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TRICO BANCSHARES /
Form 8-K
July 25, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

July 24, 2008

TriCo Bancshares
(Exact name of registrant as specified in its charter)

California	0-10661	94-2792841
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(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(I.R.S. Employer Identification No.)

63 Constitution Drive, Chico, California 95973

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (530) 898-0300

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02: Results of Operations and Financial Condition

On July 24, 2008 TriCo Bancshares announced its quarterly earnings for the period ended June 30, 2008. A copy of the press release is attached as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

Item 9.01: Exhibits

(c) Exhibits

99.1 Press release dated July 24, 2008

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRICO BANCSHARES

Date: July 24, 2008

By: /s/ Richard P. Smith

Richard P. Smith, President and
Chief Executive Officer

INDEX TO EXHIBITS

Exhibit No.	Description
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99.1	Press release dated July 24, 2008

PRESS RELEASE
For Immediate Release

Contact: Richard P. Smith
President & CEO (530) 898-0300

TRICO BANCSHARES ANNOUNCES QUARTERLY EARNINGS

CHICO, Calif. - (July 24, 2008) - TriCo Bancshares (NASDAQ: TCBK), parent company of Tri Counties Bank, today announced quarterly earnings of \$2,274,000 for the quarter ended June 30, 2008. This represents a 66.3% decrease when compared with earnings of \$6,755,000 for the quarter ended June 30, 2007. Diluted earnings per share for the quarter ended June 30, 2008 decreased 65.8% to \$0.14 from \$0.41 for the quarter ended June 30, 2007. The decrease in earnings from the prior year quarter was primarily due to the Company's decision to increase by \$8,300,000 the provision for loan losses to \$8,800,000 and a \$476,000 increase in the provision for credit losses on unfunded commitments to \$550,000 for the quarter ended June 30, 2008.

Total assets of the Company increased \$93,463,000 (5.0%) to \$1,980,490,000 at June 30, 2008 from \$1,887,027,000 at June 30, 2007. Total loans of the Company increased \$35,696,000 (2.4%) to \$1,543,324,000 at June 30, 2008 from \$1,507,628,000 at June 30, 2007. Total deposits of the Company increased \$174,000 (0.01%) to \$1,511,053,000 at June 30, 2008 from \$1,510,879,000 at June 30, 2007. Diluted earnings per share for the six months ended June 30, 2008 and 2007 were \$0.39 and \$0.80, respectively, on earnings of \$6,322,000 and \$13,199,000, respectively.

Net interest income (FTE) during the second quarter of 2008 increased \$721,000 (3.2%) from the same period in 2007 to \$23,029,000. The increase in net interest income (FTE) was due to a \$120,602,000 (7.1%) increase in average balances of interest-earning assets to \$1,819,222,000 that was partially offset by a 0.19% decrease in net interest margin (FTE) to 5.06% from the second quarter of 2007.

The Company provided \$8,800,000 for loan losses in the second quarter of 2008 versus \$500,000 in the second quarter of 2007. In the second quarter of 2008, the Company recorded \$3,902,000 of net loan charge-offs versus \$396,000 of net loan charge-offs in the second quarter of 2007. During the second quarter of

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2008, the Company re-appraised all of its larger residential development projects. As a result of this effort, the Company charged-off \$1,007,000 on a twenty-eight unit residential condominium project and \$640,000 on a twenty-seven lot residential construction project. In addition, net charge-offs of \$950,000 on home equity lines and loans and \$554,000 on auto indirect loans were taken during the second quarter of 2008. During the second quarter of 2008, the Company also increased its allowance for loan losses by \$4,898,000 from the first quarter of 2008 with such additional reserves allocated primarily to consumer loans, residential real estate and construction lending.

At June 30, 2008, the sum of the Company's allowance for loan losses of \$24,281,000 and the reserve for unfunded commitments of \$3,465,000 represented 187% of non-performing loans net of government agency guarantees. Non-performing loans, defined as non-accruing loans and accruing loans delinquent 90 days or more, net of government guarantees at June 30, 2008 increased \$4,958,000 (50.3%) to \$14,808,000 from \$9,850,000 at March 31, 2008.

Noninterest income for the second quarter of 2008 increased \$251,000 (3.6%) from the second quarter of 2007, mainly due to a \$241,000 increase in value of mortgage servicing rights to a positive \$168,000 from a negative \$73,000 for the second quarter of 2007. Also contributing to this increase in noninterest income was a \$105,000 (2.7%) increase in service charges on deposit accounts to \$3,963,000 and a \$122,000 (11.7%) increase in ATM fees and interchange to \$1,168,000. The increases in service charges on deposit accounts and ATM fees and interchange revenue were primarily due to increased number of customers. The improvement in change in value of mortgage servicing rights was primarily due to a slowdown in refinance activity which extends the estimated life of existing mortgages and enhances the value of the related mortgage servicing rights. The following table summarizes the components of noninterest income for the quarters ended June 30, 2008 and 2007 (dollars in thousands).

