PPP lending with streamlined requirements for both borrowers and lenders. Effective Friday, January 15, 2021, Tri Counties Bank had launched and was accepting applications via an improved on-line portal which allows borrowers to open a new account and submit PPP applications under the new PPP guidance.

COVID Deferrals

Following the passage of the CARES Act legislation, the "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" was issued by federal bank regulators, which offers temporary relief from troubled debt restructuring accounting for loan payment deferrals for certain customers whose businesses are experiencing economic hardship due to Coronavirus. The Company continues to closely monitor the effects of the pandemic on our loan and deposit customers. Our management team continues to be focused on assessing the risks in our loan portfolio and working with our customers to mitigate where possible, the risk of potential losses. Beginning in April 2020, the Company implemented loan programs to allow certain consumers and businesses impacted by the pandemic to defer loan principal and interest payments.

The following is a summary of COVID related loan customer modifications with outstanding balances as of December 31, 2020:

| (dollars in thousands) | Modified Loan Balances Outstanding | % of Total Category of Loans | Modification Type | | Deferral Term | | |
|------------------------------------|------------------------------------|------------------------------|------------------------|---------------------------------|---------------|----------|--|
| | | | Interest Only Deferral | Principal and Interest Deferral | 90 Days | 180 Days | |
| Commercial real estate: | | | | | | | |
| CRE non-owner occupied | \$ 19,643 | 1.28 % | 87.1 % | 12.9 % | — % | 100.0 % | |
| CRE owner occupied | 2,488 | 0.40 | 71.0 | 29.0 | 71.0 | 29.0 | |
| Multifamily | — | — | — | — | — | — | |
| Farmland | — | — | — | — | — | — | |
| Total commercial real estate loans | 22,131 | 0.8 | 85.3 | 14.7 | 8.0 | 92.0 | |
| Consumer: | | | | | | | |
| SFR 1-4 1st lien | 457 | 0.1 | 100.0 | — | — | 100.0 | |
| SFR HELOCs and junior liens | — | — | — | — | — | — | |
| Other | — | — | — | — | — | — | |
| Total consumer loans | 457 | 0.1 | 100.0 | — | — | 100.0 | |
| Commercial and industrial | 772 | 0.2 | 86.1 | 13.9 | 9.0 | 91.0 | |
| Construction | 24,998 | 8.8 | 100.0 | — | — | 100.0 | |
| Agriculture production | — | — | — | — | — | — | |
| Leases | — | — | — | — | — | — | |
| Total modifications | \$ 48,358 | 1.0 % | 93.0 % | 7.0 % | 3.7 % | 96.3 % | |

Total loan modifications associated with CARES Act legislation made during the twelve months ended December 31, 2020 totaled approximately \$427,290,000 of which \$48,360,000 remained outstanding under their modified terms as of December 31, 2020. During the three months ended September 30, 2020 and December 31, 2020, newly granted deferrals, inclusive of second deferrals, totaled approximately \$100,170,000 and \$12,720,000, respectively. The remaining balance of loans with modified terms are expected to conclude their modification period during the first half of fiscal 2021, however, as long as the current pandemic and recessionary economic conditions continue, it is anticipated that additional borrowers may request an initial or subsequent modification to their loan terms.

The total loan modifications made under the CARES Act during 2020 are inclusive of 13 loans (10 borrowers) with loan balances totaling \$31,660,000 who requested and were granted a second modification and deferral. Eight of these second modifications and deferrals were for a period of three additional months, and six of the 13 loans had concluded their second deferral period and returned to their regular payment terms and are therefore not included in the table above. The remaining borrowers who received a second loan modification have outstanding loan balances totaling \$5,840,000 million as of December 31, 2020, of which \$2,000,000 has been classified as troubled debt restructurings by Management due to the likelihood of further changes to the contractual loan terms being necessary.

Management believes that its analysis of each borrower receiving a loan modification supports the ability of that borrower to return to their normal payment terms at the conclusion of the modification period. However, management determined that a risk rating downgrade to each credit receiving a deferral modification was prudent until such time that the borrower's actual payment performance supported an upgrade to the pre-modification risk grade.

Balance Sheet

Total loans outstanding excluding PPP grew to \$4.44 billion as of December 31, 2020, an increase of 3.0% over the same quarter of the prior year, and an annualized increase of 3.3% over the trailing quarter. Investments outstanding increased to \$1.72 billion as of December 31, 2020, an increase of 66.5% annualized over the trailing quarter. Average earning assets to total average assets continued to increase to 92.4% at December 31, 2020, as compared to 92.3% and 89.8% at September 30, 2020, and December 31, 2019, respectively. The Company's loan to deposit ratio was 73.2% at December 31, 2020, as compared to 76.1% and 80.3% at September 30, 2020, and December 31, 2019, respectively.

Total shareholders' equity increased by \$22,852,000 during the quarter ended December 31, 2020, primarily as a result of net income of \$23,657,000 and an increase in accumulated other comprehensive income of \$6,704,000, partially offset by \$6,546,000 in cash dividends paid on common stock and \$1,523,000 in common stock repurchases. As a result, the Company's book value increased to \$31.12 per share at December 31, 2020 as compared to \$30.31 and \$29.70 at September 30, 2020, and December 31, 2019, respectively. The Company's tangible book value per share, a non-GAAP measure, calculated by subtracting goodwill and other intangible assets from total shareholders' equity and dividing that sum by total shares outstanding, was \$23.09 per share at December 31, 2020, as compared to \$22.24 and \$21.69 at September 30, 2020, and December 31, 2019, respectively.

Trailing Quarter Balance Sheet Change

| Ending balances (dollars in thousands) | As of December 31, 2020 | As of September 30, 2020 | \$ Change | Annualized % Change |
|---|----------------------------|-----------------------------|------------|------------------------|
| Total assets | \$ 7,639,529 | \$ 7,449,799 | \$ 189,730 | 10.2 % |
| Total loans | 4,763,127 | 4,826,338 | (63,211) | (5.2)% |
| Total loans, excluding PPP | 4,436,357 | 4,400,390 | 35,967 | 3.3 % |
| Total investments | 1,719,102 | 1,473,935 | 245,167 | 66.5 % |
| Total deposits | \$ 6,505,934 | \$ 6,340,588 | \$ 165,346 | 10.4 % |

The growth of deposit balances continued during the fourth quarter of 2020, increasing by \$165,346,000 or 10.4% annualized. The available liquidity from deposit growth was allocated to fund investment growth during the period, which increased by \$245,167,000, or 66.5% annualized. Total loans declined during the fourth quarter of 2020 by \$63,211,000 or 5.2% on an annualized basis, largely attributed to the repayment or forgiveness of gross PPP loans outstanding, which declined by \$103,811,000 during the quarter. Conversely, non-PPP loan balances increased by \$35,967,000 or 3.3% of loan balances, during the quarter ended December 31, 2020.

Average Trailing Quarter Balance Sheet Change

| Qtrly avg balances (dollars in thousands) | As of December 31, 2020 | As of September 30, 2020 | \$ Change | Annualized % Change |
|--|----------------------------|-----------------------------|------------|------------------------|
| Total assets | \$ 7,570,952 | \$ 7,380,961 | \$ 189,991 | 10.3 % |
| Total loans | 4,767,715 | 4,827,564 | (59,849) | (5.0)% |
| Total loans, excluding PPP | 4,363,873 | 4,389,672 | (25,799) | (2.4)% |
| Total investments | 1,572,511 | 1,376,212 | 196,299 | 57.1 % |
| Total deposits | \$ 6,341,175 | \$ 6,278,638 | \$ 62,537 | 4.0 % |

The decline in average total loans excluding PPP of \$25,799,000, or 2.4% on an annualized basis, during the fourth quarter of 2020 was inconsistent with the actual period end growth as compared to the trailing quarter of \$35,967,000 or 3.3% due to pay-downs or payoffs occurring early in the quarter as compared to originations occurring late in the quarter. The significant growth in both ending and average balances of investment securities was a direct result of management's focus on the deployment of excess cash balances which remained elevated due to continued deposit growth during the quarter.

Year Over Year Balance Sheet Change

| Ending balances (dollars in thousands) | As of December 31, | | \$ Change | % Change |
|---|--------------------|--------------|--------------|----------|
| | 2020 | 2019 | | |
| Total assets | \$ 7,639,529 | \$ 6,471,181 | \$ 1,168,348 | 18.1 % |
| Total loans | 4,763,127 | 4,307,366 | 455,761 | 10.6 % |
| Total loans, excluding PPP | 4,436,357 | 4,307,366 | 128,991 | 3.0 % |
| Total investments | 1,719,102 | 1,345,954 | 373,148 | 27.7 % |
| Total deposits | \$ 6,505,934 | \$ 5,366,994 | \$ 1,138,940 | 21.2 % |

As discussed in previous quarters, the PPP program generated significant increases in volume during the twelve months ended December 31, 2020 for both loan and deposit balances. While excess deposit proceeds are ratably being allocated to the purchase of

investment securities with medium term durations to improve overall margin, we expect to maintain above average levels of liquidity through 2021, as the economic impacts of COVID-19 and amount of future stimulus both remain uncertain. Investment securities increased to \$1,719,102,000 at December 31, 2020, a change of \$373,148,000 or 27.7% from \$1,345,954,000 at December 31, 2019.

