



TRICO BANCSHARES

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ANNUAL REPORT

## TriCo Bancshares

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

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

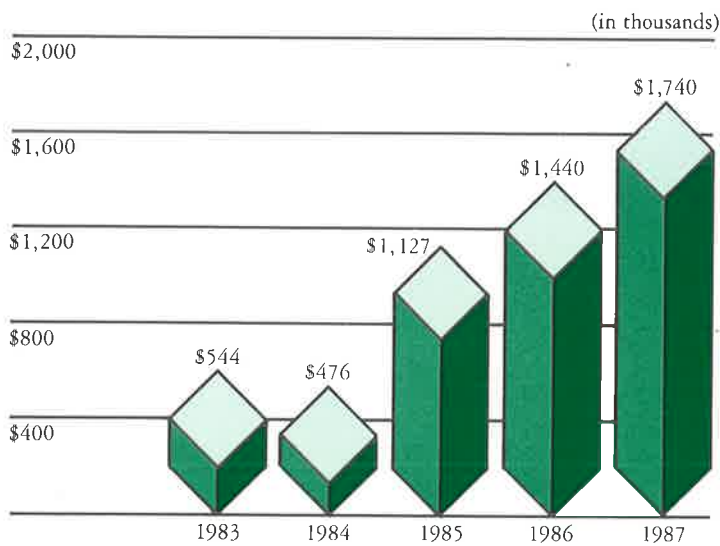
The Bank's operating policy since its inception has emphasized retail banking. Most of the Bank's customers are retail customers and small to medium-sized businesses. The business of the Bank emphasizes serving the needs of local businesses, farmers and ranchers, retired individuals and wage earners. The majority of the Bank's loans are direct loans made to individuals and businesses in the area, and most of the Bank's deposits are attracted from individuals and business-related sources. 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.

## Financial Highlights

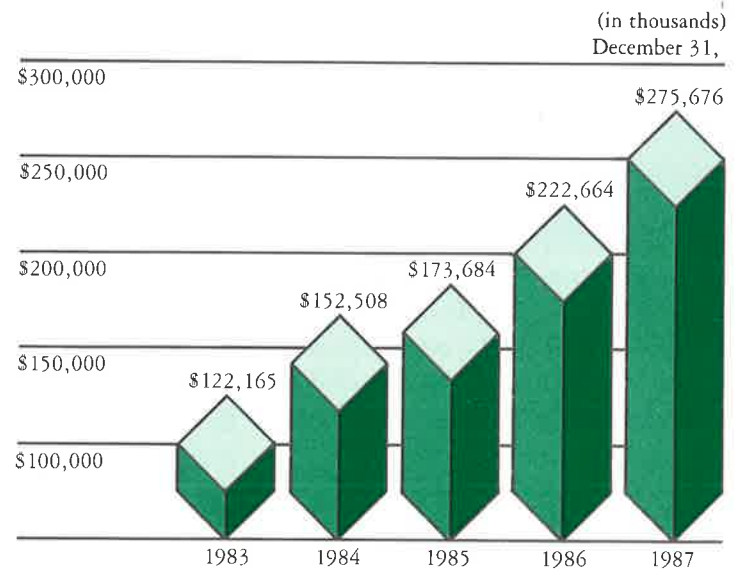
(in thousands, except earnings per common share)

	Years ended December 31,				
	1987	1986	1985	1984	1983
<b>Assets</b>	\$275,676	\$222,664	\$173,684	\$152,508	\$122,165
<b>Securities investments</b>	72,719	41,430	29,422	22,310	18,412
<b>Loans, net</b>	165,856	140,361	108,352	90,985	79,130
<b>Deposits</b>	252,859	200,314	152,260	132,800	108,588
<b>Shareholders' equity</b>	14,164	12,900	11,756	8,177	7,586
<b>Interest income</b>	21,627	19,072	17,051	15,675	13,444
<b>Interest expense</b>	11,564	9,939	9,559	9,047	7,039
<b>Net income</b>	1,740	1,440	1,127	476	544
<b>Earnings per common share</b>	\$ 1.44	\$ 1.10	\$ .97	\$ .51	\$ .58
<b>Stock dividend per common share</b>	—	5.00%	5.00%	5.00%	—
<b>Return on average assets</b>	0.73%	0.76%	0.71%	0.36%	0.44%
<b>Return on common shareholders' equity</b>	13.01%	11.66%	11.31%	6.04%	8.12%

