1991

TriCo Bancshares Annual Report

TriCo Bancshares

Mount Shasta

Market Makers for TriCo Bancshares Common Stock

◆

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TriCo Bancshares (the "Company") is a bank holding company incorporated at the direction of the Board of Directors of Tri Counties Bank (the "Bank") on October 13, 1981. Pursuant to a corporate reorganization on September 7, 1982, the shareholders of the Bank became shareholders of the Company and the Bank became the wholly-owned subsidiary of the Company. The Bank currently is the only subsidiary of the Company, and the Company has not yet commenced any business operations independent of the Bank.

The Bank engages in the general commercial banking business in the California counties of Butte, Glenn, Shasta, Siskiyou and Sutter, as well as portions of Tehama, Lassen and Yuba. It opened its first banking office in Chico, California, in 1975, followed by branch offices in Willows, Durham and Orland, California. A second branch office in Chico opened in 1980. In 1981, the Bank acquired the assets of Shasta County Bank through a merger of that bank with and into the Bank, adding six additional offices in the communities of Bieber, Burney, Cottonwood, Fall River Mills, Palo Cedro and Redding, California. In 1987, the Bank acquired certain assets of the Wells Fargo Bank branch office in Yreka, California, thereby extending its service area into Siskiyou County. In 1988, the Bank opened a third Chico branch office in the new Chico Mall, a regional shopping center. In 1990, the Bank opened a branch office in Yuba City, the first to serve Sutter and Yuba counties.

The Bank's operating policy since its inception has emphasized retail banking. Most of the Bank's customers are retail customers and small to medium-sized businesses. The Bank emphasizes serving the needs of local businesses, farmers and ranchers, retired individuals and wage earners.

The majority of the Bank's loans are direct loans made to individuals and businesses in the area. Most of the Bank's deposits are attracted from individuals and business-related sources within the Bank's service area. The Bank relies substantially on local promotional activity; personal contacts by its officers, directors, employees and shareholders; extended hours; personalized service and its reputation in the communities it serves to compete with other financial institutions.

Five Year Selected Financial Data

(In thousands, except share data)

	1991	1990	1989	1988	1987
Statement of Operations Data:[1]					
Interest income	**$ 34,961**	$ 35,811	$ 30,142	$ 25,514	$ 21,627
Interest expense	**16,140**	19,160	16,515	13,553	11,564
Net interest income	**18,821**	16,651	13,627	11,961	10,063
Provision for possible loan losses	**1,200**	2,450	1,000	780	480
Net interest income after provision for possible loan losses	**17,621**	14,201	12,627	11,181	9,583
Non-interest income	**4,300**	3,505	2,787	3,289	2,544
Non-interest expense	**14,824**	13,850	10,583	10,473	9,457
Income before income taxes	**7,097**	3,856	4,831	3,997	2,670
Provision for income taxes	**2,772**	1,291	1,676	1,469	930
Net income	**$ 4,325**	$ 2,565	$ 3,155	$ 2,528	$ 1,740
Per Share Data:[2]					
Net income	**$ 1.84**	$ 0.88	$ 1.49	$ 1.29	$ 0.82
Cash dividend paid per share	**0.40**	0.35	0.26	0.22	0.16
Common shareholders' equity at year end	**11.73**	10.17	10.81	8.33	7.23
Balance Sheet Data:					
Total loans, gross	**$272,828**	$258,881	$230,016	$187,230	$167,374
Total assets	**384,482**	376,244	354,688	297,468	275,676
Total deposits	**348,427**	341,468	321,680	272,004	252,859
Total shareholders' equity	**30,410**	27,334	26,243	19,822	14,164
Selected Financial Ratios:					
Return on average assets	**1.19%**	0.70%	1.01%	0.89%	0.73%
Return on average common shareholders' equity	**16.51%**	8.78%	17.20%	16.22%	13.01%
Primary capital ratio at end of period[3]	**8.70%**	8.00%	8.00%	7.30%	5.70%
Net interest margin	**5.96%**	5.38%	5.23%	5.08%	5.06%
Reserve for loan losses to total loans outstanding at end of year	**1.27%**	1.20%	1.01%	1.02%	0.96%

[1] Tax-exempt securities are presented on an actual yield basis.

[2] Retroactively adjusted to reflect the 15%, 20% and 28% stock dividends declared in 1991, 1989, and 1988, respectively.

[3] The sum of shareholders' equity and reserve for possible loan losses less intangibles, divided by the sum of total assets and reserve for possible loan losses less intangibles.

President's Message

Management's 1991 strategy was to produce a "Fortress Balance Sheet." This was accomplished by creating a more favorable deposit mix, increasing margins, allowing minimal asset growth and increasing the primary capital ratio.

Record earnings of $4,325,000 were achieved in 1991 versus $2,565,000 for 1990. Earnings per Common share more than doubled to $1.84 from $ .88 in 1990.

TriCo Bancshares capital ratio, the total of equity and loss reserves as a percentage of adjusted assets, increased from 8.0% to 8.7%. Shareholders' equity increased to $30,410,000.

Total assets at year-end reflected slight growth; ending the year at $384,482,000 versus $376,244,000 in 1990.

Dividends

Cash dividends of $ .40 per Common share were paid to shareholders during 1991. A 15% Common Stock dividend was also paid in 1991. Dividends totalling $944,000 were paid on the Series A, Series B and Series C Preferred Stock in 1991.

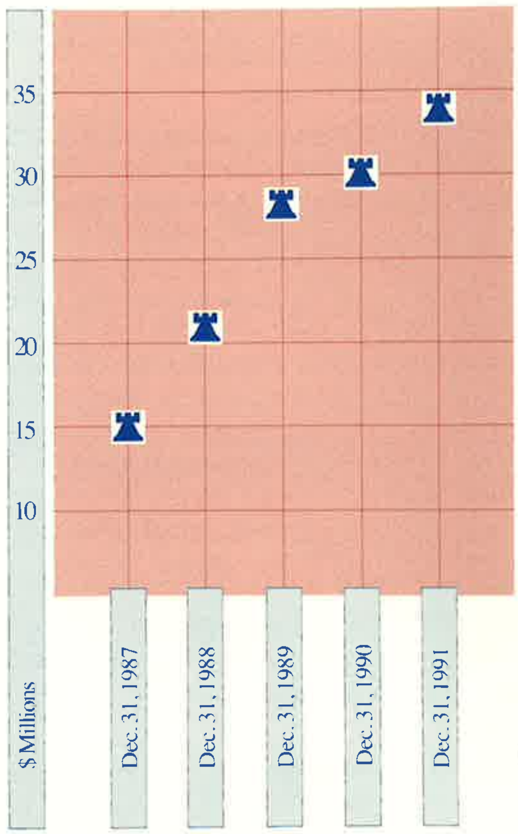
Dividend Reinvestment and Common Stock Purchase Plan

During the Fourth Quarter, shareholders were given the opportunity to use their quarterly cash dividend to purchase additional shares at 96% of market value. Optional cash purchases of $100 to $1,000 without brokerage fees, commissions or service charges can now also be made each quarter. In the initial response, 18% of the shareholders representing 13% of the shares outstanding took advantage of this plan.

Improved Loan Portfolio

In accordance with the strategy of a "Fortress Balance Sheet," Management addressed and worked at reducing the number of loans with a higher risk experience. The Bank is continuing a policy of minimum exposure to construction lending.

Strategic Goal for 1991: Increased Primary Capital through Fortress Balance Sheet



TriCo Bancshares Primary Capital Five Year History

Enlarged Customer Base

The Bank currently serves 51,000 customers with 48,000 depository accounts and 12,000 loans here in "Tri Counties Bank Country." The Bank is the largest regional community bank in the North Sacramento Valley/Inter-Mountain area.

VISA/MasterCard Department

The Bank's VISA/MasterCard Department increased to 5,400 accounts with $6,000,000 in outstanding balances. The charge card growth rate was in the top .5 percentile of the 1,200 banks in the Bank's Telecredit group.

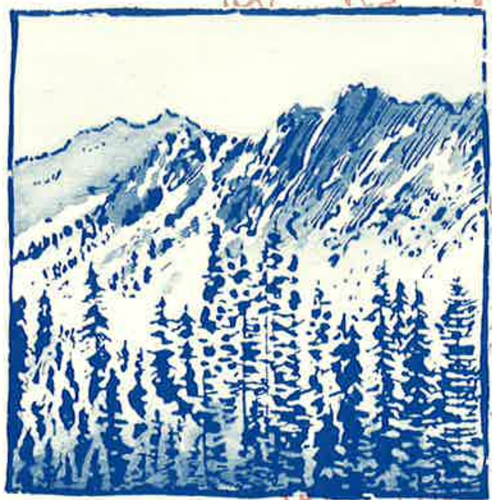
Leisure Line Checking

The Bank currently has 4,500 accounts totalling $17,400,000 of this special service for depositors aged 50 and over. It combines free checking, daily interest, many free banking services plus other discounts and benefits. This product will be promoted extensively during 1992.

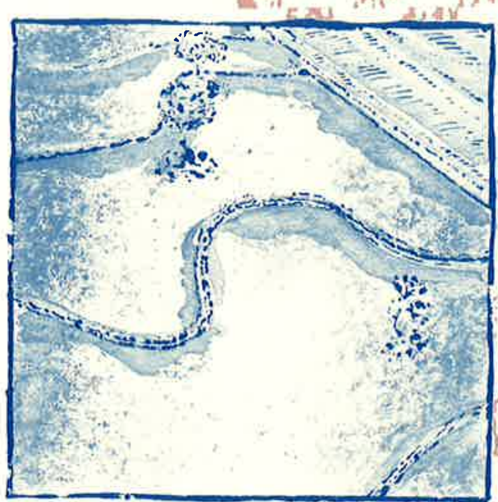
The Directors and Management believe your Company is well positioned to meet the challenges and opportunities of 1992. We thank you for your continued support.

