



TRI-COUNTIES

BANK

1976

ANNUAL REPORT



Dear Shareholder:

1976, our second year in business, reflects excellent growth in assets, earnings and capital accounts. The number of customer accounts increased significantly as follows:

	1975	1976
Number of Checking Accounts	3229	4643
Number of Savings Accounts	1280	2298
Number of Installment Loans	624	1229

Through the outstanding efforts of our Directors, Staff and Management Tri Counties Bank recorded excellent gains in profits. Profits were \$166,846. for twelve months ended December 31, 1976. This compares very favorably to the (\$89,108.) operating loss sustained during our first nine months of operation. Gross income of \$861,292. resulted in net operating income before taxes of \$97,753. The profit was increased by security gains in the amount of \$82,593. and resulted in net profit after tax consideration of \$166,846.

I am happy to report that we have received approval from the State Banking Department to establish branch offices in the communities of Willows and Durham, California. It is our intention to open both offices in 1977.

I would also like to report on the establishment of both bank operations training and credit training programs for our employees. Since there is a lack of skilled trained personnel in banking, we feel very strongly that we must vigorously continue these training programs in the future. As our employees continue their training I have full faith in their ability and predict that our good service will not only continue, but will improve.

With approval of our Willows and Durham branch applications prospects for 1977 are excellent. We will be able to take maximum advantage of investment tax credits and achieve equity build up for our Stockholders with a minimum of Federal and State income taxes. The Bank should accomplish excellent asset growth and still remain profitable, although it is likely that profits will be less than in 1976.

In conclusion, I believe Tri Counties Bank has come a long way toward achieving its goal — the development of a balanced Community Bank that is profitable and serves its customers and stockholders. Through continued efforts of all concerned I believe we can serve Butte and Glenn Counties and offer the resident a banking alternative which is first class in terms of service, costs and understanding of local issues and circumstances.

Sincerely,

Robert H. Steveson
President

Directors



Sankey M. Hall, Jr.
Robert Stern
Wendell Lundberg

Chairman of The Board
Vice Chairman of The Board
Secretary

Everett Beich
Donald Casey
Dewayne Caviness
Gerald Compton
Vernon Fish
George Hacke
J. Herod Hall
Fred Hignell III
Wayne Meeks
Donald Murphy
Robert Steveson
Alex Vereschagin, Jr.

Comparative Statement of Condition

Statement of Earnings for Year Ended, December 31, 1976

Assets:

Dec. 31, 1976

Dec. 31, 1975

Cash and Due from Banks	\$1,655,367.	\$ 314,022.
U.S. Treasury Securities	896,326.	1,856,975.
Obligations of Other U.S. Government Agencies	608,890.	0
Obligations of State and Political Subdivisions	880,522.	0
Federal Funds Sold	350,000.	0
Loans	7,192,570.	4,685,774.
Bank Premises and Equipment	212,534.	189,742.
Other Assets	163,738.	103,048.

Total Assets

\$11,959,947.

\$7,141,111.

Equity Capital and Liabilities

Demand Deposits	4,654,239.	2,644,276.
Savings and Time Deposits	4,964,851.	2,568,689.
Time Deposits of State and Political subdivisions	1,300,000.	500,000.
Other Liabilities	44,888.	607,473.

Total Liabilities

\$10,963,978.

\$6,320,438.

Equity Capital:

Common Stock	\$ 500,000.	\$ 500,000.
Surplus	418,231.	418,231.
Undivided Profits	77,738.	- (89,108.)

Total Equity Capital

\$995,969.

\$829,123.

Total Equity Capital and Liabilities

\$11,959,947.

\$7,149,561.

Operating Income:

Interest and Fees on Loans	\$629,743.23
Interest on Federal Funds Sold	15,341.62
Interest and Dividends on Investments	
U.S. Treasury Securities	44,104.76
U.S. Government Agencies	40,549.19
State and Municipal Securities	21,164.72
Other Investment Securities	60,308.72

Service Charges on

Deposit Accounts	38,181.36
Operating Income	11,898.62

Total Operating Income

\$861,292.22

Operating Expenses:

Salaries and Employee Benefits	\$241,024.10
Interest on Deposits	257,712.40
Occupancy Expense	48,667.24
Equipment Expense	15,901.20
Provision for Loan Losses	32,000.00
Other Operating Expenses	168,233.80

Total Operating Expense

\$763,538.74

Income Before Income Taxes and Securities Transactions

\$97,753.48

Securities Gains

82,593.03

Income Before Applicable Taxes

180,346.51

Applicable Income Taxes

- (13,500.00)

Net Income

\$166,846.51

Changes in Equity Capital for Year Ended, December 31, 1976

	Capital Stock	Surplus	Undivided Profits (Deficit)	Total Equity Capital
Bal. Beg. of Year	500,000.	418,231.	- (89,108.)	829,123.
Net Income 1976			166,846.	995,969.
Bal. End of Year	\$500,000.	\$418,231.	\$77,738.	\$995,969.

Reserve for Loan Losses

Transactions in the reserve for
Loan Losses were as follows:

	1976	1975
Balance Beginning of Year	18,000.	0
Provision Charged to Operating Expense	32,000.	18,000.
Loans Charged Off	- (883.)	0
Recoveries of Loans Previously Charged Off	0	0
Balance End of Year	\$49,117.	\$18,000.

Notes to Financial Statements

Summary of Significant Accounting Policies

Investment Securities: Investment securities are stated at cost and adjusted for amortization of premium and accretion of discounts.

Loans: Loans are stated net of undisbursed funds and reserve for loan losses. Interest on commercial and mortgage loans is accrued on a simple interest basis. Interest on consumer installment loans is recognized principally using the sum of the digits method.

The accrual of interest on certain loans is discontinued if, in management's judgement payments on these loans are delinquent and the collectability of such interest may be doubtful. Under such conditions, previously accrued but uncollected interest income is reversed if the loan is ultimately charged off.

Reserves for Loan Losses: The bank follows a policy providing additions to the reserve for possible loan losses in accordance with maximum amounts allowed under applicable Federal Income Tax Law.

Property and Equipment: Assets are recorded at cost and depreciation is calculated on straight line method for reporting tax over their estimated lives — repairs and maintenance are charged as operating expense.

Reclassification: Bank regulatory authorities announced new regulations which require that the valuation portion of the loan loss reserve be deducted from loans in the balance sheet. Previously, the reserve was classified between liabilities and stockholders equity. Accordingly, the balance of the loan loss reserve for 1975 has been reclassified to conform to the 1976 presentation.

In addition, 1975 surplus was stated net of operating deficit for that year. We have reinstated the 1975 deficit to surplus and now show it net of undivided profits for 1975 and 1976. We have been advised by state regulators to make this change.

Officers

Robert H. Steveson

Don Carter
Arthur L. Hayes
Joan Jones
Ronald Bee
Janet K. Hannis
Don W. Hazen

**President and
Chief Executive Officer
Vice President & Cashier
Vice President
Assistant Vice President
Installment Loan Officer
Executive Secretary
Operations Supervisor**

Staff

Jane Alldredge
Kelli Allison
Donna Brown
Susan Coffman
Peggy Collins
Vicki Deadmond
Cherrlyn Eller
Blanche England
Lani Heinrich
Ruth Hodsdon
Connie Hovey
Ruth Irvine
Robin Locke
Helene Lyerla
Elisa Magana
Syd Moody
Maureen Olsen
Judy Otvos
Amanda Rabago
Sharon Round
Pat Smith
Carroll Taresh
Mary W. Weir

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**Member Federal Deposit
Insurance Corporation.**