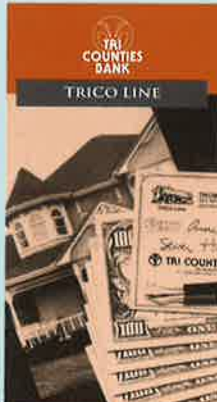
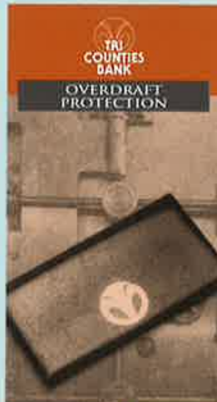
TRICO BANCSHARES

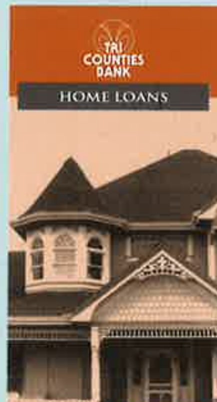
1996

ANNUAL REPORT

CUSTOMER SERVICE — BANKING PRODUCTS — CONVENIENCE







Tri Counties Bank

Tri Counties Bank was chartered in Chico, California in 1975 by business people, farmers and professionals with $1 million in capital. TriCo Bancshares, the holding company, was formed in 1981 with the Bank as the only subsidiary. At year end 1996, the Company had capital totaling $60.8 million.

As of the first quarter of 1997, the Bank has grown from the original branch in Chico to twenty-four traditional branches and seven in-store branches in fourteen Northern California counties from the San Joaquin Valley to the Oregon border.

Throughout the years of expansion, Tri Counties Bank has remained committed to customer oriented retail banking by developing banking products and maintaining current technology to meet customer needs and desires. During this evolution of product and technology, Tri Counties Bank has maintained its most outstanding feature: old-fashioned personal customer service. Customers are always welcome in our branches, greeted by a courteous, friendly and professional staff.

Customer convenience is provided through traditional and in-store branches with extended hours. 7 days a week, customers can perform most common banking functions through the 24-hour telephone banking center. Personal banking services include Visa and MasterCard credit cards that earn free travel; home equity loans and lines of credit tailored to match the customer; installment loans; checking accounts with added value; the Check Card, which allows the customer to access checking accounts funds worldwide wherever Visa is accepted; and a variety of savings options.

The Bank's business customers are primarily small to medium-sized businesses and agribusiness within the Bank's service area. Personal business bankers are provided to business customers as a guide to services and expeditor of business loans. Business Banking Services include: Loans, Lines of Credit and Small Business Administration Loans; Merchant Card Services, which allows the customer's business to accept credit, debit and ATM card payments; Electronic Banking, enabling a customer to bank from their PC or make tax payments from a tone-tone phone or PC; Business Checking Services; Business Savings and Investments; and Business Retirement Services.

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.

MARKET MAKERS FOR TRICO BANCSHARES COMMON STOCK

Hoefer & Arnett Incorporated
353 Sacramento St. 10th Fl.
San Francisco, CA 94111
Marc Arnett
(800) 346-5544
(415) 362-7111

Piper Jaffray, Inc.
222 South Ninth Street
Minneapolis, MN
55402
Jeff Adamson
(612) 342-6200

Sutro & Co. Incorporated
P.O. Box 1688
Big Bear Lake, CA
92315-1688
Troy Norlander
(800) 288-2811
(909) 866-8966

FIVE YEAR SELECTED FINANCIAL DATA

(in thousands, except share data)

	1996	1995	1994	1993[5]	1992[5]
STATEMENT OF OPERATIONS DATA:[1]					
Interest income	**$ 49,148**	$ 46,011	$ 43,240	$ 40,947	$ 40,272
Interest expense	**19,179**	17,988	15,680	13,996	15,600
Net interest income	**29,969**	28,023	27,560	26,951	24,672
Provision for loan losses	**777**	335	316	1,858	2,101
Net interest income after provision for loan losses	**29,192**	27,688	27,244	25,093	22,571
Noninterest income	**6,636**	5,933	5,025	6,726	5,572
Noninterest expense	**23,485**	21,661	22,058	20,225	18,031
Income before income taxes	**12,343**	11,960	10,211	11,594	10,112
Provision for income taxes	**5,037**	4,915	4,350	4,779	4,112
Net income	**$ 7,306**	$ 7,045	$ 5,861	$ 6,815	$ 6,000
SHARE DATA:[2]					
Primary earnings per share	**$1.56**	$ 1.46	$ 1.18	$ 1.42	$ 1.46
Cash dividend paid per share	**0.59**	0.37	0.32	0.31	0.28
Common shareholders' equity at year end	**13.10**	11.92	10.10	10.05	8.46
BALANCE SHEET DATA at year end:[3]					
Total loans, gross	**$439,218**	$318,766	$307,103	$305,902	$317,518
Total assets	**694,859**	603,554	593,834	575,897	492,404
Total deposits	**595,621**	516,193	491,172	515,999	451,346
Total shareholders' equity	**60,777**	53,213	48,231	47,068	36,545
SELECTED FINANCIAL RATIOS:					
Return on average assets	**1.18 %**	1.22 %	.99 %	1.25 %	1.25%
Return on average common shareholders' equity	**13.03 %**	13.95 %	12.42 %	15.81 %	19.48%
Leverage ratio	**8.99 %**	8.92 %	8.75 %	8.18 %	7.39%
Total risk-based capital ratio	**13.58 %**	15.17 %	14.65 %	14.02 %	11.94%
Net interest margin[4]	**5.37 %**	5.36 %	5.18 %	5.49 %	5.76%
Allowance for loan losses to total loans outstanding at end of year	**1.39 %**	1.75 %	1.83 %	1.95 %	1.51%

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

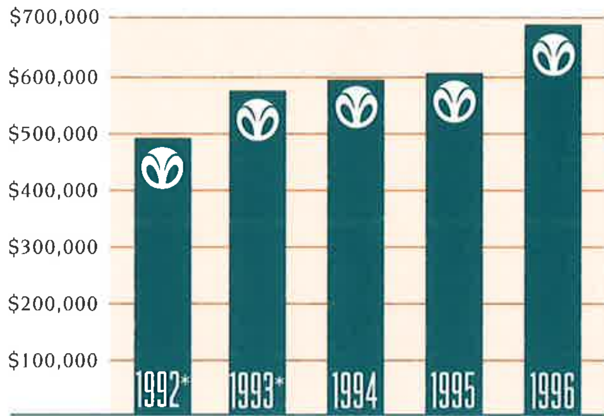
[2] Retroactively adjusted to reflect 5-for-4 stock split effected in 1995, and the 12% and 15% stock dividends declared in 1993 and1992, respectively.

[3] The 1996 data reflects changes due to the purchase of Sutter Buttes Savings Bank. See Note R of the Consolidated Financial Statements.

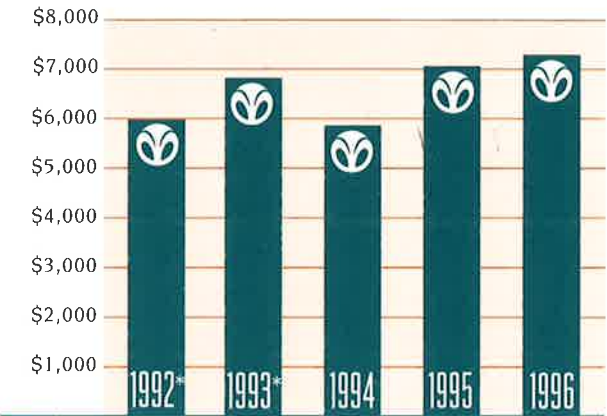
[4] Calculated on a tax equivalent basis.

[5] Restated on an historical basis to reflect the July 21, 1994 acquisition of Country National Bank on a pooling-of-interests basis.

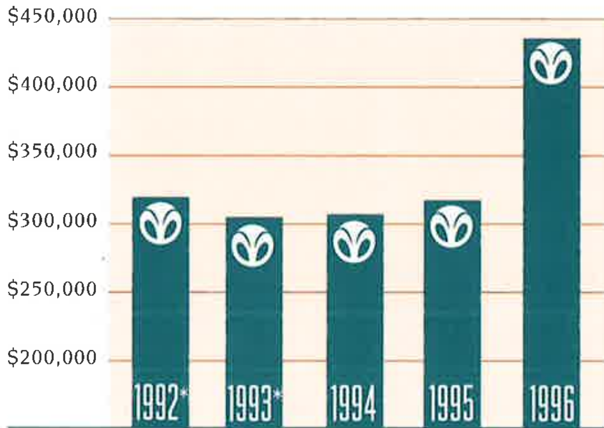
TOTAL ASSETS
IN THOUSANDS



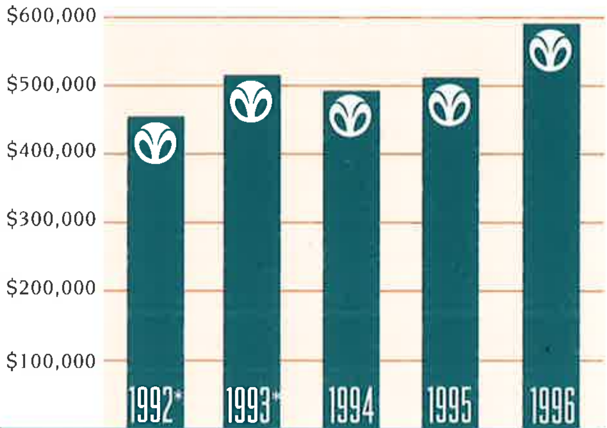
NET INCOME
IN THOUSANDS



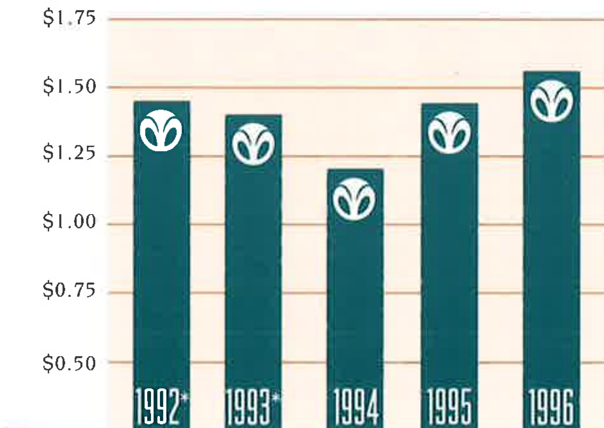
TOTAL LOANS
IN THOUSANDS



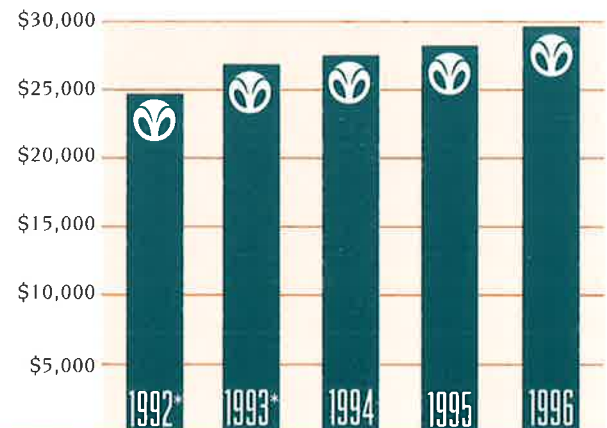
TOTAL DEPOSITS
IN THOUSANDS



FULLY DILUTED EARNINGS PER SHARE



NET INTEREST INCOME
IN THOUSANDS



*Restated on an historical basis to reflect the July 21, 1994 acquisition of Country National Bank on a pooling-of-interests basis.

President's Message

TriCo Bancshares, parent company of Tri Counties Bank, produced record earnings of $7,306,000 for 1996. Fully diluted earnings per share were $1.55 versus $1.45 in 1995. Year-end assets reached a record $694,859,000.

Tri Counties Bank "Country" continues to grow and expand as we take advantage of the increased opportunities for regional community banking. The consolidation of the banking industry has brought this about in part as giant, state-wide banks continue to abandon smaller rural communities in favor of major metropolitan centers. In addition, small banks face increasing competitive difficulties. In 1996, Tri Counties Bank took advantage of all of these opportunities.

On March 11, Tri Counties Bank opened a seventh in-store branch inside Albertsons Supermarket in Grass Valley, California, expanding our banking services to Nevada County.

Increased market share in the Yuba City/ Marysville area was achieved with the merger of Sutter Buttes Savings Bank, a $65,000,000 thrift association, into Tri Counties Bank on October 16. This acquisition added a branch in Marysville and increased the customer base in Yuba City.

On October 16, a definitive agreement was reached with Wells Fargo Bank, N.A. to purchase deposit accounts and certain facilities of nine of its branches located in Crescent City, Mt.Shasta, Weed, Susanville, Covelo, Middletown, Patterson, Gustine and Chowchilla, California. The addition of these branches strengthens the Bank's position throughout Northern California and provides an entry into the San Joaquin Valley. The purchase was completed on February 21, 1997 with approximately $150,090,000 in deposits. Tri Counties retained the Wells Fargo employees which enhances the continuity of banking services to those communities.

Now twenty-one years of age, Tri Counties Bank has attained a strong measure of success. Market capitalization exceeds $100,000,000 for the first time. Throughout our market area, the Bank is recognized as a major agricultural, small business and consumer lender with a retail banking orientation.

Looking ahead, the use of technology has been expanded to serve increased customer needs and a young, aggressive second generation of management is in place. By continuing to focus on quality products and services, along with increasing use of technology, we believe that the Bank is well positioned to meet the challenges and opportunities of the twenty-first century.

We appreciate your continued confidence and support.

Sincerely,

Robert H. Steveson
President & Chief Executive Officer

TRI COUNTIES BANK MANAGEMENT TEAM

Richard O'Sullivan
Senior Vice President
Sales & Service

Robert Steveson
President & Chief Executive Officer

Rick Smith
Senior Vice President
Employee Support & Control

Employee Support

from Left, top row:

Rick Smith
Senior Vice President–Employee Support & Control

Mark Priano
Senior Vice President–Operations Administrator

Craig Carney
Senior Vice President–Loan Administrator

Rob Stanberry
Vice President & Chief Financial Officer

Ray Rios
Manager Information Administration

from Left, bottom row:

Jeanette Kessler
Compliance Officer

Ruth Irvine
Vice President–Personnel Manager

Sales & Service

from Left, top row:

Ron Bee
Manager Invest

Rick Hagstrom
Vice President–Manager Real Estate Department

Chandler Church
Vice President–Commercial Lending

Jack Richter
Vice President–Commercial Lending

Bob O'Such
Senior Vice President–Branch Sales Administrator

from Left, bottom row:

George Barstow
Senior Vice President–Commercial Lending

Richard O'Sullivan
Senior Vice President–Customer Sales & Service

Dan Herbert
Senior Vice President–Direct Sales Administration

The directors of TriC
Bancshares are activ
participants in th
communities serve
by Tri Counties Ban

Whether as members
the agricultural
business community,
as supporters of loc
charities, the directo
care deeply abo
the social a
economic well-being
Tri Counties Ba
Count

TriCo Bancshar
Board of Directo

Alex Vereschagin
Chairman of the Bo

Everett B. Be
Vice Chairman of the Bo

Douglas F. Higr
Secretary of the Bo

Craig S. Comp

William J. Ca

Richard C. Gui

Brian D. Le

Wendell J. Lundb

Donald E. Mur

Rodney W. Peter

Robert H. Steve

Craig S. Compton
President, AVAG, Inc.
Aerial Application Business,
Richvale

Craig Compton (right) on the airfield of AVAG, Inc. Gene Geiger and Butch Mattson, local rice farmers, lend a hand.