Sincerely,

Robert H. Steveson,
President &
Chief Executive Officer



Trinity Alps



Rice Farm

Report of Independent Public Accountants

To the Board of Directors and Shareholders of TriCo Bancshares and Subsidiary:

We have audited the accompanying consolidated balance sheets of TriCo Bancshares (a California corporation) and Subsidiary as of December 31, 1991 and 1990, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TriCo Bancshares and Subsidiary as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

San Francisco, California
January 24, 1992

Consolidated Balance Sheets

(In thousands, except share amounts)

	December 31, 1991	1990
Assets		
Cash and due from banks	**$ 26,936**	$ 22,218
Federal funds sold	**1,400**	19,200
Investment securities (approximate market value $66,995 and $54,905)	**66,022**	56,172
Loans:		
Commercial	**140,725**	134,623
Consumer	**48,930**	46,486
Real estate mortgages	**62,831**	55,197
Real estate construction	**20,342**	22,575
	272,828	258,881
Less: Allowance for loan losses	**3,459**	3,102
Net loans	**269,369**	255,779
Premises and equipment, net	**9,150**	9,985
Investment in real estate properties	**3,062**	4,634
Other real estate owned	**725**	10
Accrued interest receivable	**3,276**	3,764
Deferred income tax	**1,359**	1,032
Other assets	**3,183**	3,450
Total assets	**$384,482**	$376,244
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	**$ 67,243**	$ 63,824
Interest-bearing demand	**94,407**	93,173
Savings	**73,735**	35,153
Time certificates, $100,000 and over	**3,224**	6,969
Other time certificates	**109,818**	142,349
Total deposits	**348,427**	341,468
Accrued interest payable	**2,318**	4,000
Other liabilities	**2,060**	1,952
Debt guarantee for Employee Stock Ownership Plan	**240**	360
Long-term debt	**1,027**	1,130
Total liabilities	**354,072**	348,910
Commitments and contingencies (Note M)		
Shareholders' equity:		
Preferred stock, no par value: Authorized 1,000,000 shares;		
Series A, issued and outstanding 26,724 shares	**2,544**	2,544
Series B, issued and outstanding 8,000 shares	**3,899**	3,899
Series C, issued and outstanding 16,900 shares	**2,187**	2,187
Common stock, no par value: Authorized 20,000,000 shares; issued and outstanding 1,857,117 and 1,599,047 shares	**21,550**	18,145
Retained earnings	**470**	919
Debt guarantee for Employee Stock Ownership Plan	**(240)**	(360)
Total shareholders' equity	**30,410**	27,334
Total liabilities and shareholders' equity	**$384,482**	$376,244

See Notes to Consolidated Financial Statements

Consolidated Statements Of Income

(In thousands, except earnings per share)

	Years Ended December 31, 1991	1990	1989
Interest income:			
Interest and fees on loans	**$30,952**	$30,721	$25,106
Interest on federal funds sold	**278**	502	664
Interest on investment securities—taxable	**3,010**	3,269	3,277
Interest on investment securities—tax exempt	**721**	1,319	1,095
Total interest income	**34,961**	35,811	30,142
Interest expense:			
Interest on interest-bearing demand deposits	**4,627**	5,154	4,505
Interest on savings	**2,494**	1,766	1,687
Interest on time certificates of deposit	**8,561**	11,553	9,404
Interest on time certificates of deposit, $100,000 and over	**319**	521	364
Interest on short-term borrowing	**20**	67	397
Interest on long-term debt	**119**	99	158
Total interest expense	**16,140**	19,160	16,515
Net interest income	**18,821**	16,651	13,627
Provision for loan losses	**1,200**	2,450	1,000
Net interest income after provision for loan losses	**17,621**	14,201	12,627
Other income:			
Service charges and fees	**3,529**	2,879	2,561
Other income	**732**	760	412
Investment securities gains (losses), net	**39**	(134)	(186)
Total other income	**4,300**	3,505	2,787
Other expenses:			
Salaries and related expenses	**7,285**	6,144	5,739
Other, net	**7,539**	7,706	4,844
Total other expenses	**14,824**	13,850	10,583
Net income before income taxes	**7,097**	3,856	4,831
Income taxes	**2,772**	1,291	1,676
Net income	**$ 4,325**	$ 2,565	$ 3,155
Preferred stock dividends	**944**	944	736
Net income available to common shareholders	**$ 3,381**	$ 1,621	$ 2,419
Earnings per common share	**$ 1.84**	$ .88	$ 1.49

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 1991, 1990 and 1989
(In thousands, except share amounts)

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock				
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Retained Earnings (Deficit)	Debt Guarantee for ESOP	Total
Balance, December 31, 1988	26,724	$2,544	8,000	$3,899	—	$ —	1,164,014	$11,815	$ 1,564	$ —	$19,822
Common Stock issued	—	—	—	—	—	—	169,000	2,672	—	—	2,672
20% Common Stock dividend declared January 9, 1990	—	—	—	—	—	—	266,033	3,658	(3,658)	—	—
Series C Preferred Stock issued	—	—	—	—	16,900	2,187	—	—	—	—	2,187
Series A Preferred Stock cash dividends	—	—	—	—	—	—	—	—	(295)	—	(295)
Series B Preferred Stock cash dividends	—	—	—	—	—	—	—	—	(421)	—	(421)
Series C Preferred Stock cash dividends	—	—	—	—	—	—	—	—	(20)	—	(20)
Common Stock cash dividends	—	—	—	—	—	—	—	—	(377)	—	(377)
Net income	—	—	—	—	—	—	—	—	3,155	—	3,155
Debt guarantee for ESOP	—	—	—	—	—	—	—	—	—	(480)	(480)
Balance, December 31, 1989	26,724	2,544	8,000	3,899	16,900	2,187	1,599,047	18,145	(52)	(480)	26,243
Series A Preferred Stock cash dividends	—	—	—	—	—	—	—	—	(295)	—	(295)
Series B Preferred Stock cash dividends	—	—	—	—	—	—	—	—	(420)	—	(420)
Series C Preferred Stock cash dividends	—	—	—	—	—	—	—	—	(229)	—	(229)
Common Stock cash dividends	—	—	—	—	—	—	—	—	(650)	—	(650)
Net income	—	—	—	—	—	—	—	—	2,565	—	2,565
Reduction of ESOP debt	—	—	—	—	—	—	—	—	—	120	120
Balance, December 31, 1990	26,724	2,544	8,000	3,899	16,900	2,187	1,599,047	18,145	919	(360)	27,334
15% Common Stock Dividend declared	—	—	—	—	—	—	239,230	3,108	(3,108)	—	—
Common Stock issued	—	—	—	—	—	—	18,840	297	—	—	297
Series A Preferred Stock cash dividends	—	—	—	—	—	—	—	—	(295)	—	(295)
Series B Preferred Stock cash dividends	—	—	—	—	—	—	—	—	(420)	—	(420)
Series C Preferred Stock cash dividends	—	—	—	—	—	—	—	—	(229)	—	(229)
Common Stock cash dividends	—	—	—	—	—	—	—	—	(722)	—	(722)
Net income	—	—	—	—	—	—	—	—	4,325	—	4,325
Reduction of ESOP debt	—	—	—	—	—	—	—	—	—	120	120
Balance, December 31, 1991	26,724	$2,544	8,000	$3,899	16,900	$2,187	1,857,117	$21,550	$ 470	$ (240)	$30,410

See Notes to Consolidated Financial Statements

Consolidated Statements Of Cash Flows

(In thousands)

	Years ended December 31, 1991	1990	1989
Operating activities:			
Net income	$ 4,325	$ 2,565	$ 3,155
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	1,200	2,450	1,000
Provision for losses on investment real estate properties	135	129	146
Provision for depreciation and amortization	1,124	1,200	996
Amortization of investment security discounts	129	245	75
Deferred income taxes	(389)	(1,173)	(500)
Investment security (gains) losses	(39)	134	186
Investment in real estate properties (gains) losses	(285)	(73)	(319)
Loss on sale of real estate limited partnership	—	1,493	—
Common Stock issued as compensation	297	—	—
(Increase) decrease in interest receivable	488	(439)	(684)
Increase (decrease) in interest payable	(1,682)	49	1,287
(Increase) decrease in other real estate owned	(715)	370	562
(Increase) decrease in other operating assets less liabilities	260	(325)	415
Net cash provided by operating activities	4,848	6,625	6,319
Investing activities:			
Maturities of investment securities	12,540	18,106	16,598
Sales of investment securities	38,436	10,616	16,833
Purchases of investment securities	(60,917)	(27,635)	(28,836)
Net increase in loans	(14,790)	(30,480)	(43,411)
Purchases of premises and equipment	(197)	(2,240)	(1,468)
Proceeds from sale of investment in real estate properties	1,829	3,005	6,495
Purchases and additions to investment in real estate properties	(124)	(2,632)	(4,727)
Return of investment in real estate limited partnership	—	250	250
Sale of investment in real estate limited partnership	—	2,750	—
Net cash used by investing activities	(23,223)	(28,260)	(38,266)
Financing activities:			
Net increase (decrease) in noninterest-bearing demand deposits	3,419	(3,453)	9,467
Net increase (decrease) in interest-bearing demand deposits and savings accounts	39,816	16,756	(5,602)
Net increase (decrease) in time certificates of deposit	(36,276)	6,485	45,810
Proceeds from sale of Common Stock	—	—	2,672
Proceeds from sale of Preferred Stock	—	—	2,187
Cash dividends — Preferred	(944)	(944)	(736)
Cash dividends — Common	(722)	(650)	(375)
Subordinated debt retired	—	—	(865)
Net cash provided by financing activities	5,293	18,194	52,558
Increase (decrease) in cash and cash equivalents	(13,082)	(3,441)	20,611
Cash and cash equivalents at beginning of year	41,418	44,859	24,248
Cash and cash equivalents at end of year	$28,336	$41,418	$44,859
Supplemental information			
Cash paid for taxes	$ 3,593	$ 2,664	$ 1,825
Cash paid for interest expense	$17,822	$19,111	$14,672
Non-cash debt guarantee for ESOP	$ (120)	$ (120)	$ 480
Non-cash capital lease obligation incurred	$ —	$ 621	$ —

See Notes to Consolidated Financial Statements

Note A - General Summary of Significant Accounting Policies

The accounting and reporting policies of TriCo Bancshares (the "Company") conform to generally accepted accounting principles and general practices within the banking industry. The following are descriptions of the more significant accounting and reporting policies.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Tri Counties Bank (the "Bank"), and the wholly-owned subsidiaries of the Bank. All significant intercompany accounts and transactions have been eliminated.

Investment Securities

Investment securities are carried at cost, adjusted for the accretion of discounts and amortization of premiums using the interest method. Amortization and accretion are recognized as adjustments to interest income. Gains and losses (determined on a specific identification method) on sales of investment securities are presented separately in the statements of income. The Bank intends to hold investment securities to maturity and, therefore, a valuation allowance is not provided for the excess of carrying value over market value.

Loans

Loans are reported at the principal amount outstanding, net of unearned income and the allowance for loan losses. Interest on loans is calculated by using the simple interest method on the daily balance of the principal amount outstanding.

Loan origination and commitment fees and certain direct loan origination costs are deferred, and the net amount is amortized as an adjustment of the related loan's yield over the estimated life of the loan.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Accrual of interest on loans is generally discontinued either when reasonable doubt exists as to the full, timely collection of interest or principal or when a loan becomes contractually past due by 90 days or more with respect to interest or principal. When a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed. Income on such loans is then recognized only to the extent that cash is received and where the future collection of principal is probable. Interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of Management, the loans are estimated to be fully collectible as to both principal and interest.

Direct finance leases are carried net of unearned income. Income from these leases is recognized on a basis which generally produces a level yield on the outstanding balances receivable.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when Management believes that the collectibility of the principal is unlikely or, with respect to consumer installment loans, according to an established delinquency schedule. The allowance is an amount that Management believes will be adequate to absorb losses inherent in existing loans, leases and commitments to extend credit, based on evaluations of the collectibility and prior loss experience of loans, leases and commitments to extend credit. The evaluations take into consideration such factors as changes in the nature and size of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, commitments, and current and anticipated economic conditions that may affect borrowers' ability to pay.

Premises and Equipment

Premises (including those acquired under capital lease) and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expenses are computed using the straight-line method over the estimated useful life of the asset or lease term. Asset lives range from 5-10 years for furniture and equipment and 15-30 years for land improvements and buildings.