Net Interest Income and Net Interest Margin

The following is a summary of the components of net interest income for the periods indicated:

| (dollars in thousands) | Three months ended | | \$ Change | % Change |
|---|----------------------|-----------------------|-----------|----------|
| | December 31, 2020 | September 30, 2020 | | |
| Interest income | \$ 68,081 | \$ 65,438 | \$ 2,643 | 4.0 % |
| Interest expense | (1,659) | (1,984) | 325 | (16.4)% |
| Fully tax-equivalent adjustment (FTE) ⁽¹⁾ | 258 | 254 | 4 | 1.6 % |
| Net interest income (FTE) | \$ 66,680 | \$ 63,708 | \$ 2,972 | 4.7 % |
| Net interest margin (FTE) | 3.79 % | 3.72 % | | |
| Acquired loans discount accretion, net: | | | | |
| Amount (included in interest income) | \$ 1,960 | \$ 1,876 | \$ 84 | |
| Net interest margin less effect of acquired loan discount accretion ⁽¹⁾ | 3.68 % | 3.61 % | | 0.07 % |
| PPP loans yield, net: | | | | |
| Amount (included in interest income) | \$ 5,676 | \$ 2,603 | \$ 3,073 | |
| Net interest margin less effect of PPP loan yield ⁽¹⁾ | 3.68 % | 3.81 % | | (0.13)% |
| Acquired loans discount accretion and PPP loan yield, net: ⁽¹⁾ | | | | |
| Amount (included in interest income) | \$ 7,636 | \$ 4,479 | \$ 3,157 | |
| Net interest margin less effect of acquired loan discount accretion and PPP loan yield ⁽¹⁾ | 3.56 % | 3.69 % | | (0.13)% |

| (dollars in thousands) | Three months ended December 31, | | \$ Change | % Change |
|--|------------------------------------|-----------|-----------|----------|
| | 2020 | 2019 | | |
| Interest income | \$ 68,081 | \$ 67,918 | \$ 163 | 0.2 % |
| Interest expense | (1,659) | (3,722) | 2,063 | (55.4)% |
| Fully tax-equivalent adjustment (FTE) ⁽¹⁾ | 258 | 272 | (14) | (5.1)% |
| Net interest income (FTE) | \$ 66,680 | \$ 64,468 | \$ 2,212 | 3.4 % |
| Net interest margin (FTE) | 3.79 % | 4.39 % | | |
| Acquired loans discount accretion, net: | | | | |
| Amount (included in interest income) | \$ 1,960 | \$ 2,218 | \$ (258) | |
| Net interest margin less effect of acquired loan discount accretion ⁽¹⁾ | 3.68 % | 4.23 % | | (0.55)% |

| (dollars in thousands) | Twelve months ended December 31, | | \$ Change | % Change |
|--|-------------------------------------|------------|------------|----------|
| | 2020 | 2019 | | |
| Interest income | \$ 267,184 | \$ 272,444 | \$ (5,260) | (1.9)% |
| Interest expense | (9,457) | (15,375) | 5,918 | (38.5)% |
| Fully tax-equivalent adjustment (FTE) ⁽¹⁾ | 1,069 | 1,201 | (132) | (11.0)% |
| Net interest income (FTE) | \$ 258,796 | \$ 258,270 | \$ 526 | 0.2 % |
| Net interest margin (FTE) | 3.96 % | 4.47 % | | |
| Acquired loans discount accretion, net: | | | | |
| Amount (included in interest income) | \$ 8,171 | \$ 8,137 | \$ 34 | |
| Net interest margin less effect of acquired loan discount accretion ⁽¹⁾ | 3.83 % | 4.36 % | | (0.53)% |
| PPP loans yield, net: | | | | |
| Amount (included in interest income) | \$ 10,635 | — | \$ 10,635 | |
| Net interest margin less effect of PPP loan yield ⁽¹⁾ | 3.97 % | — | | 3.97 % |
| Acquired loans discount accretion and PPP loan yield, net: | | | | |
| Amount (included in interest income) | \$ 18,806 | \$ 8,137 | \$ 10,669 | |
| Net interest margin less effect of acquired loans discount and PPP loan yield ⁽¹⁾ | 3.88 % | 4.36 % | | (0.48)% |

- (1) Information is presented on a fully tax-equivalent (FTE) basis. The Company believes the use of this non-generally accepted accounting principles (non-GAAP) measure provides additional clarity in assessing its results, and the presentation of these measures on a FTE basis is a common practice within the banking industry.

Loans may be acquired at a premium or discount to par value, in which case, the premium is amortized (subtracted from) or accreted (added to) interest income over the remaining life of the loan. Generally, as time goes on, the effects of loan discount accretion and loan premium amortization decrease as the purchased loans mature or pay off early. Upon the early pay off of a loan, any remaining (unaccreted) discount or (unamortized) premium is immediately taken into interest income; and as loan payoffs may vary significantly from quarter to quarter, so may the impact of discount accretion and premium amortization on interest income. As a result of the uncertain economic environment and corresponding interest rate volatility, the prepayment rate of portfolio loans, inclusive of those acquired at a premium or discount, increased during the fourth quarter of 2020. During the three months ended December 31, 2020, September 30, 2020, and December 31, 2019, purchased loan discount accretion was \$1,960,000, \$1,876,000, and \$2,218,000, respectively.

The following table shows the components of net interest income and net interest margin on a fully tax-equivalent (FTE) basis for the quarterly periods indicated:

ANALYSIS OF CHANGE IN NET INTEREST MARGIN ON EARNING ASSETS

(unaudited, dollars in thousands)

| | Three months ended December 31, 2020 | | | Three months ended September 30, 2020 | | | Three months ended December 31, 2019 | | |
|--|---|--------------------|----------------|--|--------------------|----------------|---|--------------------|----------------|
| | Average Balance | Income/ Expense | Yield/ Rate | Average Balance | Income/ Expense | Yield/ Rate | Average Balance | Income/ Expense | Yield/ Rate |
| Assets | | | | | | | | | |
| Loans, excluding PPP | \$ 4,363,873 | \$ 55,339 | 5.04 % | \$ 4,389,672 | \$ 55,436 | 5.02 % | \$ 4,231,347 | \$ 56,862 | 5.46 % |
| PPP loans | 403,842 | 5,676 | 5.59 % | 437,892 | 2,603 | 2.36 % | — | — | — % |
| Investments-taxable | 1,458,856 | 6,022 | 1.64 % | 1,261,793 | 6,376 | 2.01 % | 1,236,717 | 9,246 | 2.97 % |
| Investments-nontaxable ⁽¹⁾ | 113,656 | 1,121 | 3.92 % | 114,419 | 1,102 | 3.83 % | 119,350 | 1,179 | 3.92 % |
| Total investments | 1,572,512 | 7,143 | 1.81 % | 1,376,212 | 7,478 | 2.16 % | 1,356,067 | 10,425 | 3.05 % |
| Cash at Federal Reserve and other banks | 658,355 | 181 | 0.11 % | 611,719 | 175 | 0.11 % | 236,381 | 903 | 1.52 % |
| Total earning assets | 6,998,582 | 68,339 | 3.88 % | 6,815,495 | 65,692 | 3.83 % | 5,823,795 | 68,190 | 4.65 % |
| Other assets, net | 572,370 | | | 565,466 | | | 659,037 | | |
| Total assets | <u>\$ 7,570,952</u> | | | <u>\$ 7,380,961</u> | | | <u>\$ 6,482,832</u> | | |
| Liabilities and shareholders' equity | | | | | | | | | |
| Interest-bearing demand deposits | \$ 1,275,550 | \$ 43 | 0.01 % | \$ 1,339,797 | \$ 56 | 0.02 % | \$ 1,227,854 | \$ 229 | 0.07 % |
| Savings deposits | 2,145,543 | 405 | 0.08 % | 2,075,077 | 484 | 0.09 % | 1,859,652 | 1,261 | 0.27 % |
| Time deposits | 362,104 | 661 | 0.73 % | 387,922 | 872 | 0.89 % | 453,894 | 1,458 | 1.27 % |
| Total interest-bearing deposits | 3,783,197 | 1,109 | 0.12 % | 3,802,796 | 1,412 | 0.15 % | 3,541,400 | 2,948 | 0.33 % |
| Other borrowings | 32,504 | 4 | 0.05 % | 33,750 | 4 | 0.05 % | 20,247 | 3 | 0.06 % |
| Junior subordinated debt | 57,581 | 546 | 3.77 % | 57,475 | 568 | 3.93 % | 57,205 | 771 | 5.35 % |
| Total interest-bearing liabilities | 3,873,282 | 1,659 | 0.17 % | 3,894,021 | 1,984 | 0.20 % | 3,618,852 | 3,722 | 0.41 % |
| Noninterest-bearing deposits | 2,557,978 | | | 2,475,842 | | | 1,843,790 | | |
| Other liabilities | 232,224 | | | 112,112 | | | 114,605 | | |
| Shareholders' equity | 907,468 | | | 898,986 | | | 905,585 | | |
| Total liabilities and shareholders' equity | <u>\$ 7,570,952</u> | | | <u>\$ 7,380,961</u> | | | <u>\$ 6,482,832</u> | | |
| Net interest rate spread ⁽¹⁾⁽²⁾ | | | 3.71 % | | | 3.63 % | | | 4.24 % |
| Net interest income and margin ⁽¹⁾⁽³⁾ | | <u>\$ 66,680</u> | 3.79 % | | <u>\$ 63,708</u> | 3.72 % | | <u>\$ 64,468</u> | 4.39 % |

- (1) Fully taxable equivalent (FTE). All yields and rates are calculated using specific day counts for the period and year as applicable.
(2) Net interest spread is the average yield earned on interest-earning assets minus the average rate paid on interest-bearing liabilities.
(3) Net interest margin is computed by calculating the difference between interest income and interest expense, divided by the average balance of interest-earning assets.