Rodney W. Peterson
President,
Peterson Farming, Inc.
Durham

Rick Peterson (left) examines the almond bloom with Tony Martinez, Gene Fenn, Anthony Martinez and Sean Fenn. The Martinez family also grows almonds, while the Fenn family farms rice, alfalfa and prunes.

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

Don Murphy (left) with Cad Miller, Tri Counties Bank customer and owner of C&L Tires. C&L Tires services the vehicles at J.H. McKnight Ranch.

Wendell J. Lundberg
Owner,
Wehah Farms
Rice and Grain Operations,
Richvale

Wendell Lundberg at the community owned and operated Richvale Cafe, a farmer's meeting place. Wehah Farms has an employee luncheon at the Richvale Cafe twice a week.

BOARD OF DIRECTORS
(Continued)

Robert H. Steveson
President and
Chief Executive Officer,
Tri Counties Bank and
TriCo Bancshares,
Chico

Bob Steveson visits the Tri Counties Bank Park Plaza Branch. During 1996, Tri Counties Bank with 22 offices employed 346 people. The nine offices being acquired from Wells Fargo Bank will add another 95 people.

Brian D. Leidig
President,
Parlay Investments, Inc.
Real Estate Investment
and Development,
Redding

Brian Leidig at the new location of Redding Harley-Davidson motorcycle shop, Redding, financed by Tri Counties Bank.

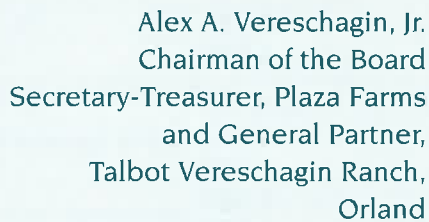
Everett B. Beich
Vice Chairman of the Board
Owner, Beich Company
Real Estate Investments
and Development,
Chico

Ev Beich at the Pleasant Valley mobile home estate, owned by Beich Company. Ev also owns almond orchards.

William J. Casey
Health Care Consultant,
Chico

Bill Casey spent 1996 operating the Merced Community Medical Center throughout the Center's transition from county to private management.

BOARD OF DIRECTORS
(Continued)



Alex A. Vereschagin, Jr.
Chairman of the Board
Secretary-Treasurer, Plaza Farms
and General Partner,
Talbot Vereschagin Ranch,
Orland

Alex Vereschagin at the Feather River Inn, an historic railroad resort in Blairsden, now a conference center and family camp owned by the University of Pacific, Stockton. Alex is Northern California Vice President of UOP Alumni Association, and chairman of the fund-raising and audit committee for the operation and restoration of the Feather River Inn.

Douglas F. Hignell
Secretary of the Board
Principal Partner,
Hignell & Hignell, Inc.
Investment and Development,
Chico

Doug Hignell with Katy Thoma, manager of the Jesus Center in Chico, preparing to serve meals to the homeless. Hignell & Hignell donates a portion of their net income to local charities, and their employees serve at the Jesus Center on Tuesday afternoon.

Richard C. Guiton
President and General Manager,
Guiton's Pool Center, Inc.
Redding

Dick Guiton (right) with John Bunton, principal of Pioneer High School in Redding. Pioneer teaches "at-risk" students, emphasizing life-skills in an effort to break the welfare cycle. Guiton's Pool Center has adopted the school. Dick helped implement the Job Power program, a summer job placement and school to work transition assistance program.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	December 31, 1996	1995
Assets		
Cash and due from banks	$ 52,231	$ 39,673
Federal funds sold	—	25,600
Cash and cash equivalents	52,231	65,273
Securities held-to-maturity (approximate fair value $103,488 and $116,576), respectively	104,713	116,865
Securities available-for-sale	65,316	76,246
Loans:		
Commercial	176,868	152,173
Consumer	75,498	64,445
Real estate mortgages	160,575	81,888
Real estate construction	26,348	20,260
	439,289	318,766
Less: Allowance for loan losses	6,097	5,580
Net loans	433,192	313,186
Premises and equipment, net	14,717	13,189
Investment in real estate properties	1,173	1,173
Other real estate owned	1,389	631
Accrued interest receivable	4,572	4,609
Deferred income taxes	4,267	3,106
Other assets	13,289	9,276
Total assets	$694,859	$603,554
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	$100,879	$ 90,308
Interest-bearing demand	97,178	84,314
Savings	172,789	161,479
Time certificates, $100,000 and over	32,889	13,439
Other time certificates	191,886	166,653
Total deposits	595,621	516,193
Federal funds purchased	4,900	—
Accrued interest payable	3,047	3,162
Other liabilities	6,233	4,694
Long-term debt and other borrowings	24,281	26,292
Total liabilities	634,082	550,341
Commitments and contingencies (Note H)		
Shareholders' equity:		
Common stock, no par value: Authorized 20,000,000 shares; issued and outstanding 4,641,223 and 4,464,828 shares, respectively	47,652	44,315
Retained earnings	14,076	9,548
Unrealized loss on securities available-for-sale, net	(951)	(650)
Total shareholders' equity	60,777	53,213
Total liabilities and shareholders' equity	$694,859	$603,554

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except earnings per share)

	Years Ended December 31,		
	1996	1995	1994
Interest income:			
Interest and fees on loans	**$ 38,227**	$ 33,776	$ 30,641
Interest on investment securities—taxable	**10,409**	11,706	12,247
Interest on investment securities—tax exempt	**120**	158	229
Interest on federal funds sold	**392**	371	123
Total interest income	**49,148**	46,011	43,240
Interest expense:			
Interest on interest-bearing demand deposits	**2,226**	2,000	2,066
Interest on savings	**5,032**	5,167	6,442
Interest on time certificates of deposit	**8,820**	8,736	5,333
Interest on time certificates of deposit, $100,000 and over	**1,123**	328	61
Interest on short-term borrowing	**359**	526	719
Interest on long-term debt	**1,619**	1,231	1,059
Total interest expense	**19,179**	17,988	15,680
Net interest income	**29,969**	28,023	27,560
Provision for loan losses	**777**	335	316
Net interest income after provision for loan losses	**29,192**	27,688	27,244
Noninterest income:			
Service charges and fees	**4,924**	4,163	3,570
Other income	**1,712**	1,770	1,455
Total noninterest income	**6,636**	5,933	5,025
Noninterest expenses:			
Salaries and related expenses	**11,989**	10,787	10,550
Other, net	**11,496**	10,874	11,508
Total noninterest expenses	**23,485**	21,661	22,058
Net income before income taxes	**12,343**	11,960	10,211
Income taxes	**5,037**	4,915	4,350
Net income	**$ 7,306**	$ 7,045	$ 5,861
Preferred stock dividends	**—**	245	420
Net income available to common shareholders	**$ 7,306**	$ 6,800	$ 5,441
Primary earnings per common share	**$ 1.56**	$ 1.46	$ 1.18
Fully diluted earnings per common share	**$ 1.55**	$ 1.45	$ 1.18

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 1996, 1995 and 1994 (in thousands, except share amounts)

	Series B Preferred Stock		Common Stock				
	Number of Shares	Amount	Number of Shares	Amount	Retained Earnings	Unrealized Loss on Securities, Net	Total
Balance, December 31, 1993	8,000	$ 3,899	3,436,254	$42,818	$ 351	$ —	$47,068
Exercise of Common Stock options	—	—	77,453	403	—	—	403
Series B Preferred Stock cash dividends	—	—			(420)	—	(420)
Common Stock cash dividends	—	—	—	—	(1,304)	—	(1,304)
Cumulative effect of change in accounting method for investment securities	—	—	—	—	—	270	270
Change in unrealized holding loss on securities	—	—	—	—	—	(3,978)	(3,978)
Stock option amortization	—	—	—	331	—	—	331
Net income	—	—	—	—	5,861	—	5,861
Balance, December 31, 1994	8,000	3,899	3,513,707	43,552	4,488	(3,708)	48,231
Redemption of Preferred Stock	(8,000)	(3,899)	—	—	(101)	—	(4,000)
Exercise of Common Stock options	—	—	72,694	554	—	—	554
5-for-4 Common Stock split	—	—	878,427	—	—	—	—
Series B Preferred Stock cash dividends	—	—	—	—	(245)	—	(245)
Common Stock cash dividends	—	—	—	—	(1,639)	—	(1,639)
Change in unrealized holding loss on securities	—	—	—	—	—	3,058	3,058
Stock option amortization	—	—	—	209	—	—	209
Net income	—	—	—	—	7,045	—	7,045
Balance, December 31, 1995	—	—	4,464,828	44,315	9,548	(650)	53,213
Issuance of Common Stock	—	—	102,868	2,134	—	—	2,134
Exercise of Common Stock options	—	—	89,950	1,157	—	—	1,157
Repurchase of Common Stock	—	—	(16,423)	(163)	(132)	—	(295)
Common Stock cash dividends	—	—	—	—	(2,646)	—	(2,646)
Change in unrealized loss on securities	—	—	—	—	—	(301)	(301)
Stock option amortization	—	—	—	209	—	—	209
Net income	—	—	—	—	7,306	—	7,306
Balance, December 31, 1996	—	$ —	4,641,223	47,652	$14,076	$ (951)	$60,777

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years ended December 31, 1996	1995	1994
Operating activities:			
Net income	**$ 7,306**	$ 7,045	$ 5,861
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**777**	335	316
Provision for losses on other real estate owned	**202**	99	53
Depreciation and amortization	**1,809**	1,600	1,405
(Accretion) amortization of investment security (discounts) premiums, net	**28**	117	450
Deferred income taxes	**(930)**	(134)	(90)
Investment security losses, net	**—**	10	23
(Gain) loss on sale of loans	**3**	(56)	(173)
(Gain) loss on sale of other real estate owned, net	**(5)**	(78)	54
Origination of loans held for sale	**(31,959)**	(9,666)	(8,943)
Proceeds from loan sales	**17,147**	9,835	8,186
Amortization of stock options	**209**	209	331
Change in assets and liabilities net of effects from purchase of Sutter Buttes:			
(Increase) decrease in interest receivable	**344**	139	(1,106)
Increase (decrease) in interest payable	**(495)**	1,402	30
(Increase) decrease in other assets and liabilities	**(6,239)**	(876)	(1,777)
Net cash provided (used) by operating activities	**(11,803)**	9,981	4,620
Investing activities:			
Proceeds from maturities of securities held-to-maturity	**19,179**	19,516	15,374
Purchases of securities held-to-maturity	**(5,516)**	(2,740)	(22,439)
Proceeds from maturities of securities available-for-sale	**24,353**	12,427	23,282
Proceeds from sales of securities available-for-sale	**—**	6,993	36,490
Purchases of securities available-for-sale	**(13,704)**	(5,638)	(74,619)
Net (increase) decrease in loans	**(47,292)**	(12,529)	(1,968)
Purchases of premises and equipment	**(2,526)**	(1,335)	(2,025)
Proceeds from sale of other real estate owned	**673**	1,862	2,408
Purchase of Sutter Buttes net of cash acquired	**(997)**	—	—
Net cash provided (used) by investing activities	**(25,830)**	18,556	(23,497)
Financing activities:			
Net increase (decrease) in deposits	**23,486**	25,021	(24,827)
Net increase in federal funds borrowed	**4,900**	—	—
Borrowings (payments) under repurchase agreements	**—**	(30,457)	30,457
Borrowings under long-term debt agreements	**—**	9,828	11,400
Payments of principal on long-term debt agreements	**(2,011)**	(2,035)	(45)
Redemption of Preferred Stock	**—**	(4,000)	—
Repurchase of Common Stock	**(295)**	—	—
Cash dividends — Preferred	**—**	(245)	(420)
Cash dividends — Common	**(2,646)**	(1,639)	(1,304)
Issuance of Common Stock	**1,157**	554	403
Net cash provided (used) by financing activities	**24,591**	(2,973)	15,664
Increase (decrease) in cash and cash equivalents	**(13,042)**	25,564	(3,213)
Cash and cash equivalents at beginning of year	**65,273**	39,709	42,922
Cash and cash equivalents at end of year	**$ 52,231**	$ 65,273	$ 39,709
Supplemental information			
Cash paid for taxes	**$ 5,727**	$ 5,240	$ 3,809
Cash paid for interest expense	**$ 19,908**	$ 16,586	$ 15,650
Non-cash assets acquired through foreclosure	**$ 1,628**	$ 390	$ 1,016

Supplemental schedule of non-cash investing and financing activities:

On October 16, 1996, the Company purchased all of the capital stock of Sutter Buttes Savings Bank in exchange for cash of approximately $2,036,000 and approximately 102,900 shares of the Company's stock. Based on the average value of the Company's stock for the ten days preceding the transaction, the total purchase price was approximately $4,171,000. In conjunction with the acquisition, liabilities were assumed as follows:

	(in thousands)
Fair value of assets acquired	$64,931
Cash and stock paid for capital stock	(4,171)
Liabilities assumed	$60,760

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 in consolidation. All data have been restated on a historical basis to reflect the July 21, 1994 acquisition of Country National Bank on a pooling-of-interests basis.

Nature of Operations

The Company operates twenty-four branch offices and seven in-store branches in the California counties of Butte, Del Norte, Glenn, Lake, Lassen, Madera, Mendocino, Merced, Shasta, Siskiyou, Stanislaus, Sutter, Tehama and Yuba. The Company's operating policy since its inception has emphasized retail banking. Most of the Company's customers are retail customers and small to medium sized businesses.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Securities

The Company classifies its debt and marketable equity securities into one of three categories: trading, available-for-sale or held-to-maturity. Trading securities are bought and held principally for the purpose of selling in the near term. Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale. In 1996 and 1995 the Company did not have any securities classified as trading.

Available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized gains and losses, net of the related tax effect, on available-for-sale securities are reported as a separate component of shareholders' equity until realized.