Note A - (Continued)

Investment in Real Estate Properties

Investment in real estate is stated at the lower of cost or market and consists of properties either acquired directly or transferred from other real estate owned for the purpose of development or to be held as income-earning assets.

Subsequent to acquisition or transfer, properties included in the investment in real estate account are periodically evaluated. Any decline in value below the carrying amount of a property is included in other expenses. Income and expenses on the investment in real estate are included in other expenses.

Investment in Real Estate Limited Partnership

An investment in a real estate limited partnership which was carried at a cost of $4,243,000, net of cumulative cash distributions of $757,000, was sold at the end of 1990. The resulting loss of $1,493,000 is included in other expenses at December 31, 1990.

Other Real Estate Owned

Real estate acquired by foreclosure is carried at the lower of the recorded investment in the property or its fair value. Prior to foreclosure, the value of the underlying loan is written down to the fair market value of the real estate to be acquired by a charge to the allowance for loan losses, when necessary. Any subsequent write-downs are included in other expenses. Expenses of such properties, net of related income, and gains and losses on their disposition are included in other expenses.

Income Taxes

Deferred income taxes are provided for timing differences between items of income or expense reported in the consolidated financial statements and those reported for income tax purposes.

In December 1987, Statement of Financial Accounting Standard No. 96 "Accounting for Income Taxes" was issued. Adoption of this Standard is required by 1993. Certain amendments to this Standard are currently being considered. At this time, the Company does not expect that the implementation of the Standard would have a material impact on its financial position or results of operations.

Intangible Assets

Intangible assets (included in other assets) represent the purchased deposit account base (core deposits) acquired in connection with the acquisition of Shasta County Bank. Core deposits represent the present value of the expected future benefits to be realized from the acquired bank's deposit base, comprised principally of demand and savings deposits. Core deposits are amortized over 10 years. Core deposits were fully amortized in 1991.

Earnings Per Common Share

Earnings per common share was computed based on the weighted average number of shares of common stock outstanding. The weighted average number of shares used in the computation of earnings per common share are: 1,839,980 for 1991; 1,838,277 for 1990; and 1,628,702 for 1989.

Other

Certain reclassifications have been made to the prior years' financial statements in order to conform with the classifications of the December 31, 1991 financial statements.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and Federal funds sold.

Note B - Restricted Cash Balances

Reserves (in the form of deposits with the Federal Reserve Bank) of $6,308,000 and $5,767,000 were maintained to satisfy Federal regulatory requirements at December 31, 1991 and December 31, 1990.

Note C - Investment Securities

The amortized cost and estimated market values of investments in debt securities are summarized in the following tables:

	December 31, 1991			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
	(in thousands)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$56,320	$ 889	$ —	$57,209
Obligations of states and political subdivisions	1,922	15	(1)	1,936
Mortgage-backed securities	6,829	209	—	7,038
Other securities	951	—	(139)	812
Totals	$66,022	$1,113	$(140)	$66,995

	December 31, 1990			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
	(in thousands)			
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$14,578	$ 44	$ (78)	$14,544
Obligations of states and political subdivisions	18,486	48	(77)	18,457
Debt securities issued by foreign governments	865	—	(12)	853
Mortgage-backed securities	21,258	—	(1,064)	20,194
Other securities	985	—	(128)	857
Totals	$56,172	$ 92	$(1,359)	$54,905

The amortized cost and estimated market value of debt securities at December 31, 1991 and 1990 by contractual maturity are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Market Value
December 31, 1991	(in thousands)	
Due in one year	$26,197	$26,401
Due after one year through five years	32,045	32,744
Due after five years through ten years	—	—
	58,242	59,145
Mortgage-backed securities and other	7,780	7,850
Total	$66,022	$66,995
December 31, 1990		
Due in one year	$11,440	$11,379
Due after one year through five years	22,579	22,452
Due after five years through ten years	895	880
	34,914	34,711
Mortgage-backed securities and other	21,258	20,194
Total	$56,172	$54,905

Proceeds from sales of investments in debt securities:

For the Year	Gross Proceeds	Gross Gains	Gross Losses
	(in thousands)		
1991	$38,436	$ 234	$ 195
1990	10,616	27	161

Investment securities with an aggregate carrying value of $3,041,000 and $1,700,000 at December 31, 1991 and 1990, respectively, were pledged as collateral for public deposits as required by law.

Note D - Allowance for Loan Losses

Transactions in the allowance for loan losses were as follows:

	Years Ended December 31, 1991	1990	1989
	(in thousands)		
Balance, beginning of year	**$3,102**	$2,267	$1,891
Provision charged to operations	**1,200**	2,450	1,000
Loans charged off	**(1,278)**	(1,725)	(794)
Recoveries of loans previously charged off	**435**	110	170
Balance, end of year	**$3,459**	$3,102	$2,267

Loans classified as nonaccrual amounted to approximately $1,279,000, $437,000, and $403,000 at December 31, 1991, 1990 and 1989. If interest on those loans had been accrued, such income would have approximated $122,000, $90,000, and $68,000 in 1991, 1990 and 1989, respectively.

Note E - Premises and Equipment

Premises and equipment are comprised of:

	December 31, 1991	1990
	(in thousands)	
Premises (including $831,000 acquired under capital lease)	**$ 7,707**	$ 7,840
Furniture and equipment (including $621,000 acquired under capital leases)	**5,123**	5,425
	12,830	13,265
Less:		
Accumulated depreciation	**(4,874)**	(4,626)
Accumulated amortization of capital leases	**(499)**	(347)
	7,457	8,292
Land	**1,693**	1,693
	$ 9,150	$ 9,985

Depreciation and amortization of premises and equipment amounted to $918,000, $721,000, and $711,000 in 1991, 1990 and 1989, respectively.

Note F - Income Taxes

The provision (credit) for income taxes is comprised of:

	Years Ended December 31, 1991	1990	1989
	(in thousands)		
Current:			
Federal	**$ 2,290**	$ 1,720	$1,557
State	**871**	744	619
Total current	**3,161**	2,464	2,176
Deferred:			
Federal	**(400)**	(842)	(354)
State	**11**	(331)	(146)
Total deferred	**(389)**	(1,173)	(500)
Total income taxes	**$ 2,772**	$ 1,291	$1,676

Deferred income tax expense resulted from the following:

	Years Ended December 31, 1991	1990	1989
	(in thousands)		
Increase (decrease) deferred income taxes:			
Difference between cash and accrual basis of accounting	**$ —**	$ (36)	$ (36)
Provision for loan losses	**(160)**	(374)	(176)
Provision for loss on other real estate	**(7)**	17	39
Amortization of core deposits	**(35)**	(109)	(110)
Use of accelerated depreciation methods for tax purposes	**(11)**	56	(6)
Leases	**—**	(1)	(39)
Leveraged leases	**(95)**	(94)	(257)
Real estate limited partnership	**—**	(853)	339
Retirement compensation	**(104)**	(123)	(75)
Loss on investment in real estate	**(96)**	15	(66)
Deferred loan fees	**(13)**	80	(139)
Other differences	**132**	249	26
Total deferred income tax	**$ (389)**	$ (1,173)	$ (500)

Note F - (Continued)

The effective tax rate and the statutory federal income tax rate are reconciled as follows:

	Years Ended December 31, 1991	1990	1989
Federal statutory income tax rate	**34.0%**	34.0%	34.0%
State income taxes, net of federal tax benefit	**8.2**	7.1	7.1
Tax-exempt interest on municipal obligations	**(3.4)**	(9.6)	(7.7)
Other	**.3**	2.0	1.3
Effective Tax Rate	**39.1%**	33.5%	34.7%

Note G - Long-term Debt

Long-term debt is as follows:

	December 31, 1991	1990
	(in thousands)	
Capital lease obligation on equipment, effective rate of 8.3% payable monthly through August 7, 1995	**$ 441**	$ 544
Capital lease obligation on premises, effective interest rate of 13% payable monthly in varying amounts through December 1, 2009.	**586**	586
Total long-term debt	**$1,027**	$1,130

Note H - Other Operating Expenses

The components of other operating expenses are as follows:

	Years Ended December 31, 1991	1990	1989
	(in thousands)		
Equipment and data processing	**$ 1,459**	$ 1,149	$ 990
Occupancy	**1,171**	1,071	917
Advertising	**495**	427	285
Net other real estate owned expense	**7**	14	(95)
Net (gains) losses on investment in real estate	**(31)**	(73)	(86)
Net loss in real estate limited partnership	**—**	1,493	—
Professional fees	**552**	361	310
Assessments	**709**	387	227
Postage	**320**	249	247
Other	**2,857**	2,628	2,049
Total other operating expenses	**$ 7,539**	$ 7,706	$ 4,844

Note I - Retirement Plans

Substantially all employees with at least one year of service are covered by a discretionary employee stock ownership plan. Contributions are made to the plan at the discretion of the Board of Directors. Contributions to the plan of $222,000 in 1991, $222,000 in 1990 and $222,000 in 1989 are included in salary expense.

The Company has a supplemental retirement plan for directors and a supplemental executive retirement plan covering key executives. These plans are nonqualified defined benefit plans and are unsecured and unfunded. The Company has purchased insurance on the lives of the participants and intends to use the cash values of these policies ($1,841,042 and $1,329,000 at December 31, 1991 and 1990, respectively) to pay the retirement obligations.

Note I - (Continued)

The following table sets forth the plans' status:

	December 31, 1991	1990	1989
	(in thousands)		
Actuarial present value of benefit obligations:			
Vested benefit obligation	**$ (1,128)**	$ (855)	$ (694)
Accumulated benefit obligation	**$ (1,128)**	$ (855)	$ (694)
Projected benefit obligation for service rendered to date	**$ (1,231)**	$ (1,009)	$ (940)
Plan assets at fair value	**$ —**	$ —	$ —
Projected benefit obligation in excess of plan assets	**$ (1,231)**	$ (1,009)	$ (940)
Unrecognized net (gain) loss from past experience different from that assumed and effects of changes in assumptions	**78**	(8)	68
Prior service cost not yet recognized in net periodic pension cost	**17**	15	2
Unrecognized net obligation at transition	**461**	495	530
Accrued pension cost included in other liabilities	**$ (675)**	$ (507)	$ (340)
Net pension cost included the following components:			
Service cost-benefits earned during the period	**$ 61**	$ 58	$ 57
Interest cost on projected benefit obligation	**91**	85	70
Net amortization and deferral	**35**	40	39
Net periodic pension cost	**$ 187**	$ 183	$ 166

The net periodic pension cost was determined using a discount rate assumption of 8.0% for 1991 and 8.5% for 1990 and 1989. The rates of increase in compensation used were 0% to 7%.

The Company has an Executive Deferred Compensation Plan which allows directors and key executives designated by the Board of Directors of the Company to defer a portion of their compensation.

In 1989, the Company adopted two stock option plans covering key employees and directors. Options for 138,000 shares at $11.96 per share were available and granted under the plans in 1989. Options vest 20% annually and terminate 10 years from the date of the grant. Option shares and price are adjusted for stock dividends.