	Three months ended June 30,	
	2008	2007
Service charges on deposit accounts	\$3,963	\$3,858
ATM fees and interchange revenue	1,168	1,046
Other service fees	527	544
Change in value of mortgage servicing rights	168	(73)
Gain on sale of loans	316	279
Commissions on sale of nondeposit investment products	525	550
Increase in cash value of life insurance	360	405
Other noninterest income	253	420
Total noninterest income	\$7,280	\$7,029

Noninterest expense for the second quarter of 2008 increased \$401,000 (2.3%) compared to the second quarter of 2007. Salaries and benefits expense increased \$26,000 (0.3%) in the second quarter of 2008 compared to \$9,645,000 in the second quarter of 2007, mainly due to annual salary increases and increased benefit costs that were substantially offset by reduced incentive compensation. Other noninterest expense increased \$375,000 (4.8%) in the second quarter of 2008 primarily due to a \$476,000 increase in provision for credit losses on unfunded commitments. The following table summarizes the components of

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noninterest expense for the quarters ended June 30, 2008 and 2007 (dollars in thousands).

	Three months ended June 30,	
	2008	2007
Base salaries, net of deferred loan origination costs	\$6,316	\$5,940
Incentive compensation	830	1,281
Benefits and other compensation costs	2,499	2,398
Total salaries and benefits expense	9,645	9,619
Occupancy	1,228	1,178
Equipment	998	1,072
Telecommunications	630	419
Data processing and software	596	499
Provisions for losses - unfunded commitments	550	74
ATM network charges	529	498
Professional fees	509	462
Advertising and marketing	434	600
Courier service	275	284
Postage	216	203
Intangible amortization	133	122
Operational losses	92	125
Assessments	83	84
Other	1,926	2,204
Total other noninterest expense	8,199	7,824
Total noninterest expense	\$17,844	\$17,443
Average full time equivalent staff	626	630
Noninterest expense to revenue (FTE)	58.87%	59.46%

As of June 30, 2008, the Company had repurchased 166,600 shares of its common stock under its stock repurchase plan announced on August 21, 2007, which left 333,400 shares available for repurchase under the plan.

Richard Smith, President and Chief Executive Officer commented, "Due to the continued economic uncertainty in California, during the second quarter of 2008 we remained focused upon building our loan loss reserves to position ourselves in managing through this difficult economic cycle. Since the beginning of the year our allowance for losses to total loans has increased from 1.25% to 1.80% at June 30, 2008. Although this has lowered our earnings per share, we believe that operating with higher loan loss reserves combined with our strong capital position best serves the interest of our shareholders and customers in the long term. Our net interest income and noninterest income have remained strong during the second quarter of 2008 and exceeded the levels during the second quarter of 2007. We continue to add new bank customers as we execute our core business strategies."

In addition to the historical information contained herein, this press release may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The reader of this press release should understand that all such forward-looking statements are subject to various uncertainties and risks that could affect their outcome. The Company's actual results could differ materially from those suggested by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, variances in the actual versus

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projected growth in assets, return on assets, interest rate fluctuations, economic conditions in the Company's primary market area, demand for loans, regulatory and accounting changes, loan losses, expenses, rates charged on loans and earned on securities investments, rates paid on deposits, competition effects, fee and other noninterest income earned as well as other factors detailed in the Company's reports filed with the Securities and Exchange Commission which are incorporated herein by reference, including the Form 10-K for the year ended December 31, 2007. These reports and this entire press release should be read to put such forward-looking statements in context and to gain a more complete understanding of the uncertainties and risks involved in the Company's business. Any forward-looking statement may turn out to be wrong and cannot be guaranteed. The Company does not intend to update any of the forward-looking statements after the date of this release.

TriCo Bancshares and Tri Counties Bank are headquartered in Chico, California. Tri Counties Bank has a 33-year history in the banking industry. Tri Counties Bank operates 32 traditional branch locations and 25 in-store branch locations in 23 California counties. Tri Counties Bank offers financial services and provides a diversified line of products and services to consumers and businesses, which include demand, savings and time deposits, consumer finance, online banking, mortgage lending, and commercial banking throughout its market area. It operates a network of 64 ATMs and a 24-hour, seven days a week telephone customer service center. Brokerage services are provided at the Bank's offices by the Bank's association with Raymond James Financial, Inc. For further information please visit the Tri Counties Bank web-site at <http://www.tricountiesbank.com>.