Premiums and discounts are amortized or accreted over the life of the related investment security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned. Realized gains and losses for securities are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

The Company adopted the provisions of Statement of Financial Accounting Standards No.115, Accounting for Certain Investments in Debt and Equity Securities (SFAS 115) as of January 1, 1994. The effect of adopting SFAS 115 was to recognize an unrealized gain (net of tax) of $270,000 as an increase in shareholders' equity.

Loans

Loans are reported at the principal amount outstanding, net of unearned income and the allowance for loan losses.

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 loans are 90 days past due, but in Management's judgment are well secured and in the process of collection, they may not be classified as nonaccrual. When a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed.

Note A - (*continued*)

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.

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 probable losses inherent in existing loans, leases and commitments to extend credit, based on evaluations of the collectibility, impairment 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 the borrower's ability to pay.

The Company adopted Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan (SFAS 114), and Statement of Financial Accounting Standards No. 118, Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures (SFAS 118), as of January 1, 1995. Under these statements, a loan is impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. SFAS 114 requires that certain impaired loans be measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate. As a practical expedient, impairment may be measured based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance.

The Company had previously measured the allowance for loan losses using methods similar to those prescribed in SFAS 114. As a result of adopting these statements, no additional allowance for loan losses was required as of January 1, 1995.

Mortgage Operations

The Company sold substantially all of its conforming long term residential mortgage loans originated during 1996, 1995 and 1994 for cash proceeds equal to the fair value of the loans. In May 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 122, Accounting for Mortgage Servicing Rights (SFAS 122). SFAS 122 requires the recognition of originated mortgage servicing rights as assets by allocating the total costs incurred between the loan and the servicing right based on their relative fair values. Historically, the cost of the originated servicing rights was not recognized as an asset and was charged to earnings when the related loan was sold.

The cost of mortgage servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenues. SFAS 122 requires the Company to assess capitalized mortgage servicing rights for impairment based upon the fair value of those rights at each reporting date. For purposes of measuring impairment, the rights are stratified based upon the product type, term and interest rates. Fair value is determined by discounting estimated net future cash flows from mortgage servicing activities using discount rates that approximate current market rates and estimated prepayment rates, among other assumptions. The amount of impairment recognized is the amount by which the capitalized mortgage servicing rights for a stratum exceeds their fair value. Impairment, if any, is recognized through a valuation allowance for each individual stratum.

The Company adopted SFAS 122 on January 1, 1996. The overall impact of adopting this Statement on the Company's financial statements was not material. At December 31, 1996, mortgage loans held for sale totaled $1,165,000. The Company had entered into commitments to sell all of these loans at year end. At December 31, 1996 and 1995, the Company serviced real estate mortgage loans for others of $148 million and $136 million, respectively.

Note A - (*continued*)

Premises and Equipment

Premises and equipment, including those acquired under capital lease, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expenses are computed using the straight-line method over the estimated useful lives of the related assets or lease terms. Asset lives range from 3-10 years for furniture and equipment and 15-30 years for land improvements and buildings.

Investment in Real Estate Properties

Investment in real estate properties 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 properties 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 properties are included in other expenses.

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 less estimated disposition costs. Prior to foreclosure, the value of the underlying loan is written down to the fair value of the real estate to be acquired less estimated disposition costs by a charge to the allowance for loan losses, when necessary. Any subsequent write-downs are recorded as a valuation allowance with a charge to other expenses in the income statement. Expenses related to such properties, net of related income, and gains and losses on their disposition, are included in other expenses.

Identifiable Intangible Assets

Identifiable intangible assets that are included in other assets are amortized using an accelerated method over a period of ten years.

Income Taxes

The Company's accounting for income taxes is based on an asset and liability approach. The Company recognizes the amount of taxes payable or refundable for the current year, and deferred tax assets and liabilities for the future tax consequences that have been recognized in its financial statements or tax returns. The measurement of tax assets and liabilities is based on the provisions of enacted tax laws.

Earnings Per Common Share

Earnings per common share are computed based on the weighted average number of shares of common stock and common stock equivalents outstanding. The weighted average number of shares used in the computation of primary earnings per common share were: 4,689,751 for 1996, 4,656,893 for 1995 and 4,641,384 for 1994. The weighted average number of shares used in the computation of fully diluted earnings per common share were: 4,709,080 for 1996, 4,693,188 for 1995 and 4,642,197 for 1994. The 1995 and 1994 share amounts have been adjusted for the 1995 five-for-four stock split. Common stock equivalent shares consist of options outstanding under the Company's qualified and non-qualified stock option plans.

Cash Flows

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

Stock-based Compensation

The Company adopted Statement of Financial Accounting Standards No. 123, Accounting for Stock-based Compensation (SFAS 123) as of January 1, 1996. This Statement defines a fair value based method of accounting for stock-based compensation. As permitted by SFAS 123, the Company elected to continue to account for stock options under APB Opinion No. 25, under which no compensation cost has been recognized.

Reclassifications

Certain amounts previously reported in the 1995 financial statements have been reclassified to conform to the 1996 presentation.

Note B - Restricted Cash Balances

Reserves (in the form of deposits with the Federal Reserve Bank) of $8,345,000 and $7,909,000 were maintained to satisfy Federal regulatory requirements at December 31, 1996 and December 31, 1995. These reserves are included in cash and due from banks in the accompanying balance sheet.

Note C - Investment Securities

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

	December 31, 1996			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Esimated Fair Value
	(in thousands)			
Securities Held-to-Maturity				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 22,792	$ 223	$ (33)	$ 22,982
Obligations of states and political subdivisions	719	—	(5)	714
Mortgage-backed securities	81,202	349	(1,759)	79,792
Totals	$104,713	$ 572	$(1,797)	$103,488
Securities Available-for-Sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 30,219	$ 101	$ (9)	$ 30,311
Obligations of states and political subdivisions	1,453	27	—	1,480
Mortgage-backed securities	30,260	93	(1,203)	29,150
Other securities	4,375	—	—	4,375
Totals	$ 66,307	$ 221	$ (1,212)	$ 65,316

	December 31, 1995			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Esimated Fair Value
	(in thousands)			
Securities Held-to-Maturity				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 29,744	$ 588	$ (34)	$ 30,298
Obligations of states and political subdivisions	849	—	(9)	840
Mortgage-backed securities	86,272	493	(1,327)	85,438
Totals	$116,865	$ 1,081	$(1,370)	$116,576
Securities Available-for-Sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 42,038	$ 225	$ (45)	$ 42,218
Obligations of states and political subdivisions	1,700	42	—	1,742
Mortgage-backed securities	29,076	28	(486)	28,618
Other securities	3,668	—	—	3,668
Totals	$ 76,482	$ 295	$ (531)	$ 76,246

The amortized cost and estimated fair value of debt securities at December 31, 1996 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Esimated Fair Value
	(in thousands)	
Securities Held-to-Maturity		
Due in one year	$ 1,275	$ 1,275
Due after one year through five years	26,132	26,250
Due after five years through ten years	9,207	9,186
Due after ten years	68,099	66,777
Totals	$104,713	$103,488
Securities Available-for-Sale		
Due in one year	$ 14,514	$ 14,517
Due after one year through five years	17,927	18,047
Due after five years through ten years	1,226	1,152
Due after ten years	28,265	27,225
	61,932	60,941
Other Securities	4,375	4,375
Totals	$ 66,307	$ 65,316

Note C - (*continued*)

Proceeds from sales of securities available for sale:

For the Year	Gross Proceeds	Gross Gains	Gross Losses
	(in thousands)		
1996	$ 0	$ 0	$ 0
1995	$ 6,993	$ 40	$ 50
1994	$36,490	$117	$140

On November 17, 1995, the Company adopted the FASB Special Report concerning the implementation of SFAS 115 and it elected to transfer certain treasury securities with an amortized cost of $10,062,266 and an unrealized gain of $1,034,922 from the held-to-maturity to the available-for-sale category.

Investment securities with an aggregate carrying value of $75,125,000 and $35,930,000 at December 31, 1996 and 1995, respectively, were pledged as collateral for specific borrowings, lines of credit and local agency deposits.

Note D - Allowance for Loan Losses

Activity in the allowance for loan losses was as follows:

	Years Ended December 31, 1996	1995	1994
	(in thousands)		
Balance, beginning of year	**$5,580**	$5,608	$5,973
Balance acquired from Sutter Buttes	**623**	—	—
Provision for loan losses	**777**	335	316
Loans charged off	**(1,192)**	(581)	(1,050)
Recoveries of loans previously charged off	**309**	218	369
Balance, end of year	**$6,097**	$5,580	$5,608

Loans classified as nonaccrual amounted to approximately $9,044,000, $2,213,000, and $1,122,000 at December 31, 1996, 1995 and 1994, respectively. These nonaccrual loans were classified as impaired as of December 31, 1996 and 1995 and included in the recorded balance in impaired loans for the respective years shown below. If interest on those loans had been accrued, such income would have been approximately $902,000, $166,000, and $123,000 in 1996, 1995 and 1994, respectively.

As of December 31, the Company's recorded investment in impaired loans and the related valuation allowance calculated under SFAS 114 were as follows:

1996	Recorded Investment	Valuation Allowance
Impaired loans -		
Valuation allowance required	$ 2,525	$605
No valuation allowance required	13,829	—
Total impaired loans	$16,354	$605

1995	Recorded Investment	Valuation Allowance
Impaired loans -		
Valuation allowance required	$ 552	$380
No valuation allowance required	4,534	—
Total impaired loans	$ 5,086	$380

This valuation allowance is included in the allowance for loan losses shown above for the respective year.

The average recorded investment in impaired loans was $10,720,000 and $3,579,000 for the years ended December 31, 1996 and 1995, respectively. The Company recognized interest income on impaired loans of $729,000 and $345,000 for the years ended December 31, 1996 and 1995, respectively.

Note E - Premises and Equipment

Premises and equipment were comprised of:

	December 31, 1996	1995
	(in thousands)	
Premises	**$11,227**	$10,366
Furniture and equipment	**11,036**	9,118
	22,263	19,484
Less: Accumulated depreciation and amortization	**(10,369)**	(8,964)
	11,894	10,520
Land and land improvements	**2,823**	2,669
	$14,717	$13,189

Depreciation and amortization of premises and equipment amounted to $1,497,000, $1,344,000 and $1,202,000 in 1996, 1995 and 1994, respectively.

Note F - Time Deposits

At December 31, 1996, the scheduled maturities of time deposits were as follows (in thousands):

	Scheduled Maturities
1997	$214,915
1998	5,324
1999	2,143
2000	2,178
2001 and thereafter	215
Total	$224,775

Note G - Long-Term Debt and Other Borrowings

Long-term debt is as follows:

	December 31, 1996	1995
	(in thousands)	
FHLB loan, fixed rate of 5.14% payable on March 21, 1996	—	2,000
FHLB loan, fixed rate of 5.53% payable on March 21, 1997	**3,000**	3,000
FHLB loan, effective rate of 4.38% payable on April 28, 1998	**5,000**	5,000
FHLB loan, fixed rate of 5.62% payable on February 4, 1999	**400**	400
FHLB loan, fixed rate of 6.14% payable on March 21, 1999	**3,000**	3,000
FHLB loan, fixed rate of 5.84% payable on November 6, 2000	**1,500**	1,500
FHLB loan, fixed rate of 5.90% payable January 16, 2001	**1,000**	1,000
FHLB repurchase agreements, fixed rate of 5.85% payable on July 17, 1997	**9,828**	9,828
Capital lease obligation on premises, effective rate of 13% payable monthly in varying amounts through December 1, 2009	**553**	564
Total long-term debt	**$24,281**	$26,292

The Company maintains a collateralized line of credit with the Federal Home Loan Bank of San Francisco. Based on the FHLB stock requirements at December 31, 1996, this line provided for maximum borrowings of $63,690,000 of which $13,900,000 was outstanding, leaving $49,790,000 available. The maximum month-end outstanding balances of short term repurchase agreements in 1996 and 1995 were $0 and $25,475,000, respectively. The Company has available unused lines of credit totaling $45,100,000 for Federal funds transactions.

Note H - Commitments and Contingencies (See also Note O)

At December 31, 1996, future minimum commitments under non-cancelable capital and operating leases with initial or remaining terms of one year or more are as follows:

	Capital Leases	Operating Leases
	(in thousands)	
1997	$ 84	$ 803
1998	85	767
1999	86	586
2000	87	376
2001	88	281
Thereafter	741	2,192
Future minimum lease payments	1,171	$ 5,005
Less amount representing interest	618	
Present value of future lease payments	$ 553	

Rent expense under operating leases was $799,000 in 1996, $887,000 in 1995, and $767,000 in 1994.

The Company 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 Company's financial position.

Note I - Dividend Restrictions

The Bank paid to the Company cash dividends in the aggregate amounts of $4,800,000, $3,200,000 and none ($0) in 1996, 1995 and 1994, respectively. The Bank is regulated by the Federal Deposit Insurance Corporation (FDIC) and the California State Banking Department. California banking laws limit the Bank's ability to pay 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, at December 31, 1996, the Bank may pay dividends of $12,767,000.

Note J - Stock Options

In May 1995, the Company adopted the TriCo Bancshares 1995 Incentive Stock Option Plan ('95 Plan) covering key employees. Under the '95 Plan 187,500 shares as adjusted for the September 1995

Note J - (*continued*)

5-for-4 stock split were reserved for issuance. The option price cannot be less than the fair market value of the Common Stock at the date of grant. Options for the '95 Plan expire on the tenth anniversary of the grant date.

The Company also has outstanding options under one plan approved in 1993 and two plans approved in 1989. Options under the 1993 plan vest over a six year period. Options under the 1989 plan vest 20% annually. Unexercised options for the 1993 and 1989 plans terminate 10 years from the date of the grant.

Stock option activity is summarized in the following table:

	Number of Shares*	Option Price Per Share	Weighted Average Exercise Price	Weighted Average Fair Value of Grants
Outstanding at December 31, 1994	560,274	$ 7.43 to $ 7.86	$ 7.72	
Options granted	31,250	7.86 to 13.20	$10.81	$ 5.07
Options exercised	(72,694)	7.43 to 7.86	$ 7.60	
Outstanding at December 31, 1995	518,830	7.43 to 13.20	$ 7.93	
Options granted	20,000	18.38 to 18.38	$18.38	$ 5.35
Options exercised	(89,950)	7.43 to 7.86	$ 7.63	
Options forfeited	(23,030)	7.86 to 7.86	$ 7.86	
Outstanding at December 31, 1996	425,850	$ 7.43 to $18.38	$ 8.48	

*1995 activity is adjusted for the 5-for-4 Common Stock split effected September 22, 1995

Of the stock options outstanding as of December 31, the number of options exercisable are as follows:

	Number of Shares	Option Price Per Share	Wtd Ave. Ex. Price
Exercisable at December 31, 1995	272,794	$ 7.43 to $13.20	$ 7.69
Exercisable at December 31, 1996	268,772	$ 7.43 to $18.38	$ 7.89

The Company has stock options outstanding under the four option plans described above. The Company accounts for these plans under APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for these plans been determined in accordance SFAS 123, the additional compensation cost that would have been recorded in 1996 and 1995 would not have been material. However, because the Statement 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1996 and 1995, respectively: risk-free interest rates of 6.76 and 5.92 percent; expected dividend yields of 3.48 and 2.46 percent; expected lives of 6 and 6 years; expected volatility of 30.22 and 31.38 percent, respectively.