Note J - Preferred Stock

The Company has three series of cumulative nonvoting preferred stock outstanding. Each series carries a redemption date after which time the Company, at its option, may redeem all or part of the series upon the payment of the redemption value plus accrued and unpaid dividends. The following table summarizes the three issues:

Series	Dividend Rate	Shares	Redemption Date	Per Share Liquidation Value
A	11.0%	26,724	July 1, 1988	$100
B	10.5%	8,000	Aug 1, 1995	$500
C	10.0%	16,900	Nov 28, 1993	$135

Note K - Dividend Restrictions

Dividends from the Bank may be paid to the Company to finance operations. The Bank is regulated by the Federal Deposit Insurance Corporation (FDIC) and the California State Banking Department. California banking laws limit dividends to the lesser of (1) retained earnings or (2) net income for the last three fiscal years, less cash distributions paid during such period. Under this regulation, as of December 31, 1991, the Bank may pay dividends of $4,858,000. The Bank entered into an agreement with the FDIC which places restrictions on dividend payments. Under this agreement the ratio of adjusted primary capital to adjusted total assets of the Bank cannot be less than 7.5% after payment of dividends. Additionally, the declaration and payment of dividends must be approved in advance, in writing, by the FDIC Regional Director.

Note L - Related Party Transactions

Certain directors, officers, and companies with which they are associated, were customers of, and had banking transactions with, the Company or its Subsidiary in the ordinary course of business. It is the Company's policy that all loans and commitments to lend to officers and directors be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other borrowers of the Bank. These loans totaled $11,089,000 and $6,253,000 at December 31, 1991 and 1990, respectively.

Note M - Commitments and Contingencies (See also Note N)

The Bank has available unused lines of credit totaling $19,000,000 for Federal funds transactions.

The Bank is a defendant in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the Bank's financial position.

At December 31, 1991, future minimum commitments under noncancellable operating and capital leases with initial or remaining terms of one year or more are as follows:

	Capital Leases	Operating Leases
	(in thousands)	
1992	$ 228	$ 300
1993	229	290
1994	230	205
1995	138	197
1996	83	154
Thereafter	1,171	2,071
Future minimum lease payments	2,079	$ 3,217
Less amount representing interest	1,052	
Present value of future lease payments	$ 1,027	

Rent expense under operating leases was $544,000 in 1991, $465,000 in 1990, and $433,000 in 1989.

Note N - Financial Instruments With Off-Balance Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit written is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on balance-sheet instruments.

	Contractual Amount	
	1991	1990
	(in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit:		
Commercial loans	**$25,305**	$27,150
Real estate loans	**13,185**	15,962
Other	**9,764**	6,955
Standby letters of credit	**2,336**	5,436

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates of one year or less or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank

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	Contractual Amount	
	1991	1990
	(in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit:		
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Other	**9,764**	6,955
Standby letters of credit	**2,336**	5,436

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates of one year or less or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank

Note N - (Continued)

evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Bank upon extension of credit is based on Management's credit evaluation of the counter-party. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. Most standby letters of credit are issued for one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral requirements vary, but in general follow the requirements for other loan facilities.

Note O - Concentration of Credit Risk

Tri Counties Bank grants agribusiness, commercial and residential loans to customers located throughout the northern Sacramento Valley and northern mountain regions of California. The Bank has a diversified loan portfolio within the business segments located in this geographical area.

Note P - Employee Stock Ownership Plan

The TriCo Bancshares Employee Stock Ownership Plan (ESOP) is a noncontributory plan established to acquire shares of the Company's common stock for the benefit of all eligible employees.

During 1989, the ESOP arranged financing of $600,000 with a bank. The loan is to be repaid over a five-year period with interest at 90% of prime. The obligation of this plan to repay these borrowings is guaranteed by the Company. Current financial reporting practice requires this contingent liability to be recorded as debt with a corresponding charge to shareholders' equity. The Bank will make contributions to the ESOP sufficient to pay the interest and principal on the loan. The outstanding loan balance as of December 31, 1991 was $240,000.

Note Q - TriCo Bancshares Financial Statements

TriCo Bancshares (Parent Only) Balance Sheets

Assets	December 31, 1991	1990
	(in thousands)	
Cash	**$ 107**	$ 125
Loans	**264**	284
Investment in Tri Counties Bank	**30,273**	27,284
Other assets	**15**	20
Total assets	**$30,659**	$27,713
Liabilities and shareholders' equity		
Liabilities:		
ESOP debt guarantee	**$ 240**	$ 360
Deferred taxes	**—**	1
Other liabilities	**9**	18
Shareholders' equity:		
Preferred stock, no par value:		
Authorized 1,000,000 shares;		
Series A, issued and outstanding 26,724 shares	**2,544**	2,544
Series B, issued and outstanding 8,000 shares	**3,899**	3,899
Series C, issued and outstanding 16,900 shares	**2,187**	2,187
Common stock, no par value:		
Authorized 20,000,000 shares; issued and outstanding 1,857,117 and 1,599,047 shares	**21,550**	18,145
Retained earnings (deficit)	**470**	919
ESOP debt guarantee	**(240)**	(360)
Total shareholders' equity	**30,410**	27,334
Total liabilities and shareholders' equity	**$30,659**	$27,713

Statements of Income

	Years Ended December 31, 1991	1990	1989
	(in thousands)		
Interest income	**$ 26**	$ 32	$ 49
Interest expense on long-term debt	**—**	—	82
Administration expense	**136**	113	138
Total expense	**136**	113	220
Loss before equity in net income of Tri Counties Bank	**(110)**	(81)	(171)
Equity in net income of Tri Counties Bank	**4,390**	2,615	3,243
Income tax credits	**45**	31	83
Net income	**$4,325**	$2,565	$3,155

Statements of Cash Flows

	Years ended December 31, 1991	1990	1989
	(in thousands)		
Operating activities:			
Net income	**$4,325**	$ 2,565	$3,155
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed equity in Tri Counties Bank	**(2,692)**	(999)	(1,168)
Provision for depreciation and amortization	**—**	—	7
Deferred income taxes	**(1)**	(13)	1
Increase in other operating assets and liabilities	**(4)**	(217)	147
Net cash provided by operating activities	**1,628**	1,336	2,142
Investing activities:			
Principal collected on loan	**20**	16	50
Capital contributed to Tri Counties Bank	**(297)**	—	(4,900)
Net cash used by investing activities	**(277)**	16	(4,850)
Financing activities:			
Issuance of common stock	**297**	—	2,672
Issuance of preferred stock	**—**	—	2,187
Cash dividends — preferred	**(944)**	(944)	(737)
Cash dividends — common	**(722)**	(650)	(376)
Subordinated debt retired	**—**	—	(865)
Net cash provided by financing activities	**(1,369)**	(1,594)	2,881
Increase in cash and cash equivalents	**(18)**	(242)	173
Cash and cash equivalents at beginning of year	**125**	367	194
Cash and cash equivalents at end of year	**$ 107**	$ 125	$ 367

Common Stock Information

Market Information. The Common Stock of the Company is not listed on any exchange nor is it listed with NASDAQ. There is only a limited trading market in the Company's Common Stock. Since August 15, 1986, Sutro & Co. Incorporated has been a market-maker in the Common Stock of the Company and since December 1, 1988, Hoefer & Arnett Incorporated has been a market-maker in the Company's Common Stock. The following table summarizes those trades of which the Company has knowledge, setting forth the approximate high ask and low bid prices for the periods indicated. The prices indicated below may not necessarily represent actual transactions.

	Prices of the Company's Common Stock		Approximate Trading Volume
Quarter Ended:[1,2]	**High**	**Low**	**(in shares)**
March 31, 1990	$ 12.33	$ 11.05	72,463
June 30, 1990	12.75	11.90	18,839
September 30, 1990	14.45	12.11	68,557
December 31, 1990	14.45	12.54	40,961
March 31, 1991	13.39	10.20	46,122
June 30, 1991	14.00	11.00	85,251
September 30, 1991	16.25	13.00	36,018
December 31, 1991	16.25	13.00	74,337

[1] As estimated by the Company, based upon trades of which the Company was aware. The Company is not aware of the price of some of the trades included in the Approximate Trading Volume.

[2] Adjusted to reflect the 20% stock dividend paid on February 15, 1990 to holders on record January 25, 1990 and the 15% stock dividend paid on April 30, 1991 to holders on record April 11, 1991.

Holders. As of December 31, 1991, there were approximately 1,545 holders of record of the Company's Common Stock.

Dividends. Each quarter since March 1990, the Company has paid a cash dividend of $.10 per share of Common Stock. On June 30 and December 31, 1989, the Company paid cash dividends of $.15 per share of Common Stock. In addition to the cash dividends, on April 30, 1991 and February 15, 1990 the Company paid Common Stock dividends of 15% and 20%, respectively. (Cash dividend amounts are not adjusted for the stock dividend affect.) The holders of Common Stock of the Company are entitled to receive cash dividends when and as declared by the Board of Directors, out of funds legally available therefor, subject to the restrictions set forth in the California General Corporation Law (the "Corporation Law"), and the dividend rights of the holders of the Series A, Series B and Series C Preferred Stock.

The Certificate of Determination of Preferences of the Series A, Series B and Series C Preferred Stock prohibits the payment of dividends to the holders of Common Stock if the Company is not current in its payments of dividends to the Preferred Stock shareholders. The Corporation Law provides that a corporation may make a distribution to its shareholders if the corporation's retained earnings equal at least the amount of the proposed distribution.

The Company, as sole shareholder of the Bank, is entitled to dividends when and as declared by the Bank's Board of Directors, out of funds legally available therefor, subject to the powers of the Federal Deposit Insurance Corporation (the "FDIC") and the restrictions set forth in the California Financial Code (the "Financial Code"). The Financial Code provides that a bank may not make any distributions in excess of the lessor of: (i) the bank's retained earnings, or (ii) the bank's net income for the last three fiscal years, less the amount of any distributions made by the bank to its shareholders during such period. However, a bank may, with the prior approval of the California Superintendent of Banks (the "Superintendent"), make a distribution to its shareholders of up to the greater of (A) the bank's retained earnings, (B) the bank's net income for its last fiscal year, or (C) the bank's net income for its current fiscal year. If the Superintendent determines that the shareholders' equity of a bank is inadequate or that a distribution by the bank to its shareholders would be unsafe or unsound, the Superintendent may order a bank to refrain from making a proposed distribution. The FDIC may also order a bank to refrain from making a proposed distribution when, in its opinion, the payment of such would be an unsafe or unsound practice. Under an agreement between the Bank and the FDIC, the payment of dividends is restricted such that the ratio of adjusted primary capital to adjusted total assets of the Bank cannot be less than 7.5% after the payment of such dividends. Additionally, the declaration and payment of dividends must be approved in advance, in writing, by the FDIC Regional Director. The Bank paid cash dividends to the Company in the aggregate amount of $1,698,000 in 1991.

The Federal Reserve Act limits the loans and advances that the Bank may make to its affiliates. For purposes of such Act, the Company is an affiliate of the Bank. The Bank may not make any loans, extensions of credit or advances to the Company if the aggregate amount of such loans, extensions of credit, advances and any repurchase agreements and investments exceeds 10% of the capital stock and surplus of the Bank. Any such permitted loan or advance by the Bank must be secured by collateral of a type and value set forth in the Federal Reserve Act.