Net interest income (FTE) during the three months ended December 31, 2020 increased \$2,972,000 or 4.7% to \$66,680,000 compared to \$63,708,000 during the three months ended September 30, 2020. Over the same period, net interest margin increased 7 basis points to 3.79% as compared to 3.72% in the trailing quarter. The 7 basis point increase is attributed to a 2 basis point increase in non-PPP loan yields, a 3 basis point decrease in the rate paid on interest-bearing liabilities, and an increase in yields on the PPP loans, which

earned 5.59% during the three months ended December 31, 2020, as compared to 2.36% during the trailing quarter. The quarterly increase in yield on PPP loans is due to an acceleration of deferred loan fee accretion resulting from approximately \$103,633,000 in PPP loans being approved by the SBA for forgiveness. Those increases were partially offset by declines in investment security yields which were 1.81% during the three months ended December 31, 2020, as compared to 2.16% during the trailing quarter.

As compared to the same quarter in the prior year, average loan yields, excluding PPP, decreased 42 basis points from 5.46% during the three months ended December 31, 2019, to 5.04% during the three months ended December 31, 2020. Of the 42 basis point decrease in yields on loans during the comparable three month periods ended December 31, 2020 and 2019, 39 basis points was attributable to decreases in market yields while 3 basis points was lost from the decline in accretion of purchased loan discounts. The index utilized in a significant portion of the Company's variable rate loans, Wall Street Journal Prime, remained unchanged at 3.25% during the quarter ended December 31, 2020, as compared to the trailing quarter, but has decreased from 4.75% at December 31, 2019.

The decline in interest expense when compared to the trailing quarter is primarily attributed to the reduction in the cost of interest bearing liabilities, which decreased by 3 basis points as of December 31, 2020, to 0.17% from 0.20% at September 30, 2020, as a direct result of the aforementioned declining interest rate environment.

In addition, the growth of noninterest-bearing deposits has benefited the average costs of total deposits. Specifically, the ratio of average total noninterest-bearing deposits to total average deposits grew to 40.3% from 34.2% in the quarter ended December 31, 2020 as compared to the same quarter in the prior year which has allowed the average cost of total deposits to decrease to 0.07% from 0.22% in the comparable periods.

ANALYSIS OF CHANGE IN NET INTEREST MARGIN ON EARNING ASSETS

(unaudited, dollars in thousands)

| | Twelve months ended December 31, 2020 | | | Twelve months ended December 31, 2019 | | |
|--|---------------------------------------|-------------------|------------|---------------------------------------|-------------------|------------|
| | Average Balance | Income/Expense | Yield/Rate | Average Balance | Income/Expense | Yield/Rate |
| Assets | | | | | | |
| Loans, excluding PPP | \$ 4,361,679 | \$ 223,086 | 5.11 % | \$ 4,111,093 | \$ 223,750 | 5.44 % |
| PPP loans | 284,326 | 10,635 | 3.74 % | — | — | — % |
| Investments-taxable | 1,302,367 | 28,659 | 2.20 % | 1,360,793 | 41,095 | 3.02 % |
| Investments-nontaxable ⁽¹⁾ | 116,717 | 4,636 | 3.97 % | 133,733 | 5,203 | 3.89 % |
| Total investments | 1,419,084 | 33,295 | 2.35 % | 1,494,526 | 46,298 | 3.10 % |
| Cash at Federal Reserve and other banks | 467,376 | 1,237 | 0.26 % | 171,021 | 3,597 | 2.10 % |
| Total earning assets | 6,532,465 | 268,253 | 4.11 % | 5,776,640 | 273,645 | 4.74 % |
| Other assets, net | 590,966 | | | 660,455 | | |
| Total assets | <u>\$ 7,123,431</u> | | | <u>\$ 6,437,095</u> | | |
| Liabilities and shareholders' equity | | | | | | |
| Interest-bearing demand deposits | \$ 1,313,804 | \$ 332 | 0.03 % | \$ 1,254,375 | \$ 1,089 | 0.09 % |
| Savings deposits | 2,015,134 | 2,595 | 0.13 % | 1,883,964 | 4,892 | 0.26 % |
| Time deposits | 397,216 | 3,958 | 1.00 % | 446,142 | 5,735 | 1.29 % |
| Total interest-bearing deposits | 3,726,154 | 6,885 | 0.18 % | 3,584,481 | 11,716 | 0.33 % |
| Other borrowings | 28,863 | 17 | 0.06 % | 15,484 | 387 | 2.50 % |
| Junior subordinated debt | 57,426 | 2,555 | 4.45 % | 57,133 | 3,272 | 5.73 % |
| Total interest-bearing liabilities | 3,812,443 | 9,457 | 0.25 % | 3,657,098 | 15,375 | 0.42 % |
| Noninterest-bearing deposits | 2,289,168 | | | 1,780,746 | | |
| Other liabilities | 119,710 | | | 121,933 | | |
| Shareholders' equity | 902,110 | | | 877,318 | | |
| Total liabilities and shareholders' equity | <u>\$ 7,123,431</u> | | | <u>\$ 6,437,095</u> | | |
| Net interest rate spread ⁽¹⁾⁽²⁾ | | | 3.86 % | | | 4.32 % |
| Net interest income and margin ⁽¹⁾⁽³⁾ | | <u>\$ 258,796</u> | 3.96 % | | <u>\$ 258,270</u> | 4.47 % |

(1) Fully taxable equivalent (FTE). All yields and rates are calculated using specific day counts for the period and year as applicable.

(2) Net interest spread is the average yield earned on interest-earning assets minus the average rate paid on interest-bearing liabilities.

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

Interest Rates and Loan Portfolio Composition

During 2020, declines in several market interest rates, including many rates that serve as reference indices for variable rate loans, declined markedly from previous levels. As of December 31, 2020, the Company's loan portfolio consisted of approximately \$4.80 billion in outstanding principal with a weighted average coupon rate of 4.35%, inclusive of the PPP program loans. Excluding PPP loans, the Company's loan portfolio has approximately \$4.47 billion outstanding with a weighted average coupon rate of 4.60% as of December 31, 2020. Included in the December 31, 2020 loan total, exclusive of PPP loans, are variable rate loans totaling \$3.02 billion of which 88.2% or \$2.66 billion were at their floor rate. The remaining variable rate loans totaling \$357.0 million, which carried a weighted average coupon rate of 5.03% as of December 31, 2020, are subject to further rate adjustment. If those remaining variable rate loans were to collectively, through future rate adjustments, be reduced to their respective floors, they would have a weighted average coupon rate of approximately 4.36% which would result in the reduction of the weighted average coupon rate of the total loan portfolio, exclusive of PPP loans, from 4.60% to approximately 4.55%.

As of September 30, 2020, the Company's loan portfolio consisted of approximately \$4.87 billion in outstanding principal with a weighted average coupon rate of 4.34%, inclusive of the PPP program loans. Excluding these loans, the Company's loan portfolio has approximately \$4.43 billion outstanding with a weighted average coupon rate of 4.66% as of September 30, 2020. Included in this September 30, 2020 loan total, exclusive of PPP loans, are variable rate loans totaling \$3.0 billion of which 87.7% or \$2.62 billion were at their floor rate. The remaining variable rate loans totaling \$369.0 million which carried a weighted average coupon rate of 5.07% as of September 30, 2020, are subject to further rate adjustment. If those remaining variable rate loans were to collectively, through future rate adjustments, be reduced to their respective floors, they would have a weighted average coupon rate of approximately 4.36% which would result in the reduction of the weighted average coupon rate of the total loan portfolio, exclusive of PPP loans, from 4.66% to approximately 4.61%.

Asset Quality and Credit Loss Provisioning

The Company adopted CECL on January 1, 2020. During the three months ended December 31, 2020, the Company recorded a provision for credit losses of \$4,850,000, as compared to \$7,649,000 for the trailing quarter, and a reversal of provision expense of \$298,000 during the fourth quarter of 2019.