Note K - Other Noninterest Expenses and Income

The components of other noninterest expenses were as follows:

	Years Ended December 31, 1996	1995	1994
	(in thousands)		
Equipment and data processing	**$ 2,483**	$ 2,508	$ 2,497
Occupancy	**1,682**	1,573	1,469
Professional fees	**901**	593	1,172
Advertising	**713**	563	650
Telecommunications	**653**	361	418
Postage	**436**	405	335
Net other real estate owned expense	**261**	201	190
Assessments	**80**	727	1,199
Other	**4,287**	3,943	3,578
Total other operating expenses	**$11,496**	$10,874	$11,508

Commissions on sales of annuities and mutual funds in the amounts of $1,255,000, $900,000, and $988,000 for the years 1996, 1995 and 1994 are included in other income.

Note L - Income Taxes

The current and deferred components of the income tax provision were comprised of:

	Years Ended December 31, 1996	1995	1994
	(in thousands)		
Current Tax Provision:			
Federal	**$ 4,439**	$ 3,640	$ 3,189
State	**1,528**	1,409	1,251
Total current	**5,967**	5,049	4,440
Deferred Tax Benefit:			
Federal	**(769)**	(36)	(21)
State	**(161)**	(98)	(69)
Total deferred	**(930)**	(134)	(90)
Total income taxes	**$ 5,037**	$ 4,915	$ 4,350

Note L - (*continued*)

Taxes recorded directly to shareholders' equity are not included in the preceding table. These taxes (benefits) relating to changes in the unrealized gains and losses on available-for-sale investment securities amounting to $231,000 in 1996 and $2,473,000 in 1995 were recorded directly to shareholders' equity.

The provisions for income taxes applicable to income before taxes for the years ended December 31, 1996, 1995, and 1994 differ from amounts computed by applying the statutory Federal income tax rates to income before taxes.

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

	Years Ended December 31,		
	1996	1995	1994
Federal statutory income tax rate	**34.2%**	34.2%	34.0%
State income taxes, net of federal tax benefit	**7.4**	7.4	8.0
Tax-exempt interest on municipal obligations	**(.3)**	(.4)	(.8)
Merger expenses not deductible for tax purposes	**—**	—	1.5
Other	**(.5)**	(.1)	(.1)
Effective Tax Rate	**40.8%**	41.1%	42.6%

The components of the net deferred tax asset of the Company as of December 31, were as follows:

	1996	1995
	(in thousands)	
Deferred Tax Assets:		
Loan losses	**$ 2,050**	$ 2,151
Unrealized loss on securities	**731**	500
Deferred compensation	**1,693**	1,348
OREO write downs	**244**	178
Loss on investment in real estate	**232**	228
Other	**586**	162
Total deferred tax assets	**5,536**	4,567
Deferred Tax Liabilities:		
Depreciation	**(798)**	(608)
Capital leases	**(86)**	(78)
Securities accretion	**(385)**	(273)
Other	**—**	(502)
Total deferred tax liability	**(1,269)**	(1,461)
Net deferred tax asset	**$ 4,267**	$ 3,106

Note M - Retirement Plans

Substantially all employees with at least one year of service are covered by a discretionary employee stock ownership plan (ESOP). Contributions are made to the plan at the discretion of the Board of Directors. Country National Bank, acquired by the Company in 1994, had an ESOP which was merged into the Company's plan in 1995. Contributions to the plan(s) totaling $500,000 in 1996, $432,000 in 1995, and $378,000 in 1994 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 non-qualified 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 ($5,163,000 and $3,926,000 at December 31, 1996 and 1995, respectively) to pay the retirement obligations.

The following table sets forth the plans' status:

	December 31,	
	1996	1995
	(in thousands)	
Actuarial present value of benefit obligations:		
Vested benefit obligation	**$(3,113)**	$(2,795)
Accumulated benefit obligation	**(3,289)**	(2,795)
Projected benefit obligation for service rendered to date	**(3,704)**	(2,795)
Plan assets at fair value	**$ —**	$ —
Projected benefit obligation in excess of plan assets	**$(3,704)**	$(2,795)
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	**1,296**	664
Prior service cost not yet recognized in net periodic pension cost	**113**	123
Unrecognized net obligation at transition	**287**	322
Accrued pension cost included in other liabilities	**$(2,008)**	$(1,686)

Note M - (*continued*)

	Years Ended December 31,		
	1996	1995	1994
	(in thousands)		
Net pension cost included the following components:			
Service cost-benefits earned during the period	**$135**	$100	$114
Interest cost on projected benefit obligation	**204**	159	158
Net amortization and deferral	**72**	46	69
Net periodic pension cost	**$411**	$305	$341

The net periodic pension cost was determined using a discount rate assumption of 7.0% for 1996, 7.0% for 1995, and 7.75% for 1994. The rates of increase in compensation used in each year were 0% to 5%.

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. The Company has purchased insurance on the lives of the participants and intends to use the cash values of these policies to pay the compensation obligations. At December 31, 1996 and 1995 the cash values exceeded the recorded liabilities.

Note N - 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.

The following table summarizes the activity in these loans for 1996.

Balance December 31, 1995	Advances/ New Loans	Payments	Balance December 31, 1996
(in thousands)			
$ 8,472	$ 2,003	$ 2,553	$ 7,922

Note O - Financial Instruments With Off-Balance Sheet Risk

The Company 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 Company has in particular classes of financial instruments.

The Company'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 Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

	Contractual Amount December 31,	
	1996	1995
	(in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit:		
Commercial loans	**$37,923**	$27,763
Consumer loans	**61,113**	39,114
Real estate mortgage loans	**428**	335
Real estate construction loans	**18,415**	10,815
Standby letters of credit	**1,112**	414

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

Note O - (*continued*)

Standby letters of credit are conditional commitments issued by the Company 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 P - Concentration of Credit Risk

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

Note Q - Disclosure of Fair Value of Financial Instruments

Cash & Short-Term Investments

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities

For all securities, fair values are based on quoted market prices or dealer quotes. See Note C for further analysis.

Loans

The fair value of variable rate loans is the current carrying value. These loans are regularly adjusted to market rates. The fair value of other types of fixed rate loans is estimated by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities. The allowance for loan losses is a reasonable estimate of the valuation allowance needed to adjust computed fair values for credit quality of certain loans in the portfolio.

Accrued Interest Receivable

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Deposit Liabilities and Long-Term Debt

The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at the reporting date. These values do not consider the estimated fair value of the Company's core deposit intangible, which is a significant unrecognized asset of the Company. The fair value of time deposits and debt is based on the discounted value of contractual cash flows.

Other Liabilities

Other liabilities represent short-term instruments. The carrying amount is a reasonable estimate of fair value.

Commitments to Extend Credit and Standby Letters of Credit

The fair value of letters of credit and standby letters of credit is not significant.

Accrued Interest Payable

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

The estimated fair values of the Company's financial instruments are as follows:

	December 31, 1996	
Financial assets:	Carrying Amount	Fair Value
	(In thousands)	
Cash and short-term investments	$ 52,231	$ 52,231
Securities:		
Held-to-maturity	104,713	103,488
Available-for-sale	65,316	65,316
Loans, net	433,192	434,250
Accrued interest receivable	4,572	4,572
Financial liabilities:		
Deposits	595,621	595,696
Accrued interest payable	3,047	3,047
Other liabilities	6,233	6,233
Long-term borrowings	24,281	24,403

	December 31, 1995	
Financial assets:	Carrying Amount	Fair Value
	(In thousands)	
Cash and short-term investments	$ 65,273	$ 65,273
Securities:		
Held-to-maturity	116,865	116,576
Available-for-sale	76,246	76,246
Loans, net	313,186	316,764
Accrued interest receivable	4,609	4,609
Financial liabilities:		
Deposits	516,193	516,653
Accrued interest payable	3,162	3,162
Other liabilities	4,694	4,694
Long-term borrowings	26,292	26,430

Note R - Acquisitions

On October 16, 1996, the Company acquired all of the capital stock of Sutter Buttes Savings Bank (Sutter Buttes) in exchange for cash of approximately $2,036,000 and approximately 102,900 shares of the Company's stock. Based on the average value of the Company's stock for the ten days preceding the transaction, the total purchase price was approximately $4,171,000. The transaction was accounted for as a purchase, with the excess of the purchase price over the fair value of Sutter Buttes' net assets being assigned to core deposit intangible assets. Results of operations of Sutter Buttes are included in the consolidated financial statements subsequent to October 16, 1996. Sutter Buttes was merged into the Bank concurrent with the acquisition.

Pro forma operating results of the Company, assuming the acquisition had been made as of January 1, 1995 is as follows:

UNAUDITED PRO FORMA COMBINED FINANCIAL DATA
(in thousands, except per share data)

	Year ended December 31,	
	1996	1995
Summary of Income:		
Net interest income	$ 31,503	$ 29,458
Provision for loan losses	997	334
Noninterest income	6,924	6,422
Noninterest expense	25,466	23,394
Net income	7,056	7,290
Net income available to common shareholders	$ 7,056	$ 7,045
Per Common Share:		
Primary earnings per common share	$1.48	$1.48
Fully diluted earnings per common share	$1.47	$1.47
Selected Balance Sheet Data:		
Investment securities	$170,029	$194,897
Loans	439,289	376,906
Assets	694,771	667,137
Deposits	595,621	573,599
Equity	$ 60,689	$ 55,480

Note S - Future Financial Accounting Standards

In June 1996, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 125 (SFAS 125), Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This statement establishes new criteria for determining whether a transfer of financial assets should be accounted for as a sale or as a pledge of collateral in a secured borrowing. The statement was subsequently amended by SFAS 127 to defer the effective date of the statement's provisions relevant to the Company until 1998. The Company does not expect that the adoption of this Statement will have a material impact on its financial position or results of operations.

Note T - TriCo Bancshares Financial Statements

TriCo Bancshares (Parent Only) Balance Sheets

	December 31,	
Assets	**1996**	1995
	(in thousands)	
Cash	**$ 517**	$ 134
Investment in Tri Counties Bank	**60,171**	52,868
Other assets	**460**	303
Total assets	**$61,148**	$53,305
Liabilities and shareholders' equity		
Total liabilities	**$ 371**	$ 92
Shareholders' equity:		
Common stock, no par value: Authorized 20,000,000 shares; issued and outstanding 4,641,223 and 4,464,828 shares, respectively	**47,652**	44,315
Retained earnings	**14,076**	9,548
Unrealized loss on securities available-for-sale, net	**(951)**	(650)
Total shareholders' equity	**60,777**	53,213
Total liabilities and shareholders' equity	**$61,148**	$53,305

Statements of Income

	Years Ended December 31,		
	1996	1995	1994
		(in thousands)	
Interest income	**$ —**	$ —	$ —
Administration expense	**296**	282	334
Loss before equity in net income of Tri Counties Bank	**(296)**	(282)	(334)
Equity in net income of Tri Counties Bank:			
Distributed	**4,800**	3,200	—
Undistributed	**2,654**	4,010	6,103
Income tax credits	**148**	117	92
Net income	**$7,306**	$ 7,045	$ 5,861

Note T - (*continued*)

Statements of Cash Flows

	Years ended December 31, 1996	1995	1994
	(in thousands)		
Operating activities:			
Net income	**$7,306**	$7,045	$5,861
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Undistributed equity in Tri Counties Bank	**(2,654)**	(4,010)	(6,103)
Deferred income taxes	**(157)**	(117)	(92)
Increase (decrease) in other operating assets and liabilities	**279**	19	(168)
Net cash provided by (used for) operating activities	**4,774**	2,937	(502)
Investing activities:			
Capital contributed to Tri Counties Bank	**(4,741)**	—	(183)
Net cash provided by (used for) investing activities	**(4,741)**	—	(183)
Financing activities:			
Issuance of common stock	**3,291**	554	403
Repurchase of common stock	**(295)**	—	—
Redemption of preferred stock	—	(4,000)	—
Cash dividends — preferred	—	(245)	(420)
Cash dividends — common	**(2,646)**	(1,639)	(1,304)
Net cash provided by (used for) financing activities	**350**	(5,330)	(1,321)
Increase (decrease) in cash and cash equivalents	**383**	(2,393)	(2,006)
Cash and cash equivalents at beginning of year	**134**	2,527	4,533
Cash and cash equivalents at end of year	**$ 517**	$134	$2,527

Note U - Regulatory Matters

The Company is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 1996, that the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 1996, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and ratios are also presented in the table.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 1996:						
Total Capital (to Risk Weighted Assets):						
Consolidated	$66,690	13.58%	≥$39,280	≥8.0%	≥$49,100	≥10.0%
Tri Counties Bank	$66,084	13.47%	≥$39,244	≥8.0%	≥$49,055	≥10.0%
Tier I Capital (to Risk Weighted Assets):						
Consolidated	$60,593	12.34%	≥$19,640	≥4.0%	≥$29,460	≥ 6.0%
Tri Counties Bank	$59,987	12.23%	≥$19,622	≥4.0%	≥$29,433	≥ 6.0%
Tier I Capital (to Average Assets):						
Consolidated	$60,593	8.99%	≥$26,960	≥4.0%	≥$33,700	≥ 5.0%
Tri Counties Bank	$59,987	8.91%	≥$26,930	≥4.0%	≥$33,663	≥ 5.0%
As of December 31, 1995:						
Total Capital (to Risk Weighted Assets):						
Consolidated	$58,700	15.17%	≥$30,958	≥8.0%	≥$38,698	≥10.0%
Tri Counties Bank	$58,350	15.09%	≥$30,935	≥8.0%	≥$38,669	≥10.0%
Tier I Capital (to Risk Weighted Assets):						
Consolidated	$53,863	13.92%	≥$15,479	≥4.0%	≥$23,219	≥ 6.0%
Tri Counties Bank	$53,517	13.84%	≥$15,468	≥4.0%	≥$23,201	≥ 6.0%
Tier I Capital (to Average Assets):						
Consolidated	$53,863	8.92%	≥$24,142	≥4.0%	≥$30,178	≥ 5.0%
Tri Counties Bank	$53,517	8.87%	≥$24,130	≥4.0%	≥$30,163	≥ 5.0%

Note V - Subsequent Events

On February 21, 1997, the Bank purchased and assumed substantially all of the deposit liabilities of nine branches from Wells Fargo Bank, N.A, San Francisco. In connection with the acquisition of such deposit liabilities and related cash balances, Tri Counties Bank also acquired certain other assets of the branches, including real estate (four branches), furniture and fixtures and a relatively insignificant amount of loans which were secured by deposit accounts. All assets constituting plant and equipment or other physical property will continue to be used in the banking business. Wells Fargo Bank retained all other revenue producing assets which had originated from these branches.