Management's Discussion and Analysis of Financial Condition and Results of Operations

As TriCo Bancshares (the "Company") has not commenced any business operations independent of Tri Counties Bank (the "Bank"), the following discussion pertains primarily to the Bank.

Overview

At the outset of 1991, Management developed an operating strategy of a "Fortress Balance Sheet." The essence of that strategy was to increase the safety and soundness of the Bank by controlling the asset growth of the Bank, creating a more favorable deposit mix, implementing more stringent loan underwriting requirements, improving profit margins, and increasing the primary capital ratio to more than 9%.

Through the first six months of 1991, actions taken to accomplish the "Fortress Balance Sheet" strategy included: reduction of the high cost deposits such as time certificates of deposit by reducing rates; sales of securities and mortgage loans as necessary to offset the loss of the high cost deposits; and developing products to enhance non-interest income. By June 30, 1991 the Bank had reduced assets to $351,770,000 from $376,244,000 at December 31, 1990. Net income for the first six months was $2,467,000, up 22.3% from $2,017,000 in 1990. The primary capital ratio was 9% at June 30, 1991 versus 8% at December 31, 1990.

During the last six months of 1991, Management continued the overall "Fortress Balance Sheet" strategy. However, some adjustments were made to allow deposits to increase. The interest rate paid on regular savings accounts was held at 5.5% until December 31, 1991. At various times, this rate was approximately 50 to 125 basis points higher than rates paid by other banks in the Bank's market area. Since time certificate of deposit rates were lower than the savings rate, the funds from many maturing CDs were moved into savings accounts. These rates also brought new funds to the Bank. By December 31, 1991 total assets had grown to $384,482,000 which was a 2.2% increase from the December 31, 1990 balance. At year end, the primary capital ratio was 8.7%, which was slightly under Management's 9.0% target. At this time, Management anticipates continuing a similar strategy in 1992.

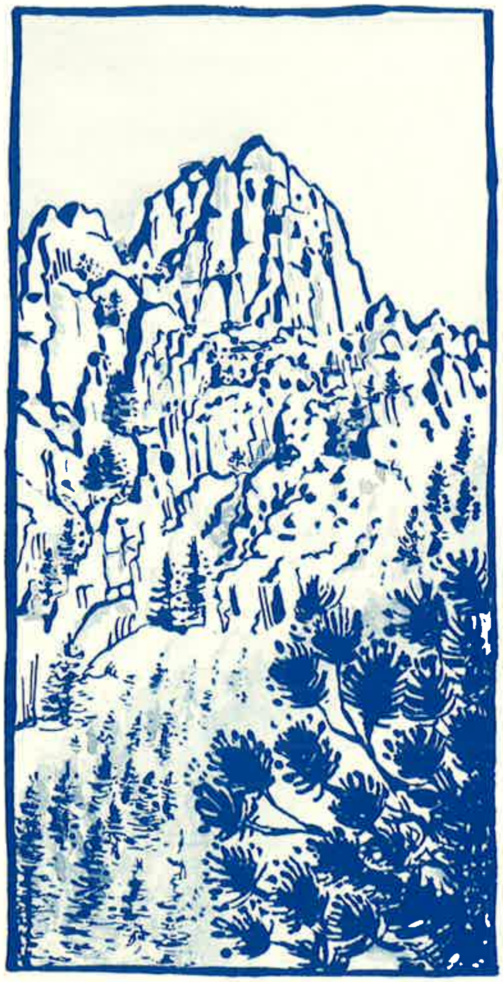
Management's Discussion and Analysis of Financial Condition and Results of Operations

(A) Results of Operations

The following is a summary of operations for the five years ended December 31, 1991 and Management's discussion and analysis of the significant changes in income and expense accounts presented therein for the most recent two years each as compared with its respective prior period. This information should be read in conjunction with the financial statements and notes related thereto appearing elsewhere in this Annual Report.

	Years Ended December 31,				
	1991	1990[1]	1989[1]	1988[1]	1987[1]
	(in thousands, except earnings per share amounts)				
Interest income:					
Interest and fees on loans	**$ 30,952**	$ 30,721	$ 25,106	$ 20,676	$ 17,505
Interest on investment securities—taxable	**3,010**	3,269	3,277	3,912	3,238
Interest on investment securities—tax exempt[2]	**1,074**	1,966	1,631	1,192	867
Interest on federal funds sold	**278**	502	664	126	365
Total interest income	**35,314**	36,458	30,678	25,906	21,975
Interest expense:					
Interest on deposits	**16,001**	18,994	15,960	13,003	11,053
Interest on short-term borrowing	**20**	67	397	74	42
Interest on long-term debt	**119**	99	158	476	469
Total interest expense	**16,140**	19,160	16,515	13,553	11,564
Net interest income	**19,174**	17,298	14,163	12,353	10,411
Less provision for loan losses	**1,200**	2,450	1,000	780	480
Net interest income after provision for loan losses	**17,974**	14,848	13,163	11,573	9,931
Other income:					
Gain (loss) on security transactions	**39**	(134)	(186)	(5)	179
Service charges and other	**4,261**	3,639	2,973	3,294	2,365
Total other income	**4,300**	3,505	2,787	3,289	2,544
Other expenses:					
Salaries and employee benefits	**7,285**	6,144	5,739	5,165	4,415
Other operating expenses	**7,539**	7,706	4,844	5,308	5,042
Total other expenses	**14,824**	13,850	10,583	10,473	9,457
Net income before provision for income taxes	**7,450**	4,503	5,367	4,389	3,018
Provision for income taxes—actual	**2,772**	1,291	1,676	1,469	930
Tax equivalent adjustment[2]	**353**	647	536	392	348
Net income	**$ 4,325**	$ 2,565	$ 3,155	$ 2,528	$ 1,740
Earnings per common share	**$ 1.84**	$ 0.88	$ 1.49	$ 1.29	$ 0.82
Selected Balance Sheet Information					
Total Assets	**$384,482**	$376,244	$354,688	$297,468	$275,676
Long-term Obligations	**$ 1,027**	$ 1,130	$ 586	$ 1,451	$ 5,343
Preferred Stock	**$ 8,630**	$ 8,630	$ 8,630	$ 6,443	$ 2,544

[1]Certain reclassifications have been made in the 1990, 1989, 1988 and 1987 summary of operations to conform to classifications in 1991.
[2]Interest on tax-free securities is reported on a tax equivalent basis of 1.49 for 1991, 1990, 1989 and 1988; and 1.67 for 1987.



Castle Crags

(A) Results of Operations (Continued)

Net Interest Income/Net Interest Margin

Net interest income and net interest margin are the most significant indicators of the quality of the Bank's earnings. Net interest income represents the excess of interest and fees earned on interest-earning assets (loans, investment securities and federal funds sold) over the interest paid on deposits and borrowed funds. Net interest margin is the net interest income expressed as a percentage of the average earning assets. Both of these indicators showed improvement in 1991.

Net interest income increased $1,876,000 to $19,174,000, up 10.8% over 1990 even though the average earning assets remained fairly constant. Net interest margin increased from 5.38% to 5.96%. Management was able to improve net interest income by changing the mix of the Bank's earning assets to have a higher percentage of loans, changing the mix of the deposits to reduce the higher cost deposits, and reducing the interest paid for deposits at a greater rate than loan rates were lowered.

In 1990 net interest income increased $3,135,000 to $17,298,000 for a 22% gain over 1989 as there was substantial growth in the earning assets during the year. Net interest margin ratio reflected a gain of .15% to 5.38%. In that year, the margin increase resulted from changing the mix of the Bank's earning assets to have a higher percentage of loans which earn higher rates of interest. Also, there was a slight decrease in the interest rates paid on deposits.

Table One, *Analysis of Change in Net Interest Margin on Earning Assets*, and Table Two, *Analysis of Volume and Rate Changes on Net Interest Income and Expenses* are provided to enable the reader to understand the components and past trends of the Bank's interest income and expenses. Table One provides an analysis of change in net interest margin on earning assets setting forth average assets, liabilities and shareholders' equity; interest income earned and interest expense paid and average rates earned and paid; and the net interest margin on earning assets. Table Two presents an analysis of volume and rate change on net interest income and expense.

(A) Results of Operations (Continued)

Table One: Analysis of Change in Net Interest Margin on Earning Assets

	1991			1990			1989		
Assets	**Average Balance[1]**	**Income/ Expense**	**Yield/ Rate**	Average Balance[1]	Income/ Expense	Yield/ Rate	Average Balance[1]	Income/ Expense	Yield/ Rate
				(amounts in thousands)					
Earning assets:									
Loans[2,3]	**$264,130**	**$30,952**	**11.72 %**	$253,546	$30,721	12.12 %	$202,946	$25,106	12.37 %
Investment securities[4]	**52,525**	**4,084**	**7.78 %**	61,664	5,235	8.49 %	60,424	4,908	8.12 %
Federal funds sold	**5,110**	**278**	**5.44 %**	6,308	502	7.96 %	7,415	664	8.95 %
Total earning assets	**321,765**	**35,314**	**10.98 %**	321,518	36,458	11.34 %	270,785	30,678	11.33 %
Cash and due from banks	**20,440**			20,984			17,471		
Premises and equipment	**9,711**			9,093			7,788		
Other assets	**13,534**			16,248			19,822		
Less: Allowance for loan losses	**(3,404)**			(2,559)			(2,064)		
Total	**$362,046**			$365,284			$313,802		
Liabilities and shareholders' equity									
Interest-bearing liabilities:									
Demand deposits (interest-bearing)	**$ 93,210**	**4,627**	**4.96 %**	$ 89,977	5,154	5.73 %	$ 76,153	4,505	5.92 %
Savings deposits	**46,301**	**2,494**	**5.39 %**	32,511	1,766	5.43 %	31,112	1,687	5.42 %
Time deposits	**130,076**	**8,880**	**6.83 %**	149,058	12,074	8.10 %	116,353	9,768	8.40 %
Federal funds purchased	**389**	**20**	**5.14 %**	769	67	8.71 %	4,180	397	9.50 %
Long-term debt	**1,077**	**119**	**11.05 %**	797	99	12.42 %	1,161	158	13.61 %
Total interest-bearing liabilities	**271,053**	**16,140**	**5.95 %**	273,112	19,160	7.02 %	228,959	16,515	7.21 %
Demand deposits (noninterest-bearing)	**56,719**			59,303			58,031		
Other liabilities	**5,167**			5,785			6,127		
Shareholders' equity	**29,107**			27,084			20,685		
Total	**$362,046**			$365,284			$313,802		
Net interest income		**$19,174**			$17,298			$14,163	
Net interest margin on earning assets[5]		**5.96 %**			5.38 %			5.23 %	