### Net Income



### Total Assets



## President's Message



Robert H. Steveson  
President & Chief Executive Officer

### Dear Shareholder:

It is my pleasure to tell you TriCo Bancshares experienced another good year in 1987. Total assets increased from \$222,664,000 to \$275,676,000. At the same time, earnings per share were \$1.44 compared to \$1.10 in 1986. A cash dividend of \$.275 per share was approved by the Board of Directors on October 14, 1987, and dividend checks were mailed on December 10, 1987 to shareholders of common stock of record as of October 30, 1987.

Tri Counties Bank, our wholly-owned subsidiary, grew from 11 to 12 branches when we acquired the Yreka Office of Wells Fargo Bank in November. The Bank's total deposits for the year increased \$52,545,000, with approximately \$24,000,000 coming from the Yreka Office, resulting in year-end deposits of \$252,859,000.

The Bank not only attracted new deposit dollars but increased loan totals 18% by lending those dollars to local Bank customers. Competition for prime loans has steadily increased during 1987 and we anticipate the trend to continue through 1988. Due to economic uncertainties, business people are more hesitant to acquire new debt than they were in previous years. The Bank will be active in the lending market, but we will continue to maintain our high asset quality while maximizing our rate of return.

During 1987, the Bank successfully introduced three new products and services — INVEST, TriCo Line, and automatic teller machines (ATMs). In 1988, we will continue to offer new products and services that will be beneficial to our customers. Concurrently, we will continue to evaluate existing banking services and streamline or discontinue those that are no longer profitable.

The Directors, Management and Staff of your Company are looking forward to 1988 and its challenges. We have a strong commitment to provide the best services available in our banking area, and will be prepared to accept new opportunities as they come.

Sincerely,

Robert H. Steveson  
President & Chief  
Executive Officer

## Board of Directors



Left to right:

**Wendell J. Lundberg**

Owner, Wehah Farms, rice and grain operations, Richvale

**Donald E. Murphy**

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

**Sankey M. Hall, Jr.**

Retired Businessman, Colonel, US Air Force Reserve Retired, Chico

**Donald J. Casey, M.D.**

Retired Physician, Chico

**DeWayne E. Caviness, M.D.**

Physician and Surgeon, Chico

**Wayne Meeks**

Owner, Wayne Meeks Red Bluff Ford-Mercury, Red Bluff

Left to right:

**Alex A. Vereschagin, Jr.**

Chairman of the Board, Secretary-Treasurer, Vereschagin Oil Company, petroleum distribution company, Orland

**Everett B. Beich**

Vice Chairman of the Board, Owner, Beich Company, real estate development, Chico

**Robert H. Steveson**

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

**Fred W. Hignell III**

Secretary of the Board, Principal Partner, Hignell & Hignell, Inc., investment and development company, Chico

**Robert J. Stern**

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



## New Additions In 1987

Tri Counties Bank expanded its presence in Northern California with the addition of a new branch in Yreka this year, bringing the total number of branches to 12. Along with expanding our banking network, which now serves 11 Northern California communities, we have initiated new services and maintained steady growth in our assets.

This year's addition of the Yreka Branch reflects the kind of careful acquisition of existing banks in key areas that has allowed us to add and improve services throughout our network.

### Branching Out.

The new Yreka Branch of Tri Counties Bank, a former branch of Wells Fargo Bank, increases the service area population by an estimated 38,000. It serves most of Siskiyou County and is the third-largest financial institution in that area.