A preliminary summary of the deposit liabilities and limited assets acquired by Tri Counties Bank is shown below:

Total deposits (liabilities) acquired	$150,090,000
Less assets acquired	
Furniture and fixtures	214,000
Land and premises	585,000
Loans	183,000
Total assets acquired	982,000
Less premium paid for deposits	9,108,000
Net cash received by Tri Counties Bank for the deposits acquired	$140,000,000

Note W - Summary of Quarterly Results of Operations (unaudited)

The following table sets forth the results of operations for the four quarters of 1996 and 1995 and is unaudited; however, in the opinion of management, it reflects all adjustments (which include only normal recurring adjustments) necessary to present fairly the summarized results for such periods.

	1996 Quarters Ended			
	December 31,	September 30,	June 30,	March 31,
	(Dollars in thousands, except per share data)			
Interest income	$13,276	$12,584	$11,744	$11,629
Interest expense	5,290	4,856	4,498	4,535
Net interest income	7,986	7,728	7,246	7,094
Provision for loan losses	150	537	50	40
Net interest income after provision for loan losses	7,836	7,191	7,196	7,054
Noninterest income	1,845	1,745	1,580	1,466
Noninterest expense	6,339	5,817	5,824	5,505
Income before income taxes	3,342	3,119	2,952	3,015
Taxable-equivalent adjustment	17	22	22	24
Income tax expense	1,288	1,276	1,226	1,247
Net income	$ 2,037	$ 1,821	$ 1,704	$ 1,744
Net income applicable to common stock	$ 2,037	$ 1,821	$ 1,704	$ 1,744
Per common share:				
Net income	$ 0.43	$ 0.39	$ 0.37	$ 0.38
Dividends	$ 0.16	$ 0.16	$ 0.13	$ 0.13

	1995 Quarters Ended			
	December 31,	September 30,	June 30,	March 31,
	(Dollars in thousands, except per share data)			
Interest income	$11,800	$11,658	$11,334	$11,333
Interest expense	4,645	4,529	4,441	4,373
Net interest income	7,155	7,129	6,893	6,960
Provision for loan losses	100	160	35	40
Net interest income after provision for loan losses	7,055	6,969	6,858	6,920
Noninterest income	1,421	1,442	1,638	1,432
Noninterest expense	5,382	5,252	5,471	5,556
Income before income taxes	3,094	3,159	3,025	2,796
Taxable-equivalent adjustment	21	29	32	32
Income tax expense	1,266	1,286	1,229	1,134
Net income	$ 1,807	$ 1,844	$ 1,764	$ 1,630
Net income applicable to common stock	$ 1,807	$ 1,809	$ 1,659	$ 1,525
Per common share:				
Net income	$ 0.38	$ 0.39	$ 0.36	$ 0.33
Dividends	$ 0.13	$ 0.08	$ 0.08	$ 0.08

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, 1996 and 1995, 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, 1996. These financial statements are the responsibility of the Corporation'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of TriCo Bancshares and Subsidiary as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, effective January 1, 1994, the Corporation changed its method of accounting for certain investments in debt and equity securities as required by Statement of Financial Accounting Standards No. 115.

Arthur Andersen LLP

San Francisco, California
January 21, 1997

Market Information

The Common Stock of the Company trades on the NASDAQ National Market under the symbol "TCBK." The shares were first listed in the NASDAQ Stock Market in April 1993. The active market makers on NASDAQ include: Hoefer & Arnett, Incorporated, Piper Jaffray Companies Inc. and Sutro & Co. Inc.

The following table summarizes the Common Stock high and low trading prices and volume of shares traded by quarter as reported by NASDAQ. The prices have been adjusted to reflect the five-for-four stock split effected as a stock dividend in September 1995.

Quarter Ended:[1,2]	Prices of the Company's Common Stock High	Prices of the Company's Common Stock Low	Approximate Trading Volume (in shares)
March 31, 1995	$ 12.80	$ 10.80	118,010
June 30, 1995	13.20	12.20	213,026
September 30, 1995	16.60	12.00	535,140
December 31, 1995	16.40	14.50	236,821
March 31, 1996	18.50	15.75	579,810
June 30, 1996	18.75	16.88	266,608
September 30, 1996	22.25	17.00	478,820
December 31, 1996	22.50	19.50	365,032

[1] Quarterly trading activity has been compiled from NASDAQ trading reports.
[2] Adjusted to reflect the 5-for-4 stock split effected on September 22, 1995.

Holders

As of December 31, 1996, there were approximately 1,832 holders of record of the Company's Common Stock.

Dividends

The Company has paid quarterly dividends since March 1990. For the first two quarters of 1996, the Company paid dividends of $0.13 per share. A quarterly dividend of $0.16 per share was paid in the third and fourth quarters. In 1995 the Company paid quarterly dividends at $0.08 per share for the first three quarters (adjusted for the 5-for-4 split) and $0.13 per share in the fourth quarter. 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"). 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 therefore, 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. The Bank paid dividends totaling $4,800,000 to the Company in 1996. As of December 31, 1996 and subject to the limitations and restrictions under applicable law, the Bank had funds available for dividends in the amount of $12,767,000.

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.

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. Average balances, including such balances used in calculating certain financial ratios, are generally comprised of average daily balances for the Company. Except for within the "overview" section, interest income and net interest income are presented on a tax equivalent basis.

In addition to the historical information contained herein, this Annual Report contains certain forward-looking statements. The reader of this Annual Report should understand that all such forward-looking statements are subject to various uncertainties and risks that could affect their outcome. The Company's actual results could differ materially form those suggested by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, variances in the actual versus projected growth in assets, return on assets, loan losses, expenses, rates charged on loans and earned on securities investments, rates paid on deposits, competition effects, fee and other noninterest income earned as well as other factors. This entire Annual Report should be read to put such forward-looking statements in context and to gain a more complete understanding of the uncertainties and risks involved in the Company's business.

Overview

The Bank continued along its growth path in 1996. The year started with the opening of a loan production office in Sacramento which was quickly followed in March by the opening of the seventh in-store branch in Albertson's Grass Valley supermarket. In June the Company announced the signing of an agreement to purchase Sutter Buttes Savings Bank. That acquisition closed on October 16 which was the same day the Bank announced entering into an agreement with Wells Fargo Bank, N.A. to purchase the deposits and operations of nine of its Northern California branches. The Sutter Buttes acquisition added $64,210,000 in loans and $56,023,000 of deposits. Subsequent to year end on February 21, 1997, the purchase of the Wells Fargo branch deposits closed. Approximately, $150,090,000 in deposits were added through this transaction. (See Note W entitled "Subsequent Events" in the financial statements.) This growth was made possible by the work that has been going on for the past several years to upgrade the Bank's computer technology and to reorganize its service delivery functions. Management believes the Bank is well positioned to continue along a growth path.

The Company had record earnings of $7,306,000 for the year ended December 31, 1996 versus $7,045,000 for 1995. Fully diluted earnings per share for the years were $1.55 and $1.45, respectively. Earnings per common share in 1996 have benefited from the redemption of all outstanding preferred stock in the third quarter of 1995, as the Company paid preferred stock dividends totaling $245,000 in the first nine months of 1995.

For 1996 net interest income was $29,969,000 which was an increase of $1,946,000 over 1995. The interest income component of net interest income was up 6.8% or $3,137,000. Interest and fees on loans was up $4,451,000 to $38,227,000 as average loans outstanding increased $60,077,000 to $368,550,000. To fund these loans, the securities portfolio was allowed to runoff from an average balance of $210,205,000 in 1995 to $183,222,000 in 1996. As a result, interest income on the securities portfolio decreased $1,364,000 or 11.4% Interest expense was up $1,191,000 or 6.6%. This increase was due to higher average balances of interest bearing liabilities as the average rate paid on them was relatively flat. The net interest margin was 5.37% in 1996 versus 5.36% in 1995.

Noninterest income is comprised of "service charges and fees" and "other income". Service charge and fee income increased 18.2% or $761,000 in 1996 versus year ago results. Both higher account volumes and higher fee rates contributed to the increase in this category. Other income was down slightly from $1,780,000 in 1995 to $1,712,000 in 1996. Overall, noninterest income increased $703,000 or 11.9% for the year.

Noninterest expenses increased $1,824,000 or 8.4% in 1996 versus 1995. Salary and benefit expenses were up 11.2% and accounted for $1,202,000 of this increase. The higher salary expense reflects costs for additional employees at two new in-store branches, two loan production offices, support and branch personnel from the Sutter Buttes acquisition, fringe benefits and normal salary increases. Other expenses increased 5.7% or $622,000. Costs relating to customer deposit services, ATM networks, credit card servicing and telecommunications were up $698,000 or 46.4%. These costs reflect higher volumes related to the products and new computer networks. Provision for OREO valuation allowance, professional fees, advertising and promotional expenses also significantly increased. A 1996 decrease in FDIC insurance of $647,000 or 94.6% helped offset the higher operating costs.

Assets of the Company totaled $694,859,000 at December 31, 1996 which was an increase of $91,305,000 from 1995 ending balances.

For 1996 the Company realized a return on assets of 1.18% and a return on shareholders' equity of 13.0% versus 1.22% and 13.8% in 1995. The Company ended 1996 with a leverage ratio of 8.99%, a Tier 1 capital ratio of 12.3% and a total risk-based capital ratio of 13.6%.

Management's continuing goal for the Bank is to deliver a full array of competitive products to its customers while maintaining the personalized customer service of a community bank. We believe this strategy will provide continued growth and above average returns for our shareholders.

(A) Results of Operations

	Years Ended December 31,				
	1996	1995	1994	1993[1]	1992[1]
	(in thousands, except earnings per share amounts)				
Interest income:					
Interest and fees on loans	**$ 38,227**	$ 33,776	$ 30,641	$ 31,795	$ 33,695
Interest on investment securities—taxable	**10,409**	11,706	12,247	8,585	6,170
Interest on investment securities—tax exempt[2]	**207**	272	401	426	489
Interest on federal funds sold	**392**	371	123	329	129
Total interest income	**49,235**	46,125	43,412	41,135	40,483
Interest expense:					
Interest on deposits	**17,201**	16,231	13,902	13,006	15,427
Interest on short-term borrowing	**359**	526	719	739	65
Interest on long-term debt	**1,619**	1,231	1,059	251	108
Total interest expense	**19,179**	17,988	15,680	13,996	15,600
Net interest income	**30,056**	28,137	27,732	27,139	24,883
Provision for loan losses	**777**	335	316	1,858	2,101
Net interest income after provision for loan losses	**29,279**	27,802	27,416	25,281	22,782
Noninterest income:					
Service charges, fees and other	**6,636**	5,943	5,048	5,304	5,205
Investment securities gains (losses), net	**—**	(10)	(23)	1,421	367
Total noninterest income	**6,636**	5,933	5,025	6,725	5,572
Noninterest expenses:					
Salaries and employee benefits	**11,989**	10,787	10,550	9,072	8,460
Other, net	**11,496**	10,874	11,508	11,152	
Total noninterest expenses	**23,485**	21,661	22,058	20,224	18,030
Net income before income taxes	**12,430**	12,074	10,383	11,782	10,324
Income taxes	**5,037**	4,915	4,350	4,779	4,113
Tax equivalent adjustment[2]	**87**	114	172	188	211
Net income	**$ 7,306**	$ 7,045	$ 5,861	$ 6,815	$ 6,000
Primary earnings per common share[3]	**$ 1.56**	$ 1.46	$ 1.18	$ 1.42	$ 1.46
Fully diluted earnings per common share[3]	**$ 1.55**	$ 1.45	$ 1.18	$ 1.40	$ 1.46
Selected Balance Sheet Information					
Total Assets	**$694,859**	$603,554	$593,834	$575,897	$492,404
Long-term Debt	**24,281**	26,292	18,499	7,144	907
Preferred Stock	**—**	—	3,899	3,899	6,086

1 Restated on a historical basis to reflect the July 21, 1994 acquisition of Country National Bank on a pooling-of-interests basis.
2 Interest on tax-free securities is reported on a tax equivalent basis of 1.72 for 1996, 1.72 for 1995, 1.75 for 1994, 1.79 for 1993, and 1.76 for 1992.
3 Restated on a historical basis to reflect the 5-for-4 stock split effected September 22, 1995.

(A) Results of Operations *(continued)*

Net Interest Income/Net Interest Margin

Net interest income represents the excess of interest and fees earned on interest-earning assets (loans, securities and federal funds sold) over the interest paid on deposits and borrowed funds. Net interest margin is net interest income expressed as a percentage of average earning assets.

Net interest income for 1996 totaled $30,056,000 which was up 6.8% ($1,919,000) over the prior year. Average outstanding loan balances of $368,550,000 for 1996 reflected a 19.5% increase over 1995 balances. These higher balances contributed an additional $6,578,000 to interest income and was the major factor in the improvement in net interest income. The average yield received on loans fell 58 basis points to 10.37% which offset interest income by $2,127,000. The reduction of the loan yields was due to increased market competition and also in part to the acquisition of Sutter Buttes Savings Bank in October of 1996. A high percentage of Sutter Buttes' loans were mortgage loans with fixed interest rates averaging less than 8%. Average balances of investment securities decreased $26,983,000 (12.8%) as these monies were deployed into loans. The lower volume of securities resulted in a decrease in interest income of $1,546,000.

Interest expense increased $1,191,000 (6.6%) in 1996 over 1995. Higher volumes in all interest bearing liability categories except savings accounts and long term debt accounted for the increase. Interest expense on time deposits was up $1,230,000 due to higher average balances of $22,390,000 in 1996. Average rates paid on interest bearing liabilities in 1996 were down only 1 basis point to 4.05% which had a small favorable effect on interest expense. Net interest margin for 1996 was 5.37% versus 5.36% in 1995.

In 1995 net interest income increased $405,000 (1.5%) to $28,137,000. The interest income component increased $2,713,000 (6.3%) to $46,125,000. Rates received on loans in 1995 averaged 10.95% which was 85 basis points higher than rates received in 1994. The higher rates accounted for the majority of the increase in interest income. Average loans outstanding also increased modestly in 1995 as did rates received on securities and Federal Funds sold. These increases were offset in part by an 8.1% ($18,411,000) decrease in average balances of investment securities which resulted in a reduction of $1,052,000 in interest income.