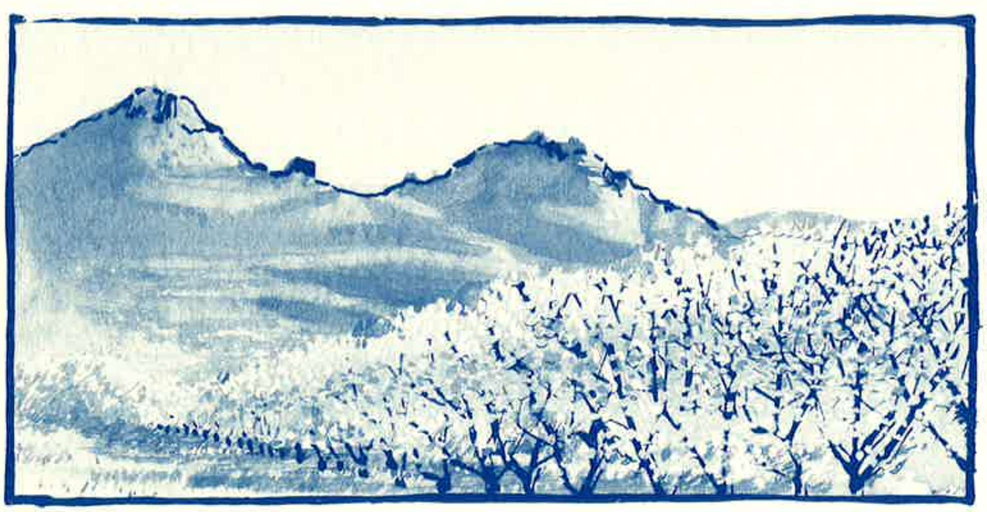
[1] Average balances are computed principally on the basis of daily balances.
[2] Nonaccrual loans are included.
[3] Interest income on loans includes fees on loans of $1,335,000 in 1991, $1,399,000 in 1990, and $730,000 in 1989.
[4] Interest income is stated on a tax equivalent basis of 1.49.
[5] Net interest margin on earning assets is computed by dividing net interest income by total interest-earning assets. Net interest income is the difference between the total interest earned and the total interest incurred.

(A) Results of Operations (Continued)

Table Two: Analysis of Volume and Rate Changes on Net Interest Income and Expenses

	1991 over 1990			1990 over 1989		
	Volume	Yield/ Rate [4]	Total	Volume	Yield/ Rate [4]	Total
			(in thousands)			
Increase (decrease) in interest income:						
Loans[1,2]	$1,240	$(1,009)	$ 231	$6,128	$ (513)	$5,615
Investment securities[3]	(711)	(440)	(1,151)	105	222	327
Federal funds sold	(65)	(159)	(224)	(88)	(74)	(162)
Total	464	(1,608)	(1,144)	6,145	(365)	5,780
Increase (decrease) in interest expense:						
Demand deposits (interest-bearing)	160	(687)	(527)	792	(143)	649
Savings deposits	743	(15)	728	76	3	79
Time deposits	(1,296)	(1,898)	(3,194)	2,649	(343)	2,306
Federal funds purchased	(20)	(27)	(47)	(297)	(33)	(330)
Long-term borrowings	31	(11)	20	(45)	(14)	(59)
Total	(382)	(2,638)	(3,020)	3,175	(530)	2,645
Increase (decrease) in net interest income	$ 846	$ 1,030	$ 1,876	$2,970	$ 165	$3,135

[1] Nonaccrual loans are included.
[2] Interest income on loans includes fees on loans of $1,335,000 in 1991, $1,399,000 in 1990, and $730,000 in 1989.
[3] Interest income is stated on a tax equivalent basis of 1.49.
[4] The rate/volume variance has been included in the rate variance.



Sutter Buttes
above Almond Blossoms

Management's Discussion and Analysis of Financial Condition and Results of Operations

(A) Results of Operations (Continued)

Interest Income

In 1991 interest income decreased $1,144,000 or 3.1% to $35,314,000. Interest rates declined on all categories of earning assets during the year. The Bank's base lending rate started the year at 10% and ended at 6.75%. The effects of the lower loan rates were mitigated in part by a 4.2% growth in average loans outstanding. Funds were shifted from investment securities and federal funds sold which earn lower rates of interest.

In 1990 interest income increased 19% to $36,458,000. This increase was mainly attributed to a 19% increase in earning assets and the emphasis placed on increasing loans as a percent of the earning assets. Yields on loans and federal funds sold were down from 1989, but the net overall yield remained flat at 11.3% due to the change in the mix of the earning assets.

For the three years previous to 1991, the Bank experienced a growth in interest income of approximately 18% per year. Much of this growth resulted from the Bank's ability to attract new deposits and to put these funds to work in the form of loans. Management's "Fortress Balance Sheet" strategy, falling interest rates and the economic environment precluded attainment of similar growth rates for 1991. Management does not expect significant changes in the operating environment in the ensuing year.

Interest Expense

Interest expense decreased $3,020,000 or 15.8% in 1991. Lower interest rates accounted for most of this decrease. The largest decrease occurred in the interest paid on time deposits. For part of the year, Management purposely lowered rates paid on those deposits to below rates paid by local competition. This tactic resulted in money moving from the Bank which allowed Management to reduce the assets of the Bank. It helped improve the primary capital ratio which measures soundness of the Bank.

In 1990 interest expense increased 16% primarily due to the increased volume of interest-bearing deposits. Interest expense was favorably impacted by declining rates paid on those deposits and an 82% reduction in federal funds borrowed. The largest increase occurred in the interest paid on time deposits. The average balance of time deposits increased 28% in 1990 and the interest paid on these accounts increased 24%.

Provision for Loan Losses

In 1991 the Bank provided $1,200,000 for possible loan losses. This was down significantly from the $2,450,000 provided in 1990. Net loans charged-off were $843,000 versus $1,615,000 in 1990. Part of this improvement was due to a recovery of $265,000 from the 1990 consortium charge-off. Since the loans charged-off were less than the provision, the Allowance for Loan Losses increased $357,000.

In 1990 two major factors contributed to the large provision. Because of the uncertainty of the economic conditions facing the Bank in 1991, Management made a decision to increase the general provision .2% of the loans outstanding at year end. This change accounted for an increase of $492,000. The actual net write-off of loans increased $991,000 over the previous year. One commercial loan in which the Bank was a participant in a consortium was responsible for 75% of this increase. The balance of the increase was due to an increased loan volume and some softening of the economy.

Service Charges and Fees and Other Income

Service charges and fees increased on deposit accounts 14.7% to $2,221,000 in 1991 from $1,937,000 in 1990. The increase was attributed to both increased volume and higher service fees. In 1990 these fees had increased $197,000 or 11% from the 1989 amount. The 1990 increase was mostly due to an increase in rates and, to a lesser extent, an increase in volume.

Other fees in 1991 were $1,308,000 versus $943,000 in 1990. Most of the income growth in this category is attributed to fees on sales of annuities. Proposed tax law changes could negatively impact these fees in the coming year. Other fees in 1990 had increased $54,000 or 7% from the 1989 amount. Most of this income growth came from credit card and ATM fees.

(A) Results of Operations (Continued)

Securities Transactions

The Bank realized a gain of $39,000 on sales of securities in 1991 versus net losses of $134,000 in 1990 and $186,000 in 1989. The Bank does not actively trade in the securities market, but does elect, for liquidity purposes, to sell certain securities when it is to its advantage during periods of declining interest rates or to adjust the composition of the securities portfolio. The declining interest rates in 1991 provided an opportunity for the Bank to dispose of some long term securities and to reposition its securities portfolio. As of the end of January 1992, the weighted average maturity of the securities portfolio was under two years versus eleven years at the end of 1990.

Salaries and Benefits

Salary and benefit expenses increased 18.6% in 1991 versus a 7% increase in 1990. The 1991 increase reflected a 15.7% increase in benefits expense, normal salary increases, a slight increase in staffing levels, accrual of a Management incentive pool (none was awarded in 1990), and a special award of Common Stock to Management. The 1990 increase was attributed to staffing requirements for the new Yuba City Branch and inflationary increases.

Other Expenses

Other operating expenses decreased 2% in 1991. However, in 1990 other expenses included a loss of $1,493,000 incurred in the sale of the Bank's interest in a syndicated real estate limited partnership. Adjusting the 1990 operating expenses for this loss results in an increase of $1,326,000 or 21% in 1991. In general, increases in the premises and equipment expenses of $410,000 in 1991 were reflective of the first full year of operations of the Yuba City Branch which was opened in August of 1990, costs related to ATMs which were installed at each branch location during 1990, and new computer equipment which was installed in June of 1990. Advertising expense increased 16% or $68,000 in 1991. The Bank used television and print media to promote safety and soundness through the "Fortress Balance Sheet" and to promote the Bank's VISA/ MasterCard products. The Bank incurred an 83% increase of $322,000 for FDIC and State assessments. This increase was the result of higher assessment rates. Directors fees increased $189,000 due to a special award of Common Stock. The Bank was aggressive in pursuing delinquent and charged-off loans. Consequently, legal costs increased 88% or $157,000. Postage increased $71,000 due to rate and volume increases.

In 1990 other operating expenses had increased $2,862,000 or 59% from 1989. Over half of the increase was attributable to the partnership loss detailed above. In general, the remaining portion of the increase was reflective of the Bank's growth in 1990.

Provision for Taxes

The effective tax rate on income was 39.1% in 1991. The effective tax rate is greater than the federal statutory tax rate due to state tax expense of $882,000 offset by tax-free interest of $721,000 from investment securities. Similarly, the effective tax rate in 1990 was 33.5% due to state tax expense of $413,000 offset by tax-free interest of $1,319,000. By the end of 1991 the Bank had sold most of its holdings in tax exempt securities. Thus, the effective tax rate can be expected to increase in 1992.

Return on Average Assets and Equity

The following sets forth certain ratios for the Company for the last three years (using average balance sheet data):

	1991	1990	1989
Return on assets	**1.19%**	.70%	1.01%
Return on shareholders' equity	**14.86%**	9.47%	15.25%
Return on common shareholders' equity	**16.51%**	8.78%	17.20%
Shareholders' equity to assets	**8.04%**	7.41%	6.59%
Common shareholders' equity to assets	**5.66%**	5.05%	4.48%
Common shareholders' dividend payout ratio	**21.74%**	39.60%	14.63%

The 1991 return on average assets was 1.19%. It resulted from a 69% increase in earnings and a 1% decrease in average assets. The return on average assets of .7% for 1990 was impacted by both a 16% growth in average assets and a 19% decrease in earnings.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(A) Results of Operations (Continued)

The return on shareholders' equity increased from 9.47% in 1990 to 14.86% in 1991. This increase was due to the strong recovery in the Company's earnings. In 1990 the return on shareholders' equity had decreased due to a reduction in earnings and a 31% increase in the average shareholders' equity during the year. The high increase in the average shareholders' equity was reflective of the full year affect of the Series C Preferred Stock and additional Common Stock that was issued in November 1989 plus the 1990 earnings.

The return on Common shareholders' equity rebounded to 16.51% in 1991 from 8.8% in 1990. It also was reflective of the significant increase in earnings. The 1990 return on Common shareholders' equity decreased from 17.2% in 1989 reflected the impact of the full year affect of the additional Common Stock issued in November 1989 and the lower 1990 earnings.