The following table presents details of the provision for credit losses for the periods indicated:

| (dollars in thousands) | Three months ended | | | |
|---|--------------------|--------------------|---------------|----------------|
| | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 |
| Addition to allowance for credit losses | \$ 4,450 | \$ 7,649 | \$ 22,089 | \$ 8,000 |
| Addition to reserve for unfunded loan commitments | 400 | — | 155 | 70 |
| Total provision for credit losses | \$ 4,850 | \$ 7,649 | \$ 22,244 | \$ 8,070 |

The allowance for credit losses (ACL) was \$91,847,000 as of quarter ended December 31, 2020, a net increase of \$4,272,000 over the immediately preceding quarter. More specifically, the changes in loan volume and changes in credit quality associated with levels of classified, past due and non-performing loans, in addition to changes in qualitative factors, resulted in the need for a provision for credit losses of \$4,450,000, offset by net charge-offs totaled \$178,000 during the current quarter. The portfolio-wide qualitative indicators associated with the forecast levels of California Unemployment contributed to the majority of the increase in credit reserves on loans as of December 31, 2020 as compared to the trailing quarter, adding approximately \$5,250,000 to the required reserves. These increases were partially offset by reductions in required reserves of approximately \$1,910,000 associated with historical loss rates which have continued to remain low despite the current economic recession.

The Company utilizes a forecast period of approximately eight quarters and obtains the forecast data from publicly available sources as of the balance sheet date. This forecast data continues to evolve and included significant shifts in the magnitude of changes for both the unemployment and GDP factors leading up to the balance sheet date. Management noted that the majority of economic forecasts utilized in the ACL calculation have continued to identify an expanded duration of the current recessionary period as caused by the global pandemic and partially offset by the governmental stimulus that has been or is expected to be provided.

Loans past due 30 days or more decreased by \$3,321,000 during the quarter ended December 31, 2020 to \$6,767,000, as compared to \$10,522,000 at September 30, 2020. Non-performing loans were \$26,864,000 at December 31, 2020, an increase of \$3,901,000 and \$10,000,000, respectively, from \$22,963,000 and \$16,864,000 as of September 30, 2020, and December 31, 2019, respectively.

The following table illustrates the total loans by risk rating and their respective percentage of total loans for the periods presented.

| (dollars in thousands) | December 31, 2020 | % of Total Loans | September 30, 2020 | % of Total Loans | December 31, 2019 | % of Total Loans |
|--|----------------------|---------------------|-----------------------|---------------------|----------------------|---------------------|
| Risk Rating: | | | | | | |
| Pass | \$ 4,555,154 | 95.6 % | \$ 4,630,266 | 95.9 % | \$ 4,228,453 | 98.2 % |
| Special Mention | 158,241 | 3.4 % | 147,343 | 3.1 % | 44,217 | 1.0 % |
| Substandard | 49,732 | 1.0 % | 48,729 | 1.0 % | 34,696 | 0.8 % |
| Total | \$ 4,763,127 | | \$ 4,826,338 | | \$ 4,307,366 | |
| Classified loans to total loans | 1.04 % | | 1.01 % | | 0.81 % | |
| Loans past due 30+ days to total loans | 0.14 % | | 0.22 % | | 0.25 % | |

The Company's loan portfolio for non-classified loans (loans graded special mention or better) remains generally consistent for the quarter ended December 31, 2020, as compared to the trailing quarter September 30, 2020, representing 99.0% of total loans outstanding, respectively. Loans risk graded special mention increased by approximately \$10,898,000 during the quarter ended December 31, 2020 as compared to the trailing quarter. The downgrades to special mention were largely focused in one relationship of two loans totaling approximately \$10,355,000 secured by commercial real estate properties which have received second COVID deferrals, but are believed to have more than sufficient collateral support.

Additions to other real estate owned totaled \$609,000, representing three loans from the same borrower, during the quarter ended December 31, 2020. There were no sales during the same period. As of December 31, 2020, other real estate owned consisted of seven properties with a carrying value of \$2,844,000. As of December 31, 2019, other real estate owned included five properties with a carrying value of \$2,541,000.

Allocation of Credit Loss Reserves by Loan Type

| (dollars in thousands) | As of December 31, 2020 | | As of September 30, 2020 | | As of June 30, 2020 | |
|---------------------------------------|-------------------------|---------------------------|--------------------------|---------------------------|---------------------|---------------------------|
| | Amount | % of Loans Outstanding | Amount | % of Loans Outstanding | Amount | % of Loans Outstanding |
| Commercial real estate: | | | | | | |
| CRE - Non Owner Occupied | \$ 29,380 | 1.91 % | \$ 28,847 | 1.80 % | \$ 26,091 | 1.63 % |
| CRE - Owner Occupied | 10,860 | 1.74 % | 9,625 | 1.66 % | 8,710 | 1.50 % |
| Multifamily | 11,472 | 1.79 % | 10,032 | 1.67 % | 8,581 | 1.49 % |
| Farmland | 1,980 | 1.30 % | 1,790 | 1.17 % | 1,468 | 0.97 % |
| Total commercial real estate loans | 53,692 | 1.82 % | 50,294 | 1.71 % | 44,850 | 1.54 % |
| Consumer: | | | | | | |
| SFR 1-4 1st Liens | 10,117 | 1.83 % | 8,937 | 1.72 % | 8,015 | 1.58 % |
| SFR HELOCs and Junior Liens | 11,771 | 3.59 % | 11,676 | 3.51 % | 12,108 | 3.38 % |
| Other | 3,261 | 4.20 % | 3,394 | 4.18 % | 3,042 | 3.73 % |
| Total consumer loans | 25,149 | 2.62 % | 24,007 | 2.57 % | 23,165 | 2.45 % |
| Commercial and Industrial | 4,252 | 0.81 % | 4,534 | 0.72 % | 4,018 | 0.63 % |
| Construction | 7,540 | 2.65 % | 7,640 | 2.68 % | 6,775 | 2.43 % |
| Agricultural Production | 1,209 | 2.74 % | 1,093 | 2.69 % | 919 | 2.59 % |
| Leases | 5 | 0.13 % | 7 | 0.19 % | 12 | 0.68 % |
| Allowance for credit losses | 91,847 | 1.93 % | 87,575 | 1.81 % | 79,739 | 1.66 % |
| Reserve for unfunded loan commitments | 3,400 | | 3,000 | | 3,000 | |
| Total allowance for credit losses | \$ 95,247 | | \$ 90,575 | 1.88 % | \$ 82,739 | 1.72 % |

For the periods presented in the table above and for purposes of calculating the "% of Credit Outstanding", PPP loans are included in the segment "Commercial and Industrial." PPP loans are fully guaranteed and therefore would not require any loss reserve allocation. Excluding the net outstanding balances of PPP loans from the ratio of the ACL to total loans results in a reserve ratio of approximately 2.07% as of December 31, 2020. In addition to the allowance for credit losses above, the Company has acquired various performing loans whose fair value as of the acquisition date was determined to be less than the principal balance owed on those loans. This difference represents the collective discount of credit, interest rate and liquidity measurements which is expected to be amortized over the life of the loans. As of December 31, 2020, the unamortized discount associated with acquired loans totaled \$25,461,000 and if aggregated with the ACL would collectively represent 2.45% of total gross loans and 2.63% total loans less PPP loans.

Non-interest Income

The following table presents the key components of non-interest income for the current and trailing quarterly periods indicated:

| (dollars in thousands) | Three months ended | | \$ Change | % Change |
|--|--------------------|--------------------|-----------|-----------|
| | December 31, 2020 | September 30, 2020 | | |
| ATM and interchange fees | \$ 5,747 | \$ 5,637 | \$ 110 | 2.0 % |
| Service charges on deposit accounts | 3,518 | 3,334 | 184 | 5.5 % |
| Other service fees | 860 | 805 | 55 | 6.8 % |
| Mortgage banking service fees | 469 | 457 | 12 | 2.6 % |
| Change in value of mortgage servicing rights | (376) | 236 | (612) | (259.3)% |
| Total service charges and fees | 10,218 | 10,469 | (251) | (2.4)% |
| Increase in cash value of life insurance | 746 | 773 | (27) | (3.5)% |
| Asset management and commission income | 745 | 667 | 78 | 11.7 % |
| Gain on sale of loans | 3,460 | 3,035 | 425 | 14.0 % |
| Lease brokerage income | 173 | 175 | (2) | (1.1)% |
| Sale of customer checks | 111 | 91 | 20 | 22.0 % |
| Gain on sale of investment securities | — | 7 | (7) | n/m |
| Loss on marketable equity securities | (8) | — | (8) | n/m |
| Other | 1,135 | (80) | 1,215 | (1518.8)% |
| Total other non-interest income | 6,362 | 4,668 | 1,694 | 36.3 % |
| Total non-interest income | \$ 16,580 | \$ 15,137 | \$ 1,443 | 9.5 % |

Non-interest income increased \$1,443,000 or 9.5% to \$16,580,000 during the three months ended December 31, 2020 compared to \$15,137,000 during the trailing quarter September 30, 2020. Mortgage loan origination volume increased during the period ended December 31, 2020 as a result of the continued favorable interest rate environment, leading to a \$425,000 increase in gain on sale of loans, as compared to the trailing quarter. Additionally, other non-interest income contributed \$1,135,000 during the quarter ended December 31, 2020, an increase of \$1,215,000 from the trailing quarter. This increase was largely the result of a one-time death benefit totaling \$498,000 realized during the quarter ended December 31, 2020. As an offset to the increased non-interest income discussed above, the change in valuation of mortgage servicing rights decreased by \$376,000 during the quarter, which represented a decline of \$612,000 in income as compared to the trailing quarter ended September 30, 2020.