TRICO BANCSHARES - CONSOLIDATED FINANCIAL DATA
(Unaudited. Dollars in thousands, except share data)
Three months ended

	June 30, 2008	March 31, 2008	December 31, 2007	Sep

Statement of Income Data				
Interest income	\$30,332	\$31,130	\$32,179	\$
Interest expense	7,471	9,765	10,869	
Net interest income	22,861	21,365	21,310	
Provision for loan losses	8,800	4,100	1,350	
Noninterest income:				
Service charges and fees	5,826	5,128	5,546	
Other income	1,454	1,722	1,568	
Total noninterest income	7,280	6,850	7,114	
Noninterest expense:				
Base salaries net of deferred loan origination costs	6,316	6,333	6,504	
Incentive compensation expense	830	560	873	
Employee benefits and other compensation expense	2,499	2,587	2,353	
Total salaries and benefits expense	9,645	9,480	9,730	
Intangible amortization	133	122	122	
Provision for losses - unfunded commitments	550	825	50	

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Other expense	7,516	7,146	7,849	
Total noninterest expense	17,844	17,573	17,751	
Income before taxes	3,497	6,542	9,323	
Net income	\$2,274	\$4,048	\$5,701	
Share Data				
Basic earnings per share	\$0.14	\$0.26	\$0.36	
Diluted earnings per share	0.14	0.25	0.35	
Book value per common share	11.86	12.02	11.87	
Tangible book value per common share	\$10.81	\$10.97	\$10.82	
Shares outstanding	15,744,881	15,744,950	15,911,550	15,8
Weighted average shares	15,744,881	15,842,085	15,908,151	15,8
Weighted average diluted shares	15,953,288	16,081,722	16,265,571	16,3
Credit Quality				
Non-performing loans, net of				
government agency guarantees	\$14,808	\$9,850	\$7,511	
Other real estate owned	1,178	836	187	
Loans charged-off	4,176	2,385	1,425	
Loans recovered	\$274	\$337	\$267	
Allowance for losses to total loans(1)	1.80%	1.44%	1.25%	
Allowance for losses to NPLs(1)	187%	226%	259%	
Allowance for losses to NPAs(1)	174%	209%	252%	
Selected Financial Ratios				
Return on average total assets	0.46%	0.81%	1.17%	
Return on average equity	4.74%	8.37%	12.08%	
Average yield on loans	6.99%	7.22%	7.64%	
Average yield on interest-earning assets	6.71%	6.80%	7.29%	
Average rate on interest-bearing liabilities	2.11%	2.78%	3.16%	
Net interest margin (fully tax-equivalent)	5.06%	4.74%	4.85%	
Total risk based capital ratio	12.3%	12.1%	11.9%	
Tier 1 Capital ratio	11.0%	10.9%	10.9%	

(1) Allowance for losses includes allowance for loan losses and reserve for unfunded commitments

TRICO BANCSHARES - CONSOLIDATED FINANCIAL DATA
(Unaudited. Dollars in thousands)
Three months ended

	June 30, 2008	March 31, 2008	December 31, 2007	S
Balance Sheet Data				
Cash and due from banks	\$76,658	\$74,713	\$88,798	
Federal funds sold	-	-	-	
Securities, available-for-sale	253,129	272,276	232,427	
Federal Home Loan Bank Stock	9,010	8,885	8,766	
Loans				
Commercial loans	178,104	157,832	164,815	
Consumer loans	518,200	525,065	535,819	
Real estate mortgage loans	751,651	729,704	716,013	
Real estate construction loans	95,369	135,343	135,319	
Total loans, gross	1,543,324	1,547,944	1,551,966	
Allowance for loan losses	(24,281)	(19,383)	(17,331)	
Premises and equipment	19,580	20,069	20,492	
Cash value of life insurance	45,701	45,341	44,981	
Goodwill	15,519	15,519	15,519	
Intangible assets	920	1,053	1,176	

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Other assets	40,930	32,933	33,827
Total assets	1,980,490	1,999,350	1,980,621
Deposits			
Noninterest-bearing demand deposits	347,336	358,684	378,680
Interest-bearing demand deposits	215,530	216,478	216,952
Savings deposits	382,918	398,763	383,226
Time certificates	565,269	554,550	566,365
Total deposits	1,511,053	1,528,475	1,545,223
Federal funds purchased	123,750	102,300	56,000
Reserve for unfunded commitments	3,465	2,915	2,090
Other liabilities	29,250	31,355	31,066
Other borrowings	85,048	103,767	116,126
Junior subordinated debt	41,238	41,238	41,238
Total liabilities	1,793,804	1,810,050	1,791,743
Total shareholders' equity	186,686	189,300	188,878
Accumulated other			
comprehensive gain (loss)	(2,980)	25	(1,552)
Average loans	1,546,257	1,535,357	1,530,729
Average interest-earning assets	1,819,222	1,817,212	1,776,770
Average total assets	1,986,674	1,988,666	1,949,096
Average deposits	1,507,252	1,511,604	1,545,369
Average total equity	\$192,005	\$193,449	\$188,753