Total shareholders' equity to assets increased to 8.04% in 1991. The increase in earnings for the year and the slight decrease in average assets contributed to this result. In 1990 total shareholders' equity to assets had increased to 7.41% from 6.59% in 1989. The full year impact of the Preferred and Common Stock issued in November 1989 contributed to the positive change in this ratio.

As with the total shareholders' equity to assets, the Common shareholders' equity to assets increased as a result of the 1991 earnings. In 1990 Common shareholders' equity to assets ratio increased as a result of the full year impact of the sale of Common Stock in 1989.

The reduction in the Common shareholders' payout ratio from 39.60% in 1990 to 21.74% in 1991 reflects the increased earnings available for the Common shareholders after the 15% stock dividend issued in April 1991. For 1990 the Common shareholders' dividend payout ratio reflected a significant increase over the 14.6% realized in 1989. Four factors which contributed to the increase were: Sale of Common Stock in November 1989, 20% Common Stock dividend in January 1990, $.10 per share increase in the dividend rate, and the reduction in 1990 earnings.

(B) Balance Sheet Analysis

Loans

Year end loan balances at December 31, 1991 reflect a modest 5.4% ($13,947,000) growth from the prior year. The lower growth rate from those realized in prior years resulted from lower economic activity in general and higher loan underwriting standards imposed by the Bank.

At December 31, 1990 outstanding loans were $28,865,000 (13%) higher than at December 31, 1989. These results excluded the sale of $18,000,000 in real estate loans in December 1990. The growth would have been 20% if these loans had been included.

Loan mix did not change significantly during 1991. Commercial and consumer loans remained constant at 52% and 18% of loans outstanding, respectively. Real estate mortgage loans increased slightly to 23% from 21%. Real estate construction decreased from 9% to 7%.

Management does not foresee making significant changes to the loan mix in the coming year. A continuing drought in California could affect 1992 agricultural loan demand and performance.

Loan Portfolio Composite

	December 31,				
	1991	1990	1989	1988	1987
	(in thousands)				
Commercial, financial and agricultural	**$140,725**	$134,623	$119,860	$ 98,513	$ 82,902
Consumer installment	**48,930**	46,486	37,748	32,741	30,538
Real estate mortgage	**62,831**	55,197	55,933	45,753	40,661
Real estate construction	**20,342**	22,575	11,144	9,253	4,765
Banker's acceptances and commercial paper	—	—	5,331	970	8,508
Total loans	**$272,828**	$258,881	$230,016	$187,230	$167,374

(B) Balance Sheet Analysis (Continued)

Nonaccrual, Past Due and Restructured Loans

The table below sets forth the nonaccrual loans and loans carried on an accrual basis but past due more than 90 days.

	December 31,				
	1991	1990	1989	1988	1987
	(in thousands)				
Nonaccrual loans	**$ 1,279**	$ 437	$ 403	$ 701	$ 533
Past due loans (90 days or more)	**989**	881	352	338	1,292
Restructured debt	**—**	243	285	340	346
Total	**$ 2,268**	$ 1,561	$ 1,040	$ 1,379	$ 2,171

Nonperforming loans increased $707,000 to $2,267,000 or .8% of total loans at December 31, 1991. At the prior year end, nonperforming loans were .6% of total loans. The higher level of nonaccrual loans versus past due loans (over 90 days) in the 1991 year end balances is reflective of weaker economic conditions than were present at the end of 1990.

Commercial, real estate (other than 1-4 single family dwellings), and consumer loans are reviewed on an individual basis for reclassification to nonaccrual status when any one of the following occurs: the loan becomes 90 days past due as to interest or principal, the full and timely collection of additional interest or principal becomes uncertain, the loan is classified doubtful by internal auditors or bank regulatory agencies, or a portion of the principal balance has been charged-off. The reclassification of loans as nonperforming does not necessarily reflect Management's judgment as to collectibility.

Allowance for Loan Losses Activity

In determining the adequacy of the loan loss allowance, Management relies primarily on its ongoing review of the loan portfolio both to ascertain whether there are probable losses to be written off and to assess the loan portfolio in the aggregate. Problem loans are examined on an individual basis to determine estimated probable loss. In addition, Management considers current and projected loan mix and loan volumes, historical net loan loss experience for each loan category, and current and anticipated economic conditions affecting each loan category. Based on the current economic conditions and the increase in the loan delinquency rate at year end 1991, Management increased the allowance for loan losses to 1.27% of outstanding loans. It is anticipated the Bank will continue to provide for loan losses at this higher level until the economy recovers.

The Bank's net charge-off ratio for 1991 decreased to .32% compared to .64% in 1990. Charge-offs of Commercial loans decreased 44% in 1991, but consumer installment loan losses increased 84%. As in 1990 there were no losses in real estate mortgage loans.

(B) Balance Sheet Analysis (Continued)

The following table summarizes, for the years indicated, the activity in the allowance for loan losses:

	December 31,				
	1991	1990	1989	1988	1987
	(amounts in thousands)				
Balance, beginning of year	**$ 3,102**	$ 2,267	$ 1,891	$ 1,518	$ 1,350
Provision charged to operations	**1,200**	2,450	1,000	780	480
Loans charged off:					
Commercial, financial and agricultural	**(832)**	(1,483)	(546)	(353)	(283)
Consumer installment	**(446)**	(242)	(248)	(158)	(191)
Real estate mortgage	—	—	—	(10)	(14)
Real estate construction	—	—	—	—	—
Total loans charged-off	**(1,278)**	(1,725)	(794)	(521)	(488)
Recoveries:					
Commercial, financial and agricultural	**367**	62	122	47	118
Consumer installment	**68**	48	48	67	58
Real estate mortgage	—	—	—	—	—
Real estate construction	—	—	—	—	—
Total recoveries	**435**	110	170	114	176
Net loans charged-off	**(843)**	(1,615)	(624)	(407)	(312)
Balance, year end	**$ 3,459**	$ 3,102	$ 2,267	$ 1,891	$ 1,518
Average total loans	**$264,130**	$253,546	$202,946	$179,381	$150,385
Ratios:					
Net charge-offs during period to average loans outstanding during period	**.32%**	.64%	.31%	.23%	.21%
Provison for loan losses to average loans outstanding	**.45%**	.97%	.49%	.43%	.32%
Allowance to loans at year end[1]	**1.27%**	1.20%	1.01%	1.02%	.96%

[1]Banker's acceptances and commercial paper are not included.

Investment in Real Estate Properties

At December 31, 1991, $3,062,000 of property was held by a subsidiary of the Bank for the purposes of development or to be held as income-earning assets. Sales, cost basis adjustment and depreciation of $2,295,500 offset by acquisition and development costs of $723,500 resulted in a reduction in investment properties of $1,572,000. Similarly the decrease of $481,000 in 1990 resulted from sales of $3,005,000 offset by acquisition and development costs of $2,632,000.

Other Real Estate Owned

The December 31, 1991 balance of Other Real Estate Owned (O.R.E.O.) was $725,000 versus $10,000 in 1990. One property which was acquired at the end of December accounted for over 61% of the total. The Bank has been successful at disposing of O.R.E.O and does not anticipate significant problems in selling the properties on hand at the end of 1991. In 1990 O.R.E.O. declined by $370,000 to $10,000.

Deposits

Total deposits increased only 2.0% in 1991. However, there were some significant changes in the deposit mix. Most of the mix changes were the result of Management's actions taken in conjunction with the "Fortress Balance Sheet" strategy. Noninterest-bearing demand and interest-bearing demand deposits remained at approximately 19% and 27% of total deposits respectively. Savings deposits moved from 10% to 21% and time certificates decreased from 44% to 33%.

In 1990 total deposits increased 6% to $341,468,000. The mix of deposits changed slightly. Interest-bearing demand deposits increased $12,809,000 primarily due to a new interest-bearing transaction account called Leisure Line, which is targeted at customers over 50. Noninterest-bearing deposits decreased slightly to 19% of deposits. The mix of savings deposits and time certificates remained at 10% and 44%, respectively.

(B) Balance Sheet Analysis (Continued)

Accrued Interest Payable

At December 31,1991, accrued interest payable had decreased $1,682,000 or 42% from the balance of $4,000,000 at December 31, 1990. This reduction was due to lower interest rates as the balance of interest-bearing deposits at December 31, 1991 was slightly higher than at December 31, 1990. The balance of accrued interest payable at December 31, 1990 was slightly higher than in 1989.

Long-Term Debt

No new long-term debt was added in 1991. In 1990, the Bank incurred $621,000 in lease obligations for new data processing and automated teller equipment.

Equity

The primary capital of the Company, as defined by Federal Reserve Board guidelines, was 8.7% at December 31, 1991 and 8.0% at December 31, 1990. Effective December 31, 1990 the Federal Reserve Board guidelines implemented new risk-based capital ratio requirements. The Company's risk-based capital ratio at December 31, 1991 was 11.5% compared to a required ratio of 7.25%. The Company's risk-based capital ratio at December 31, 1990 was 10.7% compared to a required ratio of 7.25%. At December 31, 1992 the required ratio increases to 8.0%.

Management believes that the capital is adequate to support anticipated growth, meet the cash dividend requirements of the Company and meet the future risk-based capital requirements of the Bank and the Company.

Liquidity and Interest Rate Sensitivity

Liquidity relates to the ability of the Company and the Bank to generate adequate cash to meet their respective needs. The principal cash requirements of the Bank are to meet the demands of its customers for loans and deposit withdrawals.

The overall liquidity of the Bank is enhanced by the sizable core deposits which provide a relatively stable funding base. The maturity distribution of certificates of deposit in denominations of $100,000 or more is set forth in the following table. These deposits are generally more rate sensitive than other deposits and, therefore, more likely to be withdrawn to obtain higher yields elsewhere if available.

Certificates of Deposit in Denominations of $100,000 or More

	Amounts as of December 31,	
	1991	1990
	(in thousands)	
Time remaining until maturity:		
Less than 3 months	**$ 1,787**	$ 3,245
3 months to 6 months	**937**	1,644
6 months to 12 months	**300**	1,980
More than 12 months	**200**	100
Total	**$ 3,224**	$ 6,969

Bumpass Hell
Lassen Volcanic
National Park

(B) Balance Sheet Analysis (Continued)

Loan demand also affects the Bank's liquidity position. The following tables present the maturities and sensitivity to changes in interest rates of performing loans at December 31, 1991 and December 31, 1990. The Bank's loan portfolio of variable interest rate loans was 53% in 1991 and 1990.