The following table presents the key components of non-interest income for the periods indicated:

| (dollars in thousands) | Three months ended | | \$ Change | % Change |
|--|--------------------|-----------|-----------|----------|
| | December 31, | | | |
| | 2020 | 2019 | | |
| ATM and interchange fees | \$ 5,747 | \$ 5,227 | \$ 520 | 9.9 % |
| Service charges on deposit accounts | 3,518 | 4,268 | (750) | (17.6)% |
| Other service fees | 860 | 817 | 43 | 5.3 % |
| Mortgage banking service fees | 469 | 476 | (7) | (1.5)% |
| Change in value of mortgage servicing rights | (376) | (159) | (217) | 136.5 % |
| Total service charges and fees | 10,218 | 10,629 | (411) | (3.9)% |
| Increase in cash value of life insurance | 746 | 735 | 11 | 1.5 % |
| Asset management and commission income | 745 | 775 | (30) | (3.9)% |
| Gain on sale of loans | 3,460 | 1,059 | 2,401 | 226.7 % |
| Lease brokerage income | 173 | 247 | (74) | (30.0)% |
| Sale of customer checks | 111 | 128 | (17) | (13.3)% |
| Gain on sale of investment securities | — | 3 | (3) | n/m |
| Gain on marketable equity securities | (8) | (14) | 6 | (42.9)% |
| Other | 1,135 | 624 | 511 | 81.9 % |
| Total other non-interest income | 6,362 | 3,557 | 2,805 | 78.9 % |
| Total non-interest income | \$ 16,580 | \$ 14,186 | \$ 2,394 | 16.9 % |

In addition to the discussion above within the non-interest income for the three months ended December 31, 2020 and trailing September 30, 2020, overall fee generating deposit account activity remains depressed as a result of the COVID-19 pandemic, declining \$750,000 or 17.6% during the three months ended December 31, 2020 when compared to the same period in the prior year, however, a slight increase of \$184,000 or 5.5% over the trailing quarter was observed. These changes were benefited by continued

increases in ATM and interchange fees which increased by \$110,000 and \$530,000 over the trailing quarter and same quarter in the prior year, respectively.

The following table presents the key components of non-interest income for the current and prior year twelve month periods indicated:

| (dollars in thousands) | Twelve months ended December 31, | | \$ Change | % Change |
|--|-------------------------------------|-----------|-----------|----------|
| | 2020 | 2019 | | |
| ATM and interchange fees | \$ 21,660 | \$ 20,639 | \$ 1,021 | 4.9 % |
| Service charges on deposit accounts | 13,944 | 16,657 | (2,713) | (16.3)% |
| Other service fees | 3,156 | 3,015 | 141 | 4.7 % |
| Mortgage banking service fees | 1,855 | 1,917 | (62) | (3.2)% |
| Change in value of mortgage servicing rights | (2,634) | (1,811) | (823) | 45.4 % |
| Total service charges and fees | 37,981 | 40,417 | (2,436) | (6.0)% |
| Increase in cash value of life insurance | 2,949 | 3,029 | (80) | (2.6)% |
| Asset management and commission income | 2,989 | 2,877 | 112 | 3.9 % |
| Gain on sale of loans | 9,122 | 3,282 | 5,840 | 177.9 % |
| Lease brokerage income | 668 | 878 | (210) | (23.9)% |
| Sale of customer checks | 414 | 529 | (115) | (21.7)% |
| Gain on sale of investment securities | 7 | 110 | (103) | (93.6)% |
| Gain on marketable equity securities | 64 | 86 | (22) | (25.6)% |
| Other | 1,000 | 2,312 | (1,312) | (56.7)% |
| Total other non-interest income | 17,213 | 13,103 | 4,110 | 31.4 % |
| Total non-interest income | \$ 55,194 | \$ 53,520 | \$ 1,674 | 3.1 % |

Non-interest income increased \$1,674,000 or 3.1% to \$55,194,000 during the twelve months ended December 31, 2020, compared to \$53,520,000 during the equivalent period in 2019. This increase was primarily attributed to an increase in gains from the sale of mortgage loans, which resulted from increased volume, and contributed \$5,840,000 to the overall increase in non-interest income during the year ended December 31, 2020 as compared to December 31, 2019. Non-interest income was negatively impacted by changes in the fair value of the Company's mortgage servicing assets, as noted above, which contributed to a \$823,000 decline for the year. Further, fee generative deposit account activity was impacted by reductions in the volume of returned check fees, declining by \$2,713,000 to \$13,944,000 for the twelve months ended December 31, 2020. Other non-interest income also declined by \$1,312,000 during 2020, partially from decreases in the fair value of assets used to fund acquired deferred compensation plans totaling \$514,000, as compared to 2019, as well as from a reduction in one-time death benefits realized during the years ended 2020 and 2019 of \$498,000 and \$831,000, respectively.

Non-interest Expense

The following table presents the key components of non-interest expense for the current and trailing quarterly periods indicated:

| (dollars in thousands) | Three Months Ended | | \$ Change | % Change |
|---|--------------------|--------------------|------------|----------|
| | December 31, 2020 | September 30, 2020 | | |
| Base salaries, net of deferred loan origination costs | \$ 16,510 | \$ 18,754 | \$ (2,244) | (12.0)% |
| Incentive compensation | 2,342 | 2,184 | 158 | 7.2 % |
| Benefits and other compensation costs | 9,621 | 8,383 | 1,238 | 14.8 % |
| Total salaries and benefits expense | 28,473 | 29,321 | (848) | (2.9)% |
| Occupancy | 3,815 | 3,440 | 375 | 10.9 % |
| Data processing and software | 2,919 | 3,561 | (642) | (18.0)% |
| Equipment | 1,293 | 1,549 | (256) | (16.5)% |
| Intangible amortization | 1,430 | 1,431 | (1) | (0.1)% |
| Advertising | 762 | 869 | (107) | (12.3)% |
| ATM and POS network charges | 1,536 | 1,314 | 222 | 16.9 % |
| Professional fees | 823 | 955 | (132) | (13.8)% |
| Telecommunications | 618 | 619 | (1) | (0.2)% |
| Regulatory assessments and insurance | 601 | 538 | 63 | 11.7 % |
| Postage | 377 | 118 | 259 | 219.5 % |
| Operational losses | 609 | 154 | 455 | 295.5 % |
| Courier service | 401 | 345 | 56 | 16.2 % |
| Gain on sale or acquisition of foreclosed assets | (177) | — | (177) | n/m |
| Loss on disposal of fixed assets | 30 | 22 | 8 | 36.4 % |
| Other miscellaneous expense | 2,236 | 2,478 | (242) | (9.8)% |
| Total other non-interest expense | 17,273 | 17,393 | (120) | (0.7)% |
| Total non-interest expense | \$ 45,746 | \$ 46,714 | \$ (968) | (2.1)% |
| Average full-time equivalent staff | 1,030 | 1,105 | (75) | (6.8)% |

Non-interest expense for the quarter ended December 31, 2020 decreased \$968,000 or 2.1% to \$45,746,000 as compared to \$46,714,000 during the trailing quarter ended September 30, 2020. Salaries, net of deferred loan origination costs decreased by \$2,244,000 to \$16,510,000 for the three months ended December 31, 2020 due to a decrease in average full-time equivalent staff in addition to reductions in overtime and temporary help. Benefits related expenses increased by \$1,238,000 to \$9,621,000 during the quarter primarily as a result of increases in expenses associated with retirement obligations and insurance costs. Data processing and software expense declined by \$642,000 for the quarter ended December 31, 2020, due to negotiated changes to the Company's data processing pricing structure and a temporary reduction in volume of variable priced services requested from the Company's vendor.

The following table presents the key components of non-interest expense for the current and prior year quarterly periods indicated:

| (dollars in thousands) | Three months ended December 31, | | | |
|---|---------------------------------|-----------|------------|----------|
| | 2020 | 2019 | \$ Change | % Change |
| Base salaries, net of deferred loan origination costs | \$ 16,510 | \$ 18,594 | \$ (2,084) | (11.2)% |
| Incentive compensation | 2,342 | 3,042 | (700) | (23.0)% |
| Benefits and other compensation costs | 9,621 | 5,683 | 3,938 | 69.3 % |
| Total salaries and benefits expense | 28,473 | 27,319 | 1,154 | 4.2 % |
| Occupancy | 3,815 | 3,670 | 145 | 4.0 % |
| Data processing and software | 2,919 | 3,403 | (484) | (14.2)% |
| Equipment | 1,293 | 1,724 | (431) | (25.0)% |
| Intangible amortization | 1,430 | 1,430 | — | — % |
| Advertising | 762 | 1,411 | (649) | (46.0)% |
| ATM and POS network charges | 1,536 | 1,511 | 25 | 1.7 % |
| Professional fees | 823 | 859 | (36) | (4.2)% |
| Telecommunications | 618 | 753 | (135) | (17.9)% |
| Regulatory assessments and insurance | 601 | 93 | 508 | 546.2 % |
| Postage | 377 | 195 | 182 | 93.3 % |
| Operational losses | 609 | 307 | 302 | 98.4 % |
| Courier service | 401 | 269 | 132 | 49.1 % |
| Gain on sale or acquisition of foreclosed assets | (177) | — | (177) | n/m |
| Loss on disposal of fixed assets | 30 | — | 30 | n/m |
| Other miscellaneous expense | 2,236 | 4,020 | (1,784) | (44.4)% |
| Total other non-interest expense | 17,273 | 19,645 | (2,372) | (12.1)% |
| Total non-interest expense | \$ 45,746 | \$ 46,964 | \$ (1,218) | (2.6)% |
| Average full-time equivalent staff | 1,030 | 1,160 | (130) | (11.2)% |

Non-interest expense decreased by \$1,218,000 or 2.6% to \$45,746,000 during the three months ended December 31, 2020 as compared to \$46,964,000 for the three months ended December 31, 2019. For reasons similar to those discussed above salary and benefit expense increased by \$1,154,000 or 4.2% to \$28,473,000 during the three months ended December 31, 2020 as compared to \$27,319,000 for the same period in 2019. Offsetting this increase were declines in miscellaneous expenses, which decreased during the period by \$1,784,000 or 44.4% to \$2,236,000, and were primarily attributed to a \$1,174,000 reduction in travel and outside training expenses as associated with the precautionary and restricted travel environment associated with the pandemic. Further, advertising expense was reduced by \$649,000 or 46.0%, to \$762,000 during the three months ended December 31, 2020 as compared to \$1,411,000 for the same period in 2019.