Its acquisition gives Tri Counties Bank an office in a section of our market area not currently served and, at the same time, gives existing customers the benefits of a larger branch network.

### New Financial Services.

**INVEST.** Response to our personal investment services program introduced in January through the Chico office has been very strong. Such programs generally begin to show a profit within a year; ours was profitable from the first month.

Due to the success of this program in its first year, we have opened a second office in Redding and added additional staff to accommodate the demand. Working out of the Chico and Redding offices, our INVEST manager, Ron Bee, and staff of INVEST representatives travel to every branch at least once a month.

This service is not only convenient, INVEST charges lower fees on stocks and bonds than regular brokerage firms.

### Personal Financial Planning.

This fee-based service, which will be introduced in the spring of 1988, is designed to identify clients' individual financial goals and to help them achieve these goals through a coordinated financial plan. Our financial planner will be working closely with each client to develop a customized program drawn from a wide range of options and based on a detailed profile of the individual's present resources, lifestyle and expected needs.

The planning services available cover every need from income tax to estate planning, educational funding, cash flow, investment planning, disability and survivor income, risk management, and insurance planning.

### Asset Growth.

With a 24 percent growth rate, Tri Counties Bank has moved up seven ranks, from 60th to 53rd out of 450 banks in the state.

Assets, now at \$276 million, have doubled since 1983. Total growth during 1987 was \$53 million, with roughly half of that coming from the new Yreka branch.

Our loan departments are also strong with \$22 million in S.B.A. loans and \$40 million in FHLMC loans sold into secondary markets. The Bank's loan portfolio is approximately \$167 million. While loan processing has been centralized, loan decisions continue to be made at the local level.

Philadelphia Square, the 25-acre business park where our main office is located, is now 50 percent complete with 14 lots sold and 13 buildings either completed or under construction.

### Community Involvement.

Individual and corporate involvement in community activities has always been a matter of policy and personal commitment at all Tri Counties Bank offices. This year, in addition to working with Chambers of Commerce, Kiwanis, Jaycees, and other civic organizations, our offices supplied volunteers to youth groups and senior citizen groups, contributed to scholarship funds at CSUC and several high schools, and supported virtually every major event, from the Christmas Seal Ball to the Willows Lamb Derby, 4H, FFA and Junior Livestock sales in Orland, Fall River, Bieber and Burney; rodeos in Redding and Cottonwood; and the Harvest Festival in Durham. Apart from bringing personal satisfaction, these activities help identify the Bank as an active presence in the communities it serves.



**Administration  
Tri Counties Bank**



Left to right:

**Kathleen Pisani**  
Executive Secretary

**David Raven**  
Vice President &  
Regional Loan Specialist

**Lawrence Sparks**  
Vice President &  
Loan Supervisor

**Larry Hall**  
Vice President &  
Data Processing Manager

**Janet K. Hannis**  
Assistant Vice President  
& Sales Administrator

Left to right:

**Ruth Irvine**  
Assistant Vice President  
& Personnel Manager

**Daniel Herbert**  
Vice President & Cashier

**Joan Jones**  
Executive Vice President &  
Chief Administrative Officer

**Carroll Taresch**  
Regional Vice President

**James Mabry**  
Senior Vice President  
& Loan Administrator



## Accountants' Report

### Board of Directors and Shareholders TriCo Bancshares and Subsidiaries Chico, California

We have examined the consolidated balance sheets of TriCo Bancshares and Subsidiaries at December 31, 1987 and 1986, and the related consolidated statements of income, changes in shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of TriCo Bancshares and Subsidiaries at December 31, 1987 and 1986, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles applied on a consistent basis.