Loan Maturities - December 31, 1991

	Within One Year	After One But Within 5 Years	After 5 Years	Total
	(in thousands)			
Loans with predetermined interest rates:				
Commercial, financial and agricultural	$ 3,370	$ 21,451	$ 25,764	$ 50,585
Consumer installment	7,254	12,737	28,226	48,217
Real estate mortgage	64	1,887	24,406	26,357
Real estate construction	1,906	—	236	2,142
	12,594	36,075	78,632	127,301
Loans tied to Bank's base commercial loan rate:				
Commercial, financial and agricultural	31,218	15,307	42,999	89,524
Consumer installment	418	225	50	693
Real estate mortgage	163	1,458	34,210	35,831
Real estate construction	10,123	7,680	398	18,201
	41,922	24,670	77,657	144,249
Total loans	$ 54,516	$ 60,745	$156,289	$271,550

Loan Maturities - December 31, 1990

	Within One Year	After One But Within 5 Years	After 5 Years	Total
	(in thousands)			
Loans with predetermined interest rates:				
Commercial, financial and agricultural	$ 3,904	$18,583	$ 23,147	$ 45,634
Consumer installment	5,310	14,686	24,585	44,581
Real estate mortgage	1,643	3,301	23,625	28,569
Real estate construction	—	—	1,957	1,957
	10,857	36,570	73,314	120,741
Loans tied to Bank's base commercial loan rate:				
Commercial, financial and agricultural	37,850	14,615	36,088	88,553
Consumer installment	1,867	37	—	1,904
Real estate mortgage	109	244	26,275	26,628
Real estate construction	20,618	—	—	20,618
	60,444	14,896	62,363	137,703
Total loans	$71,301	$51,466	$135,677	$258,444

The interest rate sensitivity gap is the difference between total interest-sensitive assets and total interest-sensitive liabilities. The following repricing tables present the Bank's interest rate sensitivity position at December 31, 1991 and 1990:

Interest Rate Sensitivity - December 31, 1991

	Repricing within:				
	3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years
	(amounts in thousands)				
Interest-earning assets	$158,576	$ 6,639	$ 24,716	$ 70,186	$ 78,855
Interest-bearing liabilities	229,515	29,119	15,516	7,034	—
Interest sensitivity gap	$ (70,939)	$ (22,480)	$ 9,200	$ 63,152	$ 78,855
Cumulative gap	$ (70,939)	$ (93,419)	$ (84,219)	$ (21,067)	$ 57,788
As a percentage of earning assets:					
Interest sensitivity gap	(20.93%)	(6.63%)	2.71%	18.63%	23.26%
Cumulative sensitivity gap	(20.93%)	(27.56%)	(24.85%)	(6.21%)	17.05%

(B) Balance Sheet Analysis (Continued)

Interest Rate Sensitivity - December 31, 1990

	Repricing within: 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years
	(amounts in thousands)				
Interest-earning assets	$161,227	$ 4,047	$ 11,368	$ 61,642	$ 95,532
Interest-bearing liabilities	206,661	42,532	19,638	8,808	5
Interest sensitivity gap	$ (45,434)	$ (38,485)	$ (8,270)	$ 52,834	$ 95,537
Cumulative gap	$ (45,434)	$ (83,919)	$ (92,189)	$ (39,355)	$ 56,177
As a percentage of earning assets:					
Interest sensitivity gap	(13.59%)	(11.51%)	(2.47%)	15.81%	28.58%
Cumulative sensitivity gap	(13.59%)	(25.11%)	(27.58%)	(11.77%)	16.81%

Management believes that the Bank's investment portfolio, together with the Bank's lines of credit with other institutions and the surplus funds due to increased deposits, is sufficiently liquid to cover potential fluctuations in deposit accounts and loan demand. The Bank has selected maturities to provide a proper balance of liquidity and attractive yields. The maturity distribution of the investment portfolio is presented in the following tables:

Investment Securities Maturities - December 31, 1991

	Within One Year	After One But Within 5 Years	After 5 But Within 10 Years	After 10 Years	Total
	(amounts in thousands)				
U.S. Treasury and other U.S. Government agencies and corporations	$24,838	$31,482	$ —	$ —	$56,320
State and political subdivisions	1,359	563	—	—	1,922
Mortgage-backed	—	—	—	6,829	6,829
Other investment securities	—	—	951	—	951
Total book value	$26,197	$32,045	$ 951	$6,829	$66,022
Average Yield[1]	5.51%	6.26%	6.50%	8.08%	6.19%

[1] Yields are computed on a tax equivalent basis.

Investment Securities Maturities - December 31, 1990

	Within One Year	After One But Within 5 Years	After 5 But Within 10 Years	After 10 Years	Total
	(amounts in thousands)				
U.S. Treasury and other U.S. Government agencies and corporations	$ 7,047	$ 7,531	$ —	$21,258	$35,836
State and political subdivisions	3,528	14,063	895	—	18,486
Other investment securities	865	985	—	—	1,850
Total book value	$11,440	$22,579	$ 895	$21,258	$56,172
Average Yield[1]	8.93%	8.56%	9.19%	8.25%	8.52%

[1] Yields are computed on a tax equivalent basis.

The principal cash requirements of the Company are dividends on Preferred Stock. The Company is dependent upon the payment of cash dividends by the Bank to service its commitments. The Company expects that the cash dividends paid by the Bank to the Company will be sufficient to meet this payment schedule.

Chaos Jumbles
Lassen Volcanic
National Park

Board of Directors

Alex A. Vereschagin, Jr. • Chairman of the Board

Secretary - Treasurer, Vereschagin Oil Company
Petroleum distribution company, Orland

Everett B. Beich • Vice Chairman of the Board

Owner, Beich Company
Real estate development

Fred W. Hignell,III • Secretary of the Board

Principal Partner, Hignell & Hignell, Inc.
Investment and development company, Chico

William J. Casey

Health Care Consultant, Chico

DeWayne E. Caviness, M.D.

Physician and Surgeon, Chico

Craig S. Compton

President, AVAG, Inc.
Aerial Application business

Sankey M. Hall, Jr.

Retired businessman
Colonel, US Air Force Reserve (Retired), Chico

Brian D. Leidig

President, Parlay Investments, Inc.
Real estate investment and development company, Redding

Wendell J. Lundberg

Owner, Wehah Farms
Rice and Grain operations, Richvale

Donald E. Murphy

Vice President and General Manager
J. H. McKnight Ranch, Nelson

Rodney W. Peterson

President, Peterson Farming, Inc., Durham

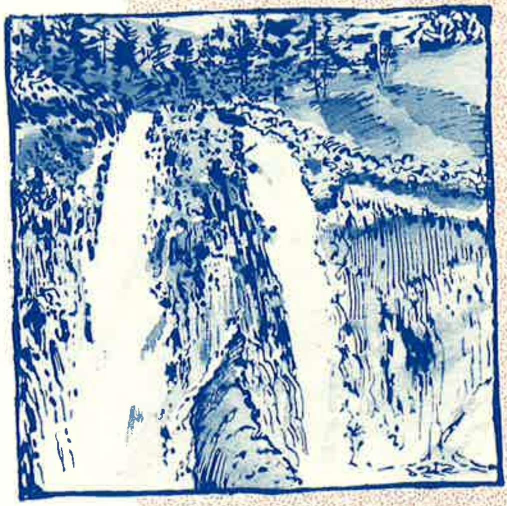
Robert J. Stern

Retired President
R. J. Stern, Inc., Oroville

Robert H. Steveson

President and Chief Executive Officer
Tri Counties Bank and TriCo Bancshares, Chico

Mount Lassen



Burney Falls

TriCo Bancshares - Executive Officers

Robert H. Steveson	President & Chief Executive Officer
Joan Jones	Executive Vice President & Chief Financial Officer
Fred W. Hignell, III	Secretary

Tri Counties Bank - Administration

Robert H. Steveson	President & Chief Executive Officer
Joan Jones	Executive Vice President & Chief Administrative Officer & Chief Financial Officer
Carroll Taresh	Executive Vice President & Chief Operating & Lending Officer
Dan Herbert	Vice President Loan Production
Lawrence Sparks	Vice President & Loan Supervisor
Ruth Irvine	Vice President & Personnel Manager
~~**Janet K. Harris**~~	Assistant Vice President & Sales Coordinator
Kathleen Richardson	Executive Secretary
Fred C. Bryant	Chief Auditor
Robert Stanberry	Controller
Kimberly D. Williams	Shareholder Relations Administrator

George Barstow
Sr. V.P.

Tri Counties Bank - Department Managers

Data Processing/Chico	**Larry Hall,** Vice President & Manager
Real Estate Department/ Chico	**Erika Bender,** Manager
INVEST/Chico & Redding	**Ron Bee,** Manager
Central Note Department/ Chico	**Debra Howell,** Manager
Purchasing Department & Print Shop/Chico	**Beverly K. Larsen,** Manager
VISA/MasterCard Department/Chico	**Vickie Gibson,** Manager

Tri Counties Bank - Lending Specialists

David Raven	Vice President & Loan Specialist/Chico
Ed Richter	Vice President & Loan Specialist/Willows
Larry Lewis	Vice President & Loan Specialist/Redding
Chandler Church	Vice President & Area Manager/Yuba City

Tri Counties Bank Branch Locations/Managers

Park Plaza Branch
780 Mangrove Avenue
P.O. Box 2207
Chico, California 95927
(916) 898-0400
~~**Joe Drakulic**~~
Vice President & Manager

Pillsbury Branch
2171 Pillsbury Road
P.O. Box 1130
Chico, California 95927
(916) 898-0470
Ty Thresher
Vice President & Manager

Chico Mall Branch
1950 E. 20th St.- Suite 725
Chico, California 95928
(916) 898-0370

Durham Branch
9411 Midway
P.O. Box 190
Durham, California 95938
(916) 898-0430
Walt Bender
Manager

Orland Branch
100 East Walker Street
P.O. Box 188
Orland, California 95963
(916) 865-5524
Jeannette Kessler
Manager

Willows Branch
210 North Tehama Street
P.O. Box 1158
Willows, California 95988
(916) 934-2191

Cottonwood Branch
3349 Main Street
P.O. Box 410
Cottonwood, California 96022
(916) 347-3751
Bonnie Coleman
Manager

Bieber Branch
Bridge & Market Streets
P.O. Box 217
Bieber, California 96009
(916) 294-5211

Palo Cedro Branch
9125 Deschutes Road
P.O. Box 144
Palo Cedro, California 96073
(916) 547-4494
Julie Jones
Manager

Redding Branch
1810 Market Street
P.O. Box 994788
Redding, California 96099
(916) 244-4700
Nolan C. Hawkins
Manager

Burney Branch
37093 Main Street
P.O. Box 2590
Burney, California 96013
(916) 335-2215
Vi Nelson
Manager

Fall River Mills Branch
43308 State Highway 299E
P.O. Box 758
Fall River Mills, California 96028
(916) 336-6291
Suzanne Shoemaker
Manager

Yreka Branch
165 S. Broadway
P.O. Box 98
Yreka, California 96097
(916) 842-2761
Dan Bay
Manager

Yuba City Branch
1441 Colusa Avenue
P.O. Box 1501
Yuba City, CA 95992
(916) 671-5563
Craig Hendy
Vice President & Manager

Administration Office
15 Independence Circle
Chico, California 95926
(916) 898-0300

Loan Administration
40 Philadelphia Drive
Chico, California 95926
(916) 898-0320

FORM 10-K

The Company will provide to any interested party, without charge, a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 1991, as filed with the Securities and Exchange Commission, including the financial statements and schedules thereto. The report may be obtained by written request to: **Corporate Secretary, TriCo Bancshares, 15 Independence Circle, Chico, CA 95926.**

TriCo Bancshares
15 Independence Circle
Chico, California 95926
(916) 898-0300

Tri Counties Bank Country