The following table presents the key components of non-interest income for the current and prior year twelve month periods indicated:

| (dollars in thousands) | Twelve months ended December 31, | | \$ Change | % Change |
|---|----------------------------------|------------|------------|----------|
| | 2020 | 2019 | | |
| Base salaries, net of deferred loan origination costs | \$ 70,164 | \$ 70,218 | \$ (54) | (0.1)% |
| Incentive compensation | 10,022 | 13,106 | (3,084) | (23.5)% |
| Benefits and other compensation costs | 31,935 | 22,741 | 9,194 | 40.4 % |
| Total salaries and benefits expense | 112,121 | 106,065 | 6,056 | 5.7 % |
| Occupancy | 14,528 | 14,893 | (365) | (2.5)% |
| Data processing and software | 13,504 | 13,517 | (13) | (0.1)% |
| Equipment | 5,704 | 7,022 | (1,318) | (18.8)% |
| Intangible amortization | 5,723 | 5,723 | — | — % |
| Advertising | 2,827 | 5,633 | (2,806) | (49.8)% |
| ATM and POS network charges | 5,433 | 5,447 | (14) | (0.3)% |
| Professional fees | 3,222 | 3,754 | (532) | (14.2)% |
| Telecommunications | 2,601 | 3,190 | (589) | (18.5)% |
| Regulatory assessments and insurance | 1,594 | 1,188 | 406 | 34.2 % |
| Postage | 1,068 | 1,258 | (190) | (15.1)% |
| Operational losses | 1,168 | 986 | 182 | 18.5 % |
| Courier service | 1,414 | 1,308 | 106 | 8.1 % |
| Gain on sale or acquisition of foreclosed assets | (234) | (246) | 12 | (4.9)% |
| Loss on disposal of fixed assets | 67 | 82 | (15) | (18.3)% |
| Other miscellaneous expense | 12,018 | 15,637 | (3,619) | (23.1)% |
| Total other non-interest expense | 70,637 | 79,392 | (8,755) | (11.0)% |
| Total non-interest expense | \$ 182,758 | \$ 185,457 | \$ (2,699) | (1.5)% |
| Average full-time equivalent staff | 1,093 | 1,150 | (57) | (5.0)% |

Non-interest expense decreased by \$2,699,000 or 1.5% to \$182,758,000 during the twelve months ended December 31, 2020 as compared to \$185,457,000 for the same period in 2019. Reductions in advertising expenses totaling \$2,806,000 or 49.8% to \$2,827,000 contributed to this beneficial change, as did declines in miscellaneous expenses totaling \$3,619,000 or 23.1% attributed primarily to a \$1,681,000 reduction in travel and training expenses as a result of state-wide shelter-in-place restrictions and a reduction of \$418,000 in third party services, which were partially offset by the indirect loan documentation and administrative costs associated with PPP lending activity. These declines were offset by a net increase in salaries and benefits expense by \$6,056,000 or 5.7% to \$112,121,000 during the twelve months ended December 31, 2020 as compared to \$106,065,000 for the same period in 2019.

Provision for Income Taxes

The Company's effective tax rate was 25.8% for the year ended December 31, 2020, as compared to 27.4% for the year ended December 31, 2019. The reduction in effective tax rate was made possible through the provisions of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which provided the Company with an opportunity to file amended tax returns and generate proposed refunds of approximately \$805,000. Other differences between the Company's effective tax rate and applicable federal and state statutory rates are due to the proportion of non-taxable revenue and low income housing tax credits as compared to the levels of pre-tax earnings.

About TriCo Bancshares

Established in 1975, Tri Counties Bank is a wholly-owned subsidiary of TriCo Bancshares (NASDAQ: TCBK) headquartered in Chico, California, providing a unique brand of customer Service with Solutions available in traditional stand-alone and in-store bank branches in communities throughout Northern and Central California. Tri Counties Bank provides an extensive and competitive breadth of consumer, small business and commercial banking financial services, along with convenient around-the-clock ATM, online and mobile banking access. Brokerage services are provided by Tri Counties Advisors through affiliation with Raymond James Financial Services, Inc. Visit www.TriCountiesBank.com to learn more.

Forward-Looking Statement

The statements contained herein that are not historical facts are forward-looking statements based on management's current expectations and beliefs concerning future developments and their potential effects on the Company. Such statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond our control. There can be no assurance that future developments affecting us will be the same as those anticipated by management. We caution readers that a number of important factors could cause actual results to differ materially from those expressed in, or implied or projected by, such forward-looking statements. These risks and uncertainties include, but are not limited to, the following: the strength of the United States economy in general and the strength of the local economies in which we conduct operations; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; inflation, interest rate, market and monetary fluctuations; the impact of changes in financial services policies, laws and regulations; technological changes; weather, natural disasters and other catastrophic events that may or may not be caused by climate change and their effects on economic and business environments in which the Company operates; the continuing adverse impact on the U.S. economy, including the markets in which we operate, due to the COVID-19 global pandemic, and the impact of a slowing U.S. economy and increased unemployment on the performance of our loan portfolio, the market value of our investment securities, the availability of sources of funding and the demand for our products; the costs or effects of mergers, acquisitions or dispositions we may make; the future operating or financial performance of the Company, including our outlook for future growth, changes in the level of our nonperforming assets and charge-offs; the appropriateness of the allowance for credit losses including the timing and effects of the implementation of the current expected credit losses model; any deterioration in values of California real estate, both residential and commercial; the effect of changes in accounting standards and practices; possible other-than-temporary impairment of securities held by us; changes in consumer spending, borrowing and savings habits; our ability to attract and maintain deposits and other sources of liquidity; changes in the financial performance and/or condition of our borrowers; our noninterest expense and the efficiency ratio; competition and innovation with respect to financial products and services by banks, financial institutions and non-traditional providers including retail businesses and technology companies; the challenges of integrating and retaining key employees; the costs and effects of litigation and of unexpected or adverse outcomes in such litigation; a failure in or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers, including as a result of cyber-attacks and the cost to defend against such attacks; change to U.S. tax policies, including our effective income tax rate; the effect of a fall in stock market prices on our brokerage and wealth management businesses; the discontinuation of the London Interbank Offered Rate and other reference rates; and our ability to manage the risks involved in the foregoing. Additional factors that could cause results to differ materially from those described above can be found in our Annual Report on Form 10-K for the year ended December 31, 2019, and Quarterly Reports on form 10-Q for the periods ended September 30, 2020, June 30, 2020, and March 31, 2020, which have been filed with the Securities and Exchange Commission (the "SEC") and are available in the "Investor Relations" section of our website, <https://www.tcbk.com/investor-relations> and in other documents we file with the SEC. Annualized, pro forma, projections and estimates are not forecasts and may not reflect actual results. We are under no obligation (and expressly disclaim any such obligation) to update or alter our forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