*Touche Ross & Co.*

Certified Public Accountants  
San Francisco, California  
January 27, 1988



## Consolidated Balance Sheets

(In thousands, except share amounts)

TriCo Bancshares and Subsidiaries

Assets	December 31,	
	1987	1986
Cash and due from banks	\$ 10,501	\$ 13,745
Interest-bearing deposits	550	
Federal funds sold	5,000	5,200
Investment securities (approximate market value \$67,814 and \$41,432)	72,719	41,430
Loans held for sale	—	2,134
<b>Loans:</b>		
Commercial	89,638	63,861
Consumer installment	33,909	33,053
Real estate mortgages	37,290	34,773
Real estate construction	4,765	8,462
Lease financing	1,772	1,562
	167,374	141,711
Less: Allowance for loan losses	1,518	1,350
Net loans	165,856	140,361
Premises and equipment, net	7,032	6,600
Investment in real estate	7,098	7,177
Other real estate owned	1,743	1,851
Accrued interest receivable	2,442	1,724
Other assets	2,735	2,442
<b>Total assets</b>	<b>\$275,676</b>	<b>\$222,664</b>
Liabilities and shareholders' equity	December 31,	
	1987	1986
<b>Deposits:</b>		
Noninterest-bearing demand	\$ 47,363	\$ 45,398
Interest-bearing demand	83,493	67,534
Savings	26,711	16,788
Time certificates, \$100,000 and over	4,363	3,557
Other time certificates	90,929	67,037
Total deposits	252,859	200,314
Accrued interest and other liabilities	2,650	3,517
Deferred income taxes	660	663
Long-term debt	5,343	5,270
<b>Total liabilities</b>	<b>261,512</b>	<b>209,764</b>
Commitments and contingencies (Note M)		
<b>Shareholders' equity:</b>		
Preferred stock, no par value: Authorized 1,000,000 shares; issued and outstanding 26,724 shares	2,544	2,544
Common stock, no par value: Authorized 20,000,000 shares; issued and outstanding 899,178 and 893,660 shares	7,878	7,812
Retained earnings	3,742	2,544
<b>Total shareholders' equity</b>	<b>14,164</b>	<b>12,900</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$275,676</b>	<b>\$222,664</b>

See Notes to Consolidated Financial Statements

## Consolidated Statements Of Income

TriCo Bancshares and Subsidiaries

(In thousands, except earnings per share)

	Years Ended December 31,		
	1987	1986	1985
<b>Interest income:</b>			
Interest and fees on loans	\$17,505	\$16,781	\$14,868
Interest on federal funds sold	365	331	183
Interest on investment securities — taxable	3,238	1,155	1,172
Interest on investment securities — tax exempt	519	805	828
Total interest income	21,627	19,072	17,051
<b>Interest expense:</b>			
Interest on money market, savings and time certificates of deposit	10,791	8,928	7,901
Interest on time certificates of deposit \$100,000 and over	262	424	949
Interest on short-term borrowing	42	6	45
Interest on long-term debt	469	581	664
Total interest expense	11,564	9,939	9,559
<b>Net interest income</b>	10,063	9,133	7,492
Provision for loan losses	480	878	698
<b>Net interest income after provision for loan losses</b>	9,583	8,255	6,794
<b>Other income:</b>			
Service charges	1,622	1,576	1,537
Other income	743	348	
Investment securities gains	179	1,013	515
Total other income	2,544	2,937	2,052
<b>Other expenses:</b>			
Salaries and related expenses	4,415	3,989	3,720
Other	5,042	5,013	3,728
Total other expenses	9,457	9,002	7,448
<b>Net income before income taxes</b>	2,670	2,190	1,398
Income taxes	930	750	271
<b>Net income</b>	\$ 1,740	\$ 1,440	\$ 1,127
<b>Net income applicable to common stock</b>	\$ 1,445	\$ 1,145	\$ 1,003
<b>Earnings per common share</b>	\$ 1.44	\$ 1.10	\$ .97

See Notes to Consolidated Financial Statements

## Consolidated Statements Of Changes In Shareholders' Equity

Years ended December 31, 1987, 1986  
and 1985

(In thousands, except share amounts)