For 1995 the interest expense component increased $2,308,000 (14.7%) to $17,988,000 over 1994. Most of this increase can be attributed to higher rates paid on time certificates of deposit in 1995. The average rate paid on time certificates increased 133 basis points or 32% over the 1994 average. This large increase was due to the local competitive market environment. During part of the year, Management did not raise the rates to meet the local competition and as a result some deposit runoff was experienced. For the year, average balances on interest-bearing deposits decreased $9,118,000 (2.2%). The higher rates on time certificates also caused customers to shift some funds from savings to time certificates. Average balances in savings accounts decreased $44,572,000 (21.1%) as time certificate balances increased $35,179,000 (27.1%). The effect of the changes in the net interest income and the average balances of the interest earning assets and the interest-bearing liabilities resulted in an overall increase of 18 basis points in net interest margin. Net interest margin for 1995 was 5.36% versus 5.18% in 1994.

Table One, Analysis of 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 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 Net Interest Margin on Earning Assets

Assets	1996			1995			1994		
	Average Balance[1]	**Income**	**Yield/ Rate**	Average Balance[1]	Income	Yield/ Rate	Average Balance[1]	Income	Yield/ Rate
				(dollars in thousands)					
Earning assets:									
Loans[2,3]	**$368,550**	**$38,227**	**10.37%**	$308,473	$33,776	10.95%	$303,497	$30,641	10.10%
Securities - taxable	**180,836**	**10,409**	**5.76%**	207,163	11,706	5.65%	224,447	12,247	5.46%
Securities - nontaxable[4]	**2,386**	**207**	**8.68%**	3,042	272	8.93%	4,169	401	9.62%
Federal funds sold	**7,405**	**392**	**5.29%**	6,702	371	5.54%	3,727	123	3.30%
Total earning assets	**559,177**	**49,235**	**8.80%**	525,380	46,125	8.78%	535,840	43,412	8.10%
Cash and due from banks	**31,867**			29,150			31,935		
Premises and equipment	**14,068**			13,206			13,151		
Other assets, net	**23,046**			19,537			19,240		
Less: Unrealized loss on securities	**(1,841)**			(3,156)			(3,538)		
Less: Allowance for loan losses	**(5,597)**			(5,636)			(5,917)		
Total assets	**$620,720**			$578,481			$590,711		
Liabilities and shareholders' equity									
Interest-bearing demand deposits	**$ 89,278**	**2,226**	**2.49%**	$ 81,408	2,000	2.46%	$ 81,133	2,066	2.55%
Savings deposits	**163,637**	**5,032**	**3.08%**	166,637	5,167	3.10%	211,209	6,442	3.05%
Time deposits	**187,355**	**9,943**	**5.31%**	164,965	9,064	5.49%	129,786	5,394	4.16%
Federal funds purchased	**6,485**	**359**	**5.54%**	1,953	120	6.14%	3,726	174	4.67%
Repurchase agreements	**9,828**	**603**	**6.14%**	6,696	406	6.06%	10,727	545	5.08%
Long-term debt	**17,434**	**1,016**	**5.83%**	21,416	1,231	5.75%	20,637	1,059	5.13%
Total interest-bearing liabilities	**474,017**	**19,179**	**4.05%**	443,075	17,988	4.06%	457,218	15,680	3.43%
Noninterest-bearing deposits	**79,843**			76,184			79,776		
Other liabilities	**10,776**			8,196			6,014		
Shareholders' equity	**56,084**			51,026			47,703		
Total liabilities and shareholders' equity	**$620,720**			$578,481			$590,711		
Net interest rate spread[5]			**4.76%**			4.72%			4.67%
Net interest income/net interest margin[6]		**$30,056**	**5.37%**		$28,137	5.36%		$27,732	5.18%

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 $1,926,000 in 1996, $1,676,000 in 1995, and $1,701,000 in 1994.
4 Interest income is stated on a tax equivalent basis of 1.72 in 1996, 1.72 for 1995, and 1.75 for 1994.
5 Net interest rate spread represents the average yield earned on interest-earning assets less the average rate paid on interest-bearing liabilities.
6 Net interest margin is computed by dividing net interest income by total average earning assets.

(A) Results of Operations *(continued)*

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

	1996 over 1995			1995 over 1994		
	Volume	**Yield/ Rate[4]**	**Total**	Volume	Yield/ Rate[4]	Total
	(dollars in thousands)					
Increase (decrease) in interest income:						
Loans[1,2]	**$ 6,578**	**$ (2,127)**	**$ 4,451**	$ 502	$ 2,633	$ 3,135
Investment securities[3]	**(1,546)**	**184**	**(1,362)**	(1,052)	382	(670)
Federal funds sold	**39**	**(18)**	**21**	98	150	248
Total	**5,071**	**(1,961)**	**3,110**	(452)	3,165	2,713
Increase (decrease) in interest expense:						
Demand deposits (interest-bearing)	**193**	**33**	**226**	7	(73)	(66)
Savings deposits	**(93)**	**(42)**	**(135)**	(1,359)	84	(1,275)
Time deposits	**1,230**	**(351)**	**879**	1,462	2,208	3,670
Federal funds purchased	**278**	**(39)**	**239**	(83)	29	(54)
Repurchase agreements	**190**	**7**	**197**	(205)	66	(139)
Long-term borrowings	**(229)**	**14**	**(215)**	40	132	172
Total	**1,569**	**(378)**	**1,191**	(138)	2,446	2,308
Increase (decrease) in net interest income	**$ 3,502**	**$ (1,583)**	**$ 1,919**	$ (314)	$ 719	$ 405

1 Nonaccrual loans are included.
2 Interest income on loans includes fees on loans of $1,926,000 in 1996, $1,676,000 in 1995, and $1,701,000 in 1994.
3 Interest income is stated on a tax equivalent basis of 1.72 in 1996, 1.72 for 1995, and 1.75 for.
4 The rate/volume variance has been included in the rate variance.

Provision for Loan Losses

The 1996 provision for loan losses of $777,000 was a significant increase over the 1995 provision of $335,000. Net loan charge-offs for 1996 increased to $883,000 from $363,000 in 1995. Consumer installment loans which include credit cards accounted for all of the increase. Management has implemented new credit review procedures and contracted with outside credit collection agencies to help improve the credit card portfolio performance. The 1996 charge-offs represented 0.24% of average loans outstanding versus 0.12% the prior year. Nonperforming loans were 2.06% of total loans at year end versus 0.76% in 1995. The allowance for loan losses to nonperforming loans was 67% versus 226% at the end of 1995. (See balance sheet analysis "Allowance for Loan Losses" for further discussion.)

The Bank provided $335,000 for loan losses in 1995 which was a slight increase over the 1994 provision of $316,000. This provision essentially maintained the allowance for loan losses at a constant level as the provision and loan recoveries were just $28,000 less than the loans charged off. Net charge-offs for the year were only 0.12% of average loans outstanding which was reflective of the continuing quality of the loan portfolio. Net charge-offs for 1994 were .22% of average loans. Nonperforming loans were 0.76% of total loans at year end versus 0.37% in 1994. The allowance for loan losses to nonperforming loans was 226% versus 489% at the end of 1994.

Service Charges and Fees and Other Income

For 1996 service charge and fee income was up 18.3% to $4,924,000 over 1995 results. The growth came from higher account volumes and some selective fee increases. Other income reflected a small decrease overall on a year over year basis. However, within this category commissions on the sale of annuities and mutual funds increased $355,000 or 39.5%. This favorable change was offset by decreases in nonrecurring items from 1995 levels.

(A) Results of Operations *(continued)*

Service charge and fee income grew by 16.6% to $4,163,000 in 1995. Most of the increase came from fee increases on returned checks coupled with volume increases. The 20.4% or $302,000 increase in other income resulted from a mixture of changes within the category and nonrecurring items. Gains on the sale of loans was down for the second straight year as origination of mortgage loans continued to be soft. Commissions on the sales of mutual funds and annuities decreased 5% to 8% as sales were soft in the first part of 1995.

Securities Transactions

No securities were sold in 1996. The Bank was able to fund loan growth through the maturities of investment securities and growth in deposits.

The Bank had very few securities transactions in 1995. It realized a total net loss of $10,000 for the year on sales of securities. The flat yield curve present for most of 1995 presented few opportunities to invest at rates attractive to Bank Management.

Salaries and Benefits

Salary and benefit expenses were up $1,202,000 or 11.2% from the 1995 levels to total $11,989,000 in 1996. Increases in staffing levels for the Bakersfield and Sacramento loan offices, the Grass Valley in-store branch, nine months of staffing for the Chico in-store branch and the addition of staff from the Sutter Buttes Savings Bank acquisition as well as normal salary progression contributed to the increase. Components of salaries and benefits which increased significantly included; Base salary and wages, $536,000; commissions on annuities and mutual funds, $75,000; retirement plans, $193,000; and deferred income plan, $208,000.

Salary and benefit expenses increased 2.25% or $237,000 in 1995. Base salaries increased $259,000 (3.6%) and were reflective of the full year effect of staffing for the in-store branches and normal salary reviews. Management incentive payments for 1995 were less than those for 1994, as approximately $245,000 in one time bonus and termination payments were made to Country National Bank employees in 1994. Group insurance expenses decreased 10.0% mostly due to a one time premium refund.

Other Expenses

For 1996 other expenses increased $622,000 or 5.7%. Costs relating to customer deposit services, ATM networks, credit card servicing, and telecommunications were up $698,000 or 46.4%. These costs reflect higher volumes related to the products new computer networks and business locations. Provision for OREO valuation allowance, advertising and promotional expenses also had significant increases. There were also one time costs related to the Sutter Buttes acquisition. A 1996 decrease in FDIC insurance of $647,000 or 94.6% helped offset the higher operating costs.

Other expenses decreased $634,000 or 5.5% in 1995. In September the FDIC significantly reduced deposit insurance premiums retroactive to June 1995. For the year, the lower insurance premium and lower average deposits resulted in a favorable change of $478,000 from 1994. The absence of the one time merger costs (related to the Country National Bank (CNB) acquisition) of approximately $840,000 incurred in 1994 also favorably impacted other expenses in 1995. A 9.0% ($302,000) increase in premise and equipment expenses, which were mostly due to the full year effect of the in-store branches, partially offset these large decreases. Net increases in various other expenses totaled approximately $380,000 with no single expense classification being significant.

Provision for Taxes

The effective tax rate on income was 40.8%, 41.1% and 42.62% in 1996, 1995, and 1994. The effective tax rate was greater than the federal statutory tax rate due to state tax expense of $1,359,000, $1,311,000 and $1,182,000 in these years. Tax-free income of $120,000, $158,000 and $229,000 from investment securities in these years helped to reduce the effective tax rate. In 1994 nondeductible expenses related to the CNB merger were incurred which increased the effective tax rate in that year.

Return on Average Assets and Equity

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

	1996	1995	1994
Return on total assets	**1.18%**	1.22%	.99%
Return on shareholders' equity	**13.03%**	13.81%	12.29%
Return on common shareholders' equity	**13.03%**	13.95%	12.42%
Shareholders' equity to total assets	**8.75%**	8.82%	8.06%
Common shareholders' equity to total assets	**8.75%**	8.82%	7.42%
Common shareholders' dividend payout ratio	**36.22%**	24.10%	23.97%

(A) Results of Operations *(continued)*

For 1996 return on assets reflected a slight decrease from 1.22% in 1995 to 1.18%. Net income increased at a lower rate than average assets. Return on assets rebounded in 1995 to 1.22% from the 0.99% achieved in 1994. The higher return was achieved through improved earnings applied to average assets which were $12,230,000 lower in 1995.

Return on shareholders' equity fell to 13.0% in 1996 from 13.8% in 1995. The lower ROE resulted from average capital increasing 9.9% while net income increased 3.7%. The return on shareholder's equity improved to 13.8% in 1995 versus the 12.3% return achieved in 1994. The improved ROE for 1995 was reflective of both increased earnings and higher average shareholders' equity.

The acquisition of the nine Wells Fargo branches in 1997 should favorably affect ROE as earnings should increase without additional capital being required. Conversely, ROA should decrease until loans can be made as most of the funds will be invested in securities which have lower yields than loans.

Since all of the Company's preferred shares have been redeemed, the return on shareholders' equity and the return on common shareholders' equity for 1996 are the same. In 1995 and 1994 the difference between the return on Common shareholders' equity and return on shareholders' equity had been narrowing. This change was due to the reduction of the dividend amounts paid for preferred stock dividends. In August of 1995, the Company had redeemed its Series B Preferred Stock and in December of 1993, it had redeemed its Series C Preferred Stock. The annual dividend requirements for these two issues were $420,000 and $229,000 respectively.

The assets added by the Sutter Buttes acquisition contributed to the decrease in the Shareholders' equity to assets ratio for 1996 to 8.75% from 8.82%. In 1995, the total shareholders' equity to asset ratio increased to 8.8% from 8.1%. The 1995 change reflected the combination of a reduction in average assets, increased earnings and the redemption of the Series B Preferred Stock.

The Common shareholders' equity to assets ratio changed from 7.4% in 1994 to 8.8% in 1995 and 8.8% in 1996. These ratios are impacted by the same factors as the total equity ratios except for the direct effect of reduction in total capital for the redemption of the preferred stock issues.

The dividend payout ratio increased to 36.2% in 1996 from 24.1% in 1995. The common dividends paid totaled $2,646,000 up from $1,639,000. The Company is well capitalized and so the higher dividend payout does not affect operations. In 1994, dividends paid to Common shareholders totaled $1,304,000. The resulting Common shareholders' dividend payout ratio of 24.1% in 1995 was .1% higher than the payout for 1994.

(B) Balance Sheet Analysis

Loans

The Bank concentrates its lending activities in four principal areas: commercial loans (including agricultural loans); consumer loans; real estate mortgage loans (residential and commercial loans and mortgage loans originated for sale); and real estate construction loans. At December 31, 1996, these four categories accounted for approximately 40%, 17%, 37%, and 6% of the Bank's loan portfolio respectively as compared to 48%, 20%, 26% and 6%, at December 31, 1995. The shift in the percentages was primarily due to the Sutter Buttes loans which consisted almost entirely of mortgage loans. The interest rates charged for the loans made by the Bank vary with the degree of risk, the size and maturity of the loans, the borrower's relationship with the Bank and prevailing money market rates indicative of the Bank's cost of funds.

The majority of the Bank's loans are direct loans made to individuals, farmers and local businesses. The Bank relies substantially on local promotional activity, personal contacts by bank officers, directors and employees to compete with other financial institutions. The Bank makes loans to borrowers whose applications include a sound purpose, a viable repayment source and a plan of repayment established at inception and generally backed by a secondary source of repayment.