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

| | Three months ended | | | | |
|--|----------------------|-----------------------|------------------|-------------------|----------------------|
| | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 31, 2019 |
| Revenue and Expense Data | | | | | |
| Interest income | \$ 68,081 | \$ 65,438 | \$ 67,148 | \$ 66,517 | \$ 67,918 |
| Interest expense | 1,659 | 1,984 | 2,489 | 3,325 | 3,722 |
| Net interest income | 66,422 | 63,454 | 64,659 | 63,192 | 64,196 |
| Provision for (benefit from) credit losses | 4,850 | 7,649 | 22,244 | 8,070 | (298) |
| Noninterest income: | | | | | |
| Service charges and fees | 10,218 | 10,469 | 8,168 | 9,126 | 10,629 |
| Gain on sale of investment securities | — | 7 | — | — | 3 |
| Other income | 6,362 | 4,661 | 3,489 | 2,694 | 3,554 |
| Total noninterest income | 16,580 | 15,137 | 11,657 | 11,820 | 14,186 |
| Noninterest expense: | | | | | |
| Salaries and benefits | 28,473 | 29,321 | 27,055 | 27,272 | 27,319 |
| Occupancy and equipment | 5,108 | 4,989 | 4,748 | 5,387 | 5,394 |
| Data processing and network | 4,455 | 4,875 | 4,867 | 4,740 | 4,914 |
| Other noninterest expense | 7,709 | 7,529 | 8,880 | 7,350 | 9,337 |
| Total noninterest expense | 45,745 | 46,714 | 45,550 | 44,749 | 46,964 |
| Total income before taxes | 32,407 | 24,228 | 8,522 | 22,193 | 31,716 |
| Provision for income taxes | 8,750 | 6,622 | 1,092 | 6,072 | 8,826 |
| Net income | \$ 23,657 | \$ 17,606 | \$ 7,430 | \$ 16,121 | \$ 22,890 |
| Share Data | | | | | |
| Basic earnings per share | \$ 0.80 | \$ 0.59 | \$ 0.25 | \$ 0.53 | \$ 0.75 |
| Diluted earnings per share | \$ 0.79 | \$ 0.59 | \$ 0.25 | \$ 0.53 | \$ 0.75 |
| Dividends per share | \$ 0.22 | \$ 0.22 | \$ 0.22 | \$ 0.22 | \$ 0.22 |
| Book value per common share | \$ 31.12 | \$ 30.31 | \$ 29.76 | \$ 28.91 | \$ 29.70 |
| Tangible book value per common share (1) | \$ 23.09 | \$ 22.24 | \$ 21.64 | \$ 20.80 | \$ 21.69 |
| Shares outstanding | 29,727,214 | 29,769,389 | 29,759,209 | 29,973,516 | 30,523,824 |
| Weighted average shares | 29,756,831 | 29,763,898 | 29,753,699 | 30,394,904 | 30,520,490 |
| Weighted average diluted shares | 29,863,478 | 29,844,396 | 29,883,193 | 30,522,842 | 30,650,071 |
| Credit Quality | | | | | |
| Allowance for credit losses to gross loans | 1.93 % | 1.81 % | 1.66 % | 1.32 % | 0.71 % |
| Loans past due 30 days or more | \$ 6,767 | \$ 10,522 | \$ 16,622 | \$ 28,693 | \$ 9,024 |
| Total nonperforming loans | \$ 26,864 | \$ 22,963 | \$ 20,730 | \$ 17,955 | \$ 16,864 |
| Total nonperforming assets | \$ 29,708 | \$ 25,020 | \$ 22,652 | \$ 20,184 | \$ 19,405 |
| Loans charged-off | \$ 560 | \$ 194 | \$ 491 | \$ 510 | \$ 1,098 |
| Loans recovered | \$ 382 | \$ 381 | \$ 230 | \$ 892 | \$ 475 |
| Selected Financial Ratios | | | | | |
| Return on average total assets | 1.24 % | 0.95 % | 0.43 % | 1.00 % | 1.40 % |
| Return on average equity | 10.37 % | 7.79 % | 3.39 % | 7.14 % | 10.03 % |
| Average yield on loans, excluding PPP | 5.04 % | 5.02 % | 5.17 % | 5.23 % | 5.33 % |
| Average yield on interest-earning assets | 3.88 % | 3.83 % | 4.26 % | 4.57 % | 4.65 % |
| Average rate on interest-bearing deposits | 0.12 % | 0.15 % | 0.20 % | 0.29 % | 0.33 % |
| Average cost of total deposits | 0.07 % | 0.09 % | 0.12 % | 0.19 % | 0.22 % |
| Average rate on borrowings & subordinated debt | 2.43 % | 2.49 % | 3.25 % | 3.89 % | 3.96 % |
| Average rate on interest-bearing liabilities | 0.17 % | 0.20 % | 0.27 % | 0.37 % | 0.41 % |
| Net interest margin (fully tax-equivalent) (1) | 3.79 % | 3.72 % | 4.10 % | 4.34 % | 4.39 % |
| Loans to deposits | 73.21 % | 76.12 % | 76.84 % | 81.05 % | 80.26 % |
| Efficiency ratio | 55.11 % | 59.44 % | 59.69 % | 59.66 % | 59.92 % |
| Supplemental Loan Interest Income Data | | | | | |
| Discount accretion on acquired loans | \$ 1,960 | \$ 1,876 | \$ 2,587 | \$ 1,748 | \$ 2,218 |
| All other loan interest income (excluding PPP) | \$ 53,379 | \$ 53,560 | \$ 53,466 | \$ 54,510 | \$ 54,644 |
| Total loan interest income (excluding PPP) | \$ 55,339 | \$ 55,436 | \$ 56,053 | \$ 56,258 | \$ 56,862 |

(1) Non-GAAP measure

TRICO BANCSHARES—CONDENSED CONSOLIDATED FINANCIAL DATA

(Unaudited. Dollars in thousands)

| | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 31, 2019 |
|--|----------------------|-----------------------|------------------|-------------------|----------------------|
| Balance Sheet Data | | | | | |
| Cash and due from banks | \$ 669,551 | \$ 652,582 | \$ 705,852 | \$ 185,466 | \$ 276,507 |
| Securities, available for sale, net | 1,417,289 | 1,145,989 | 999,313 | 1,005,006 | 953,098 |
| Securities, held to maturity, net | 284,563 | 310,696 | 337,165 | 359,770 | 375,606 |
| Restricted equity securities | 17,250 | 17,250 | 17,250 | 17,250 | 17,250 |
| Loans held for sale | 6,268 | 6,570 | 8,352 | 2,695 | 5,265 |
| Loans: | | | | | |
| Commercial loans | 570,202 | 673,281 | 667,263 | 285,830 | 283,707 |
| Consumer loans | 385,451 | 400,711 | 416,490 | 428,313 | 445,542 |
| Real estate mortgage loans | 3,522,639 | 3,466,307 | 3,437,960 | 3,422,440 | 3,328,290 |
| Real estate construction loans | 284,835 | 286,039 | 279,692 | 242,479 | 249,827 |
| Total loans, gross | 4,763,127 | 4,826,338 | 4,801,405 | 4,379,062 | 4,307,366 |
| Allowance for credit losses | (91,847) | (87,575) | (79,739) | (57,911) | (30,616) |
| Total loans, net | 4,671,280 | 4,738,763 | 4,721,666 | 4,321,151 | 4,276,750 |
| Premises and equipment | 83,731 | 84,856 | 85,292 | 86,304 | 87,086 |
| Cash value of life insurance | 118,870 | 120,026 | 119,254 | 118,543 | 117,823 |
| Accrued interest receivable | 20,004 | 19,557 | 20,337 | 18,575 | 18,897 |
| Goodwill | 220,872 | 220,872 | 220,872 | 220,872 | 220,872 |
| Other intangible assets | 17,833 | 19,264 | 20,694 | 22,126 | 23,557 |
| Operating leases, right-of-use | 27,846 | 28,879 | 29,842 | 30,221 | 27,879 |
| Other assets | 84,172 | 84,495 | 74,182 | 86,330 | 70,591 |
| Total assets | \$ 7,639,529 | \$ 7,449,799 | \$ 7,360,071 | \$ 6,474,309 | \$ 6,471,181 |
| Deposits: | | | | | |
| Noninterest-bearing demand deposits | \$ 2,581,517 | \$ 2,517,819 | \$ 2,487,120 | \$ 1,883,143 | \$ 1,832,665 |
| Interest-bearing demand deposits | 1,414,908 | 1,346,716 | 1,318,951 | 1,243,192 | 1,242,274 |
| Savings deposits | 2,164,942 | 2,099,780 | 2,043,593 | 1,857,684 | 1,851,549 |
| Time certificates | 344,567 | 376,273 | 398,594 | 418,679 | 440,506 |
| Total deposits | 6,505,934 | 6,340,588 | 6,248,258 | 5,402,698 | 5,366,994 |
| Accrued interest payable | 1,362 | 1,571 | 1,734 | 1,986 | 2,407 |
| Operating lease liability | 27,973 | 28,894 | 29,743 | 30,007 | 27,540 |
| Other liabilities | 94,597 | 91,902 | 98,684 | 96,560 | 91,984 |
| Other borrowings | 26,914 | 27,055 | 38,544 | 19,309 | 18,454 |
| Junior subordinated debt | 57,635 | 57,527 | 57,422 | 57,323 | 57,232 |
| Total liabilities | 6,714,415 | 6,547,537 | 6,474,385 | 5,607,883 | 5,564,611 |
| Common stock | 530,835 | 531,075 | 530,422 | 534,623 | 543,998 |
| Retained earnings | 381,999 | 365,611 | 354,645 | 356,935 | 367,794 |
| Accum. other comprehensive income (loss) | 12,280 | 5,576 | 619 | (25,132) | (5,222) |
| Total shareholders' equity | \$ 925,114 | \$ 902,262 | \$ 885,686 | \$ 866,426 | \$ 906,570 |
| Quarterly Average Balance Data | | | | | |
| Average loans, excluding PPP | \$ 4,363,873 | \$ 4,389,672 | \$ 4,363,481 | \$ 4,329,357 | \$ 4,231,347 |
| Average interest-earning assets | \$ 6,998,582 | \$ 6,815,495 | \$ 6,365,865 | \$ 5,883,750 | \$ 5,823,795 |
| Average total assets | \$ 7,570,952 | \$ 7,380,961 | \$ 7,027,735 | \$ 6,506,587 | \$ 6,482,832 |
| Average deposits | \$ 6,341,175 | \$ 6,278,638 | \$ 5,937,294 | \$ 5,395,933 | \$ 5,385,190 |
| Average borrowings and subordinated debt | \$ 90,085 | \$ 91,225 | \$ 83,685 | \$ 80,062 | \$ 77,452 |
| Average total equity | \$ 907,468 | \$ 898,986 | \$ 880,405 | \$ 908,633 | \$ 905,585 |
| Capital Ratio Data | | | | | |
| Total risk based capital ratio | 15.2 % | 15.2 % | 15.1 % | 15.1 % | 15.1 % |
| Tier 1 capital ratio | 14.0 % | 14.0 % | 13.9 % | 13.9 % | 14.4 % |
| Tier 1 common equity ratio | 12.9 % | 12.9 % | 12.8 % | 12.8 % | 13.3 % |
| Tier 1 leverage ratio | 9.9 % | 10.0 % | 10.3 % | 11.2 % | 11.6 % |
| Tangible capital ratio (1) | 9.3 % | 9.2 % | 9.1 % | 10.0 % | 10.6 % |