At December 31, 1996 loans totaled $439,289,000 which was a 37.8% increase over the balances at the end of 1995. Internal growth accounted for about half of the increase and the Sutter Buttes acquisition added $60,815,000. Loan demand improved in 1996 as economic conditions rebounded from the slow growth of the prior several years. Additions to the loan staff and improved calling programs also helped generate new customers. With the acquisition of the nine Wells Fargo Bank branches completed in February 1997, Management anticipates the Bank will have the financing to aggressively pursue opportunities to further increase its loan production in 1997. The average loan to deposit ratio in 1996 was 70.8% as compared to 63.1% in 1995.

(B) Balance Sheet Analysis (*continued*)

Loan activity, while not robust in 1995, reflected some improvements over 1994 as average loans outstanding increased 1.6% to $308,473,000 and year end balances increased 3.8% to $318,766,000. The average loan to deposit ratio in 1995 was 63.1% versus 60.7% in 1994.

In 1993 the Bank installed a new software system which resulted in some changes in the loan classifications. The classifications for 1992 have not been restated in the following table. The loan mix has remained fairly constant in the four years prior to 1996. As discussed above, the mix changed this year with the addition of the Sutter Buttes loans.

Management would anticipate that growth in 1997 will focus on the commercial and consumer elements of the portfolio.

Loan Portfolio Composite

	December 31,				
	1996	1995	1994	1993	1992
	(dollars in thousands)				
Commercial, financial and agricultural	**$176,868**	$152,173	$153,957	$140,750	$150,685
Consumer installment	**75,498**	64,445	58,471	55,654	47,726
Real estate mortgage	**160,575**	81,888	76,673	88,887	88,715
Real estate construction	**26,348**	20,260	18,002	20,611	30,392
Total loans	**$439,289**	$318,766	$307,103	$305,902	$317,518

Nonaccrual, Past Due and Restructured Loans

During 1996 nonperforming assets increased $7,389,000 to a total of $10,453,000 at December 31, 1996. Nonaccrual loans accounted for most of the change. Commercial loans secured by nonfarm nonresidential real estate increased $3,686,000 to a total of $4,350,000. Loans to one borrower accounted for $2,322,000 of that total. There were several loans totaling about $1,000,000 in the process of being renewed which were more than 90 days past due. Also, as loan balances outstanding increase, some increase in nonperforming loans can be expected. The increase in nonperforming loans was also due in part to more stringent policies for removing poorly performing loans from nonaccrual status and to change in the the local economy. Management has not changed underwriting standards that should materially affect the risk in the loan portfolio. The ratio of nonperforming loans to total loans at December 31, 1996 was 2.06% versus .76% at the end of 1995. Classifications of nonperforming loans as a percent of the total at the end of 1996 were as follows: secured by real estate, 79%; loans to farmers, 1%; commercial loans, 18%, and consumer loans, 2%. Management has implemented some new monitoring procedures in an effort to improve the timeliness of payments and collections, and actively manage the level of nonperforming loans.

Nonperforming assets at December 31, 1995 totaled $3,064,000 which was a 6.3% decrease from 1994. The OREO component had a significant decrease from $2,124,000 in 1994 to $631,000 in 1995. However, this decrease was offset in great part by an increase in nonperforming loans. They increased from $1,146,000 in 1994 to $2,433,000 in 1995. The nonperforming loans at December 31, 1995 consisted of numerous lower value loans with the largest being about $188,000. With this increase, the ratio of nonperforming loans to total loans was .76% as compared to .37% in 1994.

Commercial, real estate 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 as doubtful by internal credit review or bank regulatory agencies, a portion of the principal balance has been charged off, or the Bank takes possession of the collateral. The reclassification of loans as nonaccrual does not necessarily reflect Management's judgment as to whether they are collectible.

Interest income is not accrued on loans where Management has determined that the borrowers will be unable to meet contractual principal and/or interest obligations, unless the loan is well secured and in process of collection. When a loan is placed on nonaccrual, any previously accrued but unpaid interest is reversed. Income on such loans is then recognized only to the extent that cash is received and where the future collection on 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.

Interest income on nonaccrual loans which would have been recognized during the year ended December 31, 1996, if all such loans had been current in accordance with their original terms, totaled $902,000. Interest income actually recognized on these loans in 1996 was $493,000.

(B) Balance Sheet Analysis (*continued*)

The Bank's policy is to place loans 90 days or more past due on nonaccrual status. In some instances when a loan is 90 days past due, Management does not place it on nonaccrual status because the loan is well secured and in the process of collection. A loan is considered to be in the process of collection if, based on a probable specific event, it is expected that the loan will be repaid or brought current. Generally, this collection period would not exceed 30 days. Loans where the collateral has been repossessed are classified as OREO or, if the collateral is personal property, the loan is classified as other assets on the Company's financial statements.

Management considers both the adequacy of the collateral and the other resources of the borrower in determining the steps to be taken to collect nonaccrual loans. Alternatives that are considered are foreclosure, collecting on guarantees, restructuring the loan or collection lawsuits.

The following table sets forth the amount of the Bank's nonperforming assets as of the dates indicated.

	December 31,				
	1996	1995	1994	1993	1992
	(dollars in thousands)				
Nonaccrual loans	**$ 9,044**	$ 2,213	$ 1,122	$ 1,595	$ 583
Accruing loans past due 90 days or more	**20**	220	24	126	1,611
Total nonperforming loans	**9,064**	2,433	1,146	1,721	2,194
Other real estate owned	**1,389**	631	2,124	3,624	1,860
Total nonperforming assets	**$10,453**	$ 3,064	$ 3,270	$ 5,345	$ 4,054
Nonincome producing investments in real estate held by Bank's real estate development subsidiary	**$ 1,173**	$ 1,173	$ 1,173	$ 1,172	$ 1,240
Nonperforming loans to total loans	**2.06%**	.76%	.37%	.56%	.69%
Allowance for loan losses to nonperforming loans	**67%**	229%	489%	347%	219%
Nonperforming assets to total assets	**1.50%**	.51%	.55%	.93%	.82%
Allowance for loan losses to nonperforming assets	**58%**	182%	171%	112%	118%

Allowance for Loan Losses Activity

In determining the adequacy of the allowance for loan losses, Management relies primarily on its review of the loan portfolio both to ascertain whether there are probable losses to be recorded 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.Loan growth and the addition of the Sutter Buttes loans in 1996 resulted in a change in the mix of loans outstanding at the end of the year versus year end 1995. The types of mortgage loans Sutter Buttes held in its portfolio generally require a lower allowance for loan losses. Consequently, the allowance for loan losses to total loans at December 31, 1996 was 1.39% versus 1.75% at the end of 1995.

The primary risk elements considered by Management with respect to installment and residential real estate loans is lack of timely payment and the value of the collateral. The primary risk elements considered by Management with respect to its credit card portfolio are general economic conditions, timeliness of payments and the potential for fraud and over limit credit draws. The primary risk elements considered by Management with respect to real estate construction loans are the financial condition of borrowers, fluctuations in real estate values in the Bank's market areas, fluctuations in interest rates, timeliness of payments, the availability of conventional financing, the demand for housing in the Bank's market areas and general economic conditions. The primary risk elements with respect to commercial loans are the financial condition of the borrower, general economic conditions in the Bank's market area, the sufficiency of collateral, the timeliness of payment and, with respect to adjustable rate loans, interest rate fluctuations.

Based on the current conditions of the loan portfolio, Management believes that the $6,097,000 allowance for loan losses at December 31, 1996 is adequate to absorb probable losses inherent in the Bank's loan portfolio. No assurance can be given, however, that adverse economic conditions or other circumstances will not result in increased losses in the portfolio.

(B) Balance Sheet Analysis (*continued*)

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

	December 31,				
	1996	1995	1994	1993	1992
	(dollars in thousands)				
Balance, beginning of year	**$ 5,580**	$ 5,608	$ 5,973	$ 4,798	$ 4,156
Provision charged to operations	**777**	335	316	1,858	2,101
Loans charged off:					
Commercial, financial and agricultural	**(283)**	(149)	(338)	(653)	(875)
Consumer installment	**(909)**	(432)	(712)	(622)	(719)
Real estate mortgage	—	—	—	—	(23)
Total loans charged-off	**(1,192)**	(581)	(1,050)	(1,275)	(1,617)
Recoveries:					
Commercial, financial and agricultural	**243**	98	205	380	106
Consumer installment	**66**	120	164	212	52
Total recoveries	**309**	218	369	592	158
Net loans charged-off	**(883)**	(363)	(681)	(683)	(1,459)
Balance added through acquisition	**623**	—	—	—	—
Balance, year end	**$ 6,097**	$ 5,580	$ 5,608	$ 5,973	$ 4,798
Average total loans	**$368,550**	$308,473	$303,497	$314,691	$318,839
Ratios:					
Net charge-offs during period to average loans outstanding during period	.24%	.12%	.22%	.22%	.46%
Provision for loan losses to average loans outstanding	.21%	.11%	.10%	.59%	.66%
Allowance to loans at year end[1]	1.39%	1.75%	1.83%	1.95%	1.51%

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

As part of its loan review process, Management has allocated the overall allowance based on specific identified problem loans and historical loss data. The following tables summarize the allocation of the allowance for loan losses at December 31, 1996 and 1995.

	December 31, 1996 (dollars in thousands)	
Balance at End of Period Applicable to:	Amount	Percent of loans in each category to total loans
Commercial, financial and agricultural	$ 2,457	40.3%
Real Estate—construction	366	6.0%
Real Estate—mortgage	2,231	36.6%
Installment loans to individuals	1,043	17.1%
	$ 6,097	100.0%

	December 31, 1995 (dollars in thousands)	
Balance at End of Period Applicable to:	Amount	Percent of loans in each category to total loans
Commercial, financial and agricultural	$ 3,932	47.7%
Real Estate—construction	6	6.4%
Real Estate—mortgage	355	25.7%
Installment loans to individuals	1,293	20.2%
	$ 5,580	100.0%

Investment in Real Estate Properties

At December 31, 1996 and 1995, $1,173,000 of property was held by a subsidiary of the Bank for the purposes of development. In 1996 the FDIC directed the Bank to divest the properties held by TCB Real Estate Corp. and to terminate its operations. The Bank and FDIC have agreed to a plan that will accomplish the divestiture by June 30, 1999.

Other Real Estate Owned

The December 31, 1996 balance of Other Real Estate Owned (OREO) was $1,389,000 versus $631,000 in 1995. One property accounted for $557,000 of the 1996 total. Properties foreclosed in 1996 and remaining in the Bank's possession at year end were valued at $1,175,000 net of a valuation allowance of $101,600. The Bank disposed of properties with a value of $668,000 in 1996. OREO properties consist of a mixture of land, single family residences and commercial buildings. OREO had decreased $1,493,000 in 1995.

(B) Balance Sheet Analysis (*continued*)

Deposits

Total deposits at December 31, 1996 had increased $79,428,000 (15.4%) to $595,621,000 over the 1995 year end balances. On the date of closing in October 1996, Sutter Buttes had deposits totaling $56,023,000. Because of these acquired deposits, growth occurred in all deposit categories. Certificates of deposit with balances over $100,000 increased from $13,439,000 in 1995 to $32,889,000. Of the increase, $6,000,000 was attributable to a State of California CD, approximately $5,500,000 was from Sutter Buttes and the balance was from internal growth. Prior to 1996, the Bank paid lower rates on CD's over $100,000 than it did on CD's under $100,000. This policy was changed in 1996.

Deposits at December 31, 1995 were up 5.1% to $516,193,000 over the 1994 year end balances. In-store deposits almost doubled in 1995 ending the year at $29,605,000. There was growth in both the interest-bearing and noninterest-bearing demand deposits. However, most of the growth was attributable to time certificates of deposit (CD's). They increased $49,334,000 or 37.7% during 1995. At the same time, savings deposits decreased $29,321,000 (15.4%). Depositors moved funds from savings to CD's as the yields on CD's often were 200-300 basis points higher. The local market conditions dictated the high CD rates. The increase of $12.3 million in the over $100,000 CD category was largely attributable to a $9.0 million deposit from the State of California. This deposit had a 90 day maturity and was renewable at the Bank's option.

Accrued Interest Payable

At December 31, 1996, accrued interest payable reflected a decrease of $115,000 to $3,047,000. The decrease was mainly due to lower rates of interest being accrued on time certificates of deposit. At December 31, 1995, the balance of accrued interest payable was $3,162,000 which was an increase of $1,402,000 over the 1994 year end. This increase was attributable to the higher rates and balances in time certificates of deposit.

Long-Term Debt

In 1996 the Bank made principal payments of $2,011,000 on long term debt obligations. No new long term debt was incurred.

During 1995 the Bank incurred long term debt in the amount of $9,828,000 with a term of two years. This debt was in the form of a repurchase agreement. The Bank also retired $2,000,000 of long term debt during the year.

Equity

See Note U in the financial statements for a discussion of regulatory capital requirements. With the inclusion of the deposits and assets acquired by the purchase of the deposits of nine branches from Wells Fargo Bank, both the Bank and the Company will continue to be well capitalized. Management believes that the Company's 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 refers to the Bank's ability to provide funds at an acceptable cost to meet loan demand and deposit withdrawals, as well as contingency plans to meet unanticipated funding needs or loss of funding sources. These objectives can be met from either the asset or liability side of the balance sheet. Asset liquidity sources consist of the repayments and maturities of loans, selling of loans, short-term money market investments, maturities of securities and sales of securities from the available-for-sale portfolio. These activities are generally summarized as investing activities in the Consolidated Statement of Cash Flows. Net cash used by these investing activities totaled approximately ($25,830,000) in 1996. The loan growth was responsible for the major use of funds in this category.

Liquidity is generated from liabilities through deposit growth and short-term borrowings. These activities are included under financing activities in the cash flow statement. In 1996 funds totaling $24,591,000 were provided by financing activities. Deposit growth and Federal funds borrowed provided funds amounting to $28,400,000. The Bank also had available correspondent banking lines of credit totaling $45,100,000 at year end. While these sources are expected to continue to provide significant amounts of funds in the future, their mix, as well as the possible use of other sources, will depend on future economic and market conditions.

Liquidity is also provided or used through the results of operating activities. In 1996 operating activities used cash of ($11,803,000).

(B) Balance Sheet Analysis (*continued*)

Since the adoption of SFAS 115 January 1, 1994, Management has targeted the available-for-sale portfolio (AFS) to be maintained at 35-40% of the total securities holdings. The AFS securities plus cash in excess of reserve requirements totaled $109,202,000 which was 15.7% of total assets at year end. This was down from $133,610,000 and 22.1% at the end of 1995. Subsequent to the end of 1996, the Board of Directors approved Management's recommendation that up to 100% of the future securities purchases could be placed in the available-for-sale category. This allows for more flexibility in managing the investment portfolio.

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, are more likely to be withdrawn to obtain higher yields elsewhere if available. The Bank participates in a program wherein the State of California places time deposits with the Bank at the Bank's option. At December 31, 1996 and 1995 the Bank had $15,000,000 and $9,000,000 respectively, of these State deposits.

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

	Amounts as of December 31,		
	1996	1995	1994
	(in thousands)		
Time remaining until maturity:			
Less than 3 months	**$ 19,443**	$ 9,985	$ 401
3 months to 6 months	**3,396**	2,909	717
6 months to 12 months	**7,480**	545	—
More than 12 months	**2,570**	—	—
Total	**$ 32,889**	$ 13,439	$ 1,118

Loan demand also affects the Bank's liquidity position. The following table present the maturities of performing loans at December 31, 1996.

Loan Maturities - December 31, 1996

	Within One Year	After One But Within 5 Years	After 5 Years	Total
	(in thousands)			
Loans with predetermined interest rates:				
Commercial, financial and agricultural	$ 6,318	$ 24,362	$ 29,841	$ 60,521
Consumer installment	5,278	13,577	8,066	26,921
Real estate mortgage	2,294	15,266	34,870	52,430
Real estate construction	5,285	100	76	5,461
	19,175	53,305	72,853	145,333
Loans with floating interest rates:				
Commercial, financial and agricultural	57,894	26,575	31,878	116,347
Consumer installment	16,693	2,089	29,795	48,577
Real estate mortgage	13,338	20,701	74,106	108,145
Real estate construction	20,887	—	—	20,887
	108,812	49,365	135,779	293,956
Total loans	$127,987	$102,670	$208,632	$439,289

Interest rate sensitivity is a function of the repricing characteristics of the Bank's portfolio of assets and liabilities. These repricing characteristics are the time frames within which the interest-bearing assets and liabilities are subject to change in interest rates either at replacement, repricing or maturity. Interest rate sensitivity management focuses on the maturity of assets and liabilities and their repricing during periods of changes in market interest rates. Interest rate sensitivity is measured as the difference between the volumes of assets and liabilities in the Bank's current portfolio that are subject to repricing at various time horizons. The differences are known as interest sensitivity gaps.

As reflected in the following repricing tables, the Bank had a liability sensitive position at December 31, 1996 and 1995. This gap position would indicate that as interest rates rise, the Bank's earnings should be adversely impacted and conversely, as interest rates fall, earnings should be favorably impacted. Because the Bank's deposit liabilities do not reprice immediately with changes in interest rates, in recent years of moderate interest rate changes the Bank's earnings have reacted as though the gap position is slightly asset sensitive.

(B) Balance Sheet Analysis (*continued*)

The following repricing tables present the Bank's interest rate sensitivity position at December 31, 1996 and 1995:

Interest Rate Sensitivity - December 31, 1996

	Repricing within:				
	3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years
	(dollars in thousands)				
Interest-earning assets:					
Securities	$ 15,546	$ 4,216	$ 12,142	$95,132	$ 42,993
Loans	236,821	36,833	16,808	53,698	95,129
Total interest-earning assets	$ 252,367	$ 41,049	$ 28,950	$148,830	$138,122
Interest-bearing liabilities					
Transaction deposits	$ 269,967	$ —	$ —	$ —	$ —
Time	83,191	60,702	71,022	9,860	—
Short-term borrowings	4,900	—	—	—	—
Long-term borrowings	8,003	3	9,834	5,978	463
Total interest-bearing liabilities	$ 366,061	$ 60,705	$ 80,856	$ 15,838	$ 463
Interest sensitivity gap	$(113,694)	$(19,656)	$ (51,906)	$132,992	$137,659
Cumulative sensitivity gap	(113,694)	(133,350)	(185,256)	(52,264)	85,395
As a percentage of earning assets:					
Interest sensitivity gap	(18.66%)	(3.23%)	(8.52%)	21.83%	22.59%
Cumulative sensitivity gap	(18.66%)	(21.89%)	(30.40%)	(8.58%)	14.01%

Interest Rate Sensitivity - December 31, 1995

	Repricing within:				
	3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years
	(dollars in thousands)				
Interest-earning assets:					
Securities	$ 10,403	$ 9,802	$ 17,195	$111,822	$ 44,125
Fed funds sold	25,600	—	—	—	—
Loans	190,443	7,262	14,336	40,123	66,602
Total interest-earning assets	$226,446	$ 17,064	$ 31,531	$151,945	$110,727
Interest-bearing liabilities					
Transaction deposits	$245,793	$ —	$ —	$ —	$ —
Time	56,402	88,906	29,263	5,520	—
Long-term borrowings	7,003	3	6	18,128	1,152
Total interest-bearing liabilities	$309,198	$ 88,909	$ 29,269	$ 23,648	$ 1,152
Interest sensitivity gap	$(82,752)	$(71,845)	$ 2,262	$128,297	$109,575
Cumulative sensitivity gap	(82,752)	(154,597)	(152,336)	(24,039)	85,537
As a percentage of earning assets:					
Interest sensitivity gap	(15.39%)	(13.36%)	0.42%	23.86%	20.38%
Cumulative sensitivity gap	(15.39%)	(28.75%)	(28.33%)	(4.47%)	15.91%

(B) Balance Sheet Analysis (*continued*)

The maturity distribution and yields of the investment portfolios are presented in the following tables:

Securities Maturities and Weighted Average Yields - December 31, 1996

	Within One Year		After One Year but Through Five Years		After Five Years but Through Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities Held-to-Maturity	(dollars in thousands)									
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 1,085	5.72%	$ 21,942	6.17%	$ —	—	$ —	—	$ 23,027	6.15%
Obligations of states and political subdivisions	190	3.90%	529	4.35%	—	—	—	—	719	4.23%
Mortgage-backed securities	—	—	3,896	5.84%	9,289	6.11%	68,403	5.92%	81,588	5.93%
Total securities held-to-maturity	$ 1,275	5.45%	$ 26,367	6.08%	$ 9,289	6.11%	$ 68,403	5.92%	$105,334	5.94%
Securities Available-for-Sale										
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 14,304	5.68%	$ 15,914	5.94%	$ —	—	$ —	—	$ 30,218	5.81%
Obligations of states and political subdivisions	210	5.33%	1,113	5.31%	130	7.00%	—	—	1,453	5.46%
Mortgage-backed securities	—	—	900	7.23%	$ 1,096	5.05%	28,265	5.58%	30,261	5.67%
Other securities	—	—	—	—	—	—	4,375	—	4,375	—
Total securities available-for-sale	$ 14,514	5.67%	$ 17,927	5.31%	$ 1,226	7.00%	$ 32,640	5.58%	$ 66,307	5.46%
Total all securities	$ 15,789	5.66%	$ 44,294	5.96%	$10,515	5.26%	$101,043	5.58%	$171,641	5.70%
Less: unrealized loss on securities transferred from available-for-sale									$ (621)	
Less: unrealized loss on securities available-for-sale									(991)	
Total									$170,029	

The principal cash requirements of the Company are dividends on Common Stock when declared. 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.

Off-Balance Sheet Items

The Bank has certain ongoing commitments under operating and capital leases. (See Note H of the financial statements for the terms.) These commitments do not significantly impact operating results.

As of December 31, 1996 commitments to extend credit were the only financial instruments with off-balance sheet risk. The Bank has not entered into any contracts for financial derivative instruments such as futures, swaps, options etc. Loan commitments increased to $118,991,000 from $78,441,000 at December 31, 1995. Much of the increase relates to credit cards. The commitments represent 27.1% of the total loans outstanding at year end 1996 versus 28.6% a year ago.

Disclosure of Fair Value

The Financial Accounting Standards Board (FASB), Statement of Financial Accounting Standards Number 107, Disclosures about Fair Value of Financial Statements, requires the disclosure of fair value of most financial instruments, whether recognized or not recognized in the financial statements.

(B) Balance Sheet Analysis (*continued*)

The intent of presenting the fair values of financial instruments is to depict the market's assessment of the present value of net future cash flows discounted to reflect both current interest rates and the market's assessment of the risk that the cash flows will not occur.

In determining fair values, the Bank used the carrying amount for cash, short-term investments, accrued interest receivable, short-term borrowings and accrued interest payable as all of these instruments are short term in nature. Securities are reflected at quoted market values. Loans and deposits have a long term time horizon which required more complex calculations for fair value determination. Loans are grouped into homogeneous categories and broken down between fixed and variable rate instruments. Loans with a variable rate, which reprice immediately, are valued at carrying value. The fair value of fixed rate instruments is estimated by discounting the future cash flows using current rates. Credit risk and repricing risk factors are included in the current rates. Fair value for nonaccrual loans is reported at carrying value and is included in the net loan total. Since the allowance for loan losses exceeds any potential adjustment for nonaccrual valuation, no further valuation adjustment has been made.

Demand deposits, savings and certain money market accounts are short term in nature so the carrying value equals the fair value. For deposits that extend over a period in excess of four months, the fair value is estimated by discounting the future cash payments using the rates currently offered for deposits of similar remaining maturities.

At 1996 year end, the fair values calculated on the Bank's assets are .02% below the carrying values versus .5% above the carrying values in 1995. The small change in the calculated fair value percentage relates to the securities and loan categories and is the result of minor changes in interest rates in 1996. (See Note Q of the financial statements)

TriCo Bancshares—Executive Officers

Robert H. Steveson . . . . President & Chief Executive Officer

Robert Stanberry . . . . . . Vice President & Chief Financial Officer

Douglas F. Hignell . . . . . Secretary

Tri Counties Bank—Executive Officers

Robert H. Steveson . . . . President & Chief Executive Officer

Richard O'Sullivan . . . . Senior Vice President Sales & Service

Richard Smith . . . . Senior Vice President Employee Support and Control

Robert Stanberry . . . . . . Vice President & Chief Financial Officer

TriCo Bancshares Headquarters

15 Independence Circle
Chico, California 95973
Telephone (916) 898-0300

Notice of Annual Meeting

Tuesday May 20, 1997 at 6:00 P.M.
780 Mangrove Avenue
Chico, California 95926

Shareholder Relations

Suzanne Youngs
40 Philadelphia Drive
Chico, California 95973
(916) 898-0331

Transfer Agent

ChaseMellon Shareholder Services, L.L.C.
Telephone (800) 356-2017

Stock Listing

NASDAQ Stock Exchange
Symbol: "TCBK"

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, 1996, 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 95973.**

Tri Counties Bank Traditional Branch Locations

Pillsbury Branch
2171 Pillsbury Road
P.O. Box 1130
Chico, CA 95927
(916) 898-0470
Debi Shields, Manager

Park Plaza Branch
780 Mangrove Ave.
P.O. Box 2207
Chico, CA 95927
(916) 898-0400
Ray Block, Manager

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

Orland Branch
100 East Walker Street
P.O. Box 188
Orland, CA 95963
(916) 865-5524
Dennis Ryan, Manager

Willows Branch
210 North Tehama Street
P.O. Box 1158
Willows, CA 95988
(916) 934-2191
Tori Perez, Manager

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

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

Burney Branch
37093 Main Street
Burney, CA 96013
(916) 335-2215
Vi Nelson, Manager

Fall River Mills Branch
43308 State Highway 299E
P.O. Box 758
Fall River Mills, CA 96028
(916) 336-6291
Vi Nelson, Manager

Redding Branch
1845 California Street
P.O. Box 994788
Redding, CA 96099
(916) 244-4700
Connie Spooner, Manager

Bieber Branch
Bridge & Market Streets
P.O. Box 217
Bieber, CA 96009
(916) 294-5211
Vi Nelson, Manager

Yreka Branch
165 S. Broadway
P.O. Box 98
Yreka, CA 96097
(916) 842-2761
Roger Fellows, Manager

Yuba City Branch
1441 Colusa Avenue
P.O. Box 1501
Yuba City, CA 95992
(916) 671-5563
Jerry Woodward, Manager

Hilltop Branch
1250 Hilltop Drive
P.O. Box 494549
Redding, CA 96049
(916) 223-3307
Guy Watson, Manager

Marysville Branch
729 E Street
Marysville, CA 95901
(916) 749-6135
Theresa Schulte, Manager

Chowchilla Branch
305 Trinity Street
Chowchilla, CA 93610
(209) 665-4868
Joe Ramirez, Manager

Covelo Branch
76405 Covelo Road
P.O. Box 278
Covelo, CA 95428
(707) 983-6135
Pia McIsaac, Manager

Crescent City Branch
936 Third Street
Crescent City, CA 95531
(707) 464-4145
Sharle Hoke, Manager

Gustine Branch
319 Fifth Street
Gustine, CA 95322
(209) 854-3761
Susan Hartless, Manager

Middletown Branch
21097 Calistoga Street
Middletown, CA 95461
(707) 987-3196

Mt. Shasta Branch
204 Chestnut Street
Mt. Shasta, CA 96067
(916) 926-2653
Linda Ward, Manager

Patterson Branch
17 Plaza
Patterson, CA 95363
(209) 892-4098
Jeannette Kessler, Manager

Susanville Branch
1605 Main Street
Susanville, CA 96130
(916) 257-4151
Cleo Polley, Manager

Weed Branch
303 Main Street
Weed, CA 96094
(916) 938-4401
Patti Hickman, Manager

Tri Counties Bank In-Store Branch Locations

At Raley's
700 Onstott Road
Yuba City, CA 95991
(916) 751-8415
Brent Bosanek, Manager

At Raley's
727 South Main Street
Red Bluff, CA 96080
(916) 529-7080
Blossum Arrasmith, Manager

At Raley's
201 Lake Boulevard
Redding, CA 96003
(916) 245- 4650
Diane Davis, Manager

At Raley's
110 Hartnell Avenue
Redding, CA 96002
(916) 224-3430
Starla Collette, Manager

At Albertsons
146 W. East Avenue
Chico, CA 95973
(916) 898-0380
Chimene Sonsteng, Manager

At Albertsons
12054 Nevada City Hwy
Grass Valley, CA 95949
(916) 477-9740
Allison Richter, Manager

Chico Mall Branch
1950 E. 20th St.-Suite 725
Chico, CA 95928
(916) 898-0370
Nancy Duncan, Manager

Tri Counties Bank Adminstration Office

Administration Office
40 Philadelphia Drive
Chico, CA 95973
(916) 898-0331
Fax: (916) 898-0338

TRI COUNTIES BANK COUNTRY

31 BRANCHES IN FOURTEEN COUNTIES

Yreka
Crescent City**
Weed**
Mt.Shasta**
Bieber
Fall River Mills
Burney
Redding(4)
Palo Cedro
Cottonwood
Susanville**
Red Bluff
Orland
Chico(4)
Durham
Willows
Grass Valley*
Covelo**
Yuba City(2)
Marysville*
Middletown**
Sacramento
Patterson**
Gustine**
Chowchilla**

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*NEW IN 1996

**NEW IN 1997

TRICO BANCSHARES

15 Independence Circle
Chico, California 95973
(916) 898-0300
Fax: (916) 898-0310