(1) Non-GAAP measure

TRICO BANCSHARES—NON-GAAP FINANCIAL MEASURES
(Unaudited. Dollars in thousands)

In addition to results presented in accordance with generally accepted accounting principles in the United States of America (GAAP), this press release contains certain non-GAAP financial measures. Management has presented these non-GAAP financial measures in this press release because it believes that they provide useful and comparative information to assess trends in the Company's core operations reflected in the current quarter's results, and facilitate the comparison of our performance with the performance of our peers. However, these non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP. Where applicable, comparable earnings information using GAAP financial measures is also presented. Because not all companies use the same calculations, our presentation may not be comparable to other similarly titled measures as calculated by other companies. For a reconciliation of these non-GAAP financial measures, see the tables below:

| (dollars in thousands) | Three months ended | | | Twelve months ended | |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2020 | September 30, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Net interest margin | | | | | |
| <i>Acquired loans discount accretion, net:</i> | | | | | |
| Amount (included in interest income) | \$ 1,960 | \$ 1,876 | \$ 2,218 | \$ 8,171 | \$ 8,137 |
| Effect on average loan yield | 0.18 % | 0.17 % | 0.21 % | 0.19 % | 0.20 % |
| Effect on net interest margin (FTE) | 0.11 % | 0.11 % | 0.15 % | 0.13 % | 0.14 % |
| Net interest margin (FTE) | 3.79 % | 3.72 % | 4.39 % | 3.96 % | 4.47 % |
| Net interest margin less effect of acquired loan discount accretion (Non-GAAP) | 3.68 % | 3.61 % | 4.24 % | 3.84 % | 4.33 % |
| <i>PPP loans yield, net:</i> | | | | | |
| Amount (included in interest income) | \$ 5,676 | \$ 2,603 | none | \$ 10,635 | none |
| Effect on net interest margin (FTE) | 0.11 % | (0.09)% | — | (0.01)% | — |
| Net interest margin less effect of PPP loan yield (Non-GAAP) | 3.68 % | 3.81 % | — | 3.97 % | — |
| <i>Acquired loan discount accretion and PPP loan yield, net:</i> | | | | | |
| Amount (included in interest income) | \$ 7,636 | \$ 4,479 | \$ 2,218 | \$ 18,806 | \$ 8,137 |
| Effect on net interest margin (FTE) | 0.23 % | 0.02 % | 0.15 % | 0.12 % | 0.14 % |
| Net interest margin less effect of acquired loan discount accretion and PPP yields, net (Non-GAAP) | 3.56 % | 3.70 % | 4.24 % | 3.84 % | 4.33 % |

| (dollars in thousands) | Three months ended | | | Twelve months ended | |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2020 | September 30, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Pre-tax pre-provision return on average assets or equity | | | | | |
| Net income (GAAP) | \$ 23,657 | 17,606 | \$ 22,890 | \$ 64,814 | \$ 92,072 |
| Exclude income tax expense | 8,750 | 6,622 | 8,826 | 22,536 | 34,750 |
| Exclude provision (benefit) for credit losses | 4,850 | 7,649 | (298) | 42,813 | (1,690) |
| Net income before income tax and provision expense (Non-GAAP) | \$ 37,257 | \$ 31,877 | \$ 31,418 | \$ 130,163 | \$ 125,132 |
| Average assets (GAAP) | \$ 7,570,952 | \$ 7,380,961 | \$ 6,452,470 | \$ 7,123,431 | \$ 6,437,095 |
| Average equity (GAAP) | 907,468 | 898,986 | 905,585 | 902,110 | 877,318 |
| Return on average assets (GAAP) (annualized) | 1.24 % | 0.95 % | 1.40 % | 0.91 % | 1.43 % |
| Pre-tax pre-provision return on average assets (Non-GAAP) (annualized) | 1.96 % | 1.72 % | 1.93 % | 1.83 % | 1.94 % |
| Return on average equity (GAAP) (annualized) | 10.37 % | 7.79 % | 10.03 % | 7.18 % | 10.49 % |
| Pre-tax pre-provision return on average equity (Non-GAAP) (annualized) | 16.33 % | 14.11 % | 13.76 % | 14.43 % | 14.26 % |

| (dollars in thousands) | Three months ended | | | Twelve months ended | |
|---|--------------------|--------------------|-------------------|---------------------|-------------------|
| | December 31, 2020 | September 30, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Return on tangible common equity | | | | | |
| Average total shareholders' equity | \$ 907,468 | \$ 898,986 | \$ 905,585 | \$ 902,110 | \$ 877,318 |
| Exclude average goodwill | 220,872 | 220,872 | 220,872 | 220,872 | 220,922 |
| Exclude average other intangibles | 18,549 | 19,979 | 24,273 | 20,695 | 26,419 |
| Average tangible common equity (Non-GAAP) | \$ 668,047 | \$ 658,135 | \$ 660,441 | \$ 660,543 | \$ 629,978 |
| Net income (GAAP) | \$ 23,657 | \$ 17,606 | \$ 22,890 | \$ 64,814 | \$ 92,072 |
| Exclude amortization of intangible assets, net of tax effect | 1,007 | 1,008 | 1,007 | 4,031 | 4,031 |
| Tangible net income available to common shareholders (Non-GAAP) | \$ 24,664 | 18,614 | \$ 23,897 | \$ 68,845 | \$ 96,103 |
| Return on average equity | 10.37 % | 7.79 % | 10.03 % | 7.18 % | 10.49 % |
| Return on average tangible common equity (Non-GAAP) | 14.69 % | 11.25 % | 14.39 % | 10.42 % | 15.26 % |

| (dollars in thousands) | Three months ended | | | | |
|--|--------------------|--------------------|---------------|----------------|-------------------|
| | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 31, 2019 |
| Tangible common shareholders' equity to tangible assets | | | | | |
| Shareholders' equity (GAAP) | \$ 925,114 | \$ 902,262 | \$ 885,686 | \$ 866,426 | \$ 906,570 |
| Exclude goodwill and other intangible assets, net | 238,705 | 240,136 | 241,566 | 242,998 | 244,429 |
| Tangible s/h equity (Non-GAAP) | \$ 686,409 | \$ 662,126 | \$ 644,120 | \$ 623,428 | \$ 662,141 |
| Total assets (GAAP) | \$ 7,639,529 | \$ 7,449,799 | \$ 7,360,071 | \$ 6,474,309 | \$ 6,471,181 |
| Exclude goodwill and other intangible assets, net | 238,705 | 240,136 | 241,566 | 242,998 | 244,429 |
| Total tangible assets (Non-GAAP) | \$ 7,400,824 | \$ 7,209,663 | \$ 7,118,505 | \$ 6,231,311 | \$ 6,226,752 |
| Common s/h equity to total assets (GAAP) | 12.11 % | 12.11 % | 12.03 % | 13.38 % | 14.01 % |
| Tangible common shareholders' equity to tangible assets (Non-GAAP) | 9.27 % | 9.18 % | 9.05 % | 10.00 % | 10.63 % |

| (dollars in thousands) | Three months ended | | | | |
|---|--------------------|--------------------|---------------|----------------|-------------------|
| | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 | December 31, 2019 |
| Tangible common shareholders' equity per share | | | | | |
| Tangible s/h equity (Non-GAAP) | \$ 686,409 | \$ 662,126 | \$ 644,120 | \$ 623,428 | \$ 662,141 |
| Tangible assets (Non-GAAP) | 7,400,824 | 7,209,663 | 7,118,505 | 6,231,311 | 6,226,752 |
| Common shares outstanding at end of period | 29,727,214 | 29,769,389 | 29,759,209 | 29,973,516 | 30,523,824 |
| Common s/h equity (book value) per share (GAAP) | \$ 31.12 | \$ 30.31 | \$ 29.76 | \$ 28.91 | \$ 29.70 |
| Tangible common shareholders' equity (tangible book value) per share (Non-GAAP) | \$ 23.09 | \$ 22.24 | \$ 21.64 | \$ 20.80 | \$ 21.69 |