TriCo Bancshares and Subsidiaries

	Preferred Stock		Common Stock		Retained Earnings	Total
	Number of Shares	Amount	Number of Shares	Amount		
Balance, January 1, 1985	—	—	791,847	\$6,674	\$1,503	\$ 8,177
Capital notes converted to common stock	—	—	3,082	40	—	40
5% stock dividend, less cash paid for fractional shares	—	—	38,844	441	(449)	(8)
Preferred stock issued	26,724	\$2,544	—	—	—	2,544
Preferred stock dividends	—	—	—	—	(124)	(124)
Net income	—	—	—	—	1,127	1,127
Balance, December 31, 1985	26,724	2,544	833,773	7,155	2,057	11,756
5% stock dividend, less cash paid for fractional shares	—	—	41,003	431	(438)	(7)
Common stock issued	—	—	18,884	226	—	226
Preferred stock dividends	—	—	—	—	(295)	(295)
Common stock dividends	—	—	—	—	(220)	(220)
Net income	—	—	—	—	1,440	1,440
Balance, December 31, 1986	26,724	2,544	893,660	7,812	2,544	12,900
Capital notes converted to common stock	—	—	5,518	66	—	66
Preferred stock dividends	—	—	—	—	(295)	(295)
Common stock dividends	—	—	—	—	(247)	(247)
Net income	—	—	—	—	1,740	1,740
Balance, December 31, 1987	26,724	\$2,544	899,178	\$7,878	\$3,742	\$14,164

See Notes to Consolidated Financial Statements

# Consolidated Statements Of Changes In Financial Position

(In thousands)

TriCo Bancshares and Subsidiaries

	Years Ended December 31,		
	1987	1986	1985
<b>Financial resources were provided by (applied to):</b>			
Operations			
Net income	\$ 1,740	\$ 1,440	\$ 1,127
Noncash items:			
Depreciation and amortization	797	831	780
Provision for loan losses	480	878	698
Deferred income taxes	(3)	353	264
Financial resources provided by operations	3,014	3,502	2,869
Preferred stock, cash dividend	(295)	(295)	(124)
Common stock, cash dividend	(247)	(220)	—
Net financial resources provided by operations	2,472	2,987	2,745
<b>Deposits and other financing activities:</b>			
Deposits:			
Interest bearing	50,580	36,065	13,575
Noninterest bearing	1,965	11,989	5,885
	52,545	48,054	19,460
Other financing activities:			
Issuance of common stock	66	226	—
Issuance of preferred stock	—	—	2,544
Subordinated debt issued	—	—	1,257
Long-term debt borrowings	3,500	1,000	—
Long-term debt retired	(1,636)	(154)	(2,096)
Subordinated debt retired	(1,791)	(243)	(260)
Net effect of stock dividend	—	(7)	(8)
	139	822	1,437
Other activities:			
Cash and due from banks	3,244	(2,784)	(246)
Premises and equipment, net	(985)	(214)	(899)
Other real estate owned, net	108	(192)	2,042
Other, net	(2,122)	(1,411)	(662)
	245	(4,601)	235
<b>Increase in financial resources invested in earning assets</b>	<b>\$55,401</b>	<b>\$47,262</b>	<b>\$23,877</b>
<b>Increase (decrease) in earning assets:</b>			
Interest-bearing deposits	\$ 550	—	—
Federal funds sold	(200)	\$ 5,200	\$ (1,000)
Investment securities	31,289	12,008	7,112
Loans held for sale	(2,134)	134	(2,407)
Loans, net	25,975	32,887	18,065
Investment in real estate	(79)	(2,967)	2,107
<b>Increase (decrease) in earning assets</b>	<b>\$55,401</b>	<b>\$47,262</b>	<b>\$23,877</b>

See Notes to Consolidated Financial Statements

## Notes To Consolidated Financial Statements

Years ended December 31, 1987, 1986  
and 1985

TriCo Bancshares and Subsidiaries

### 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 prevailing practices within the banking industry. The Company carries its assets and liabilities principally on the historical cost basis and follows the accrual method of accounting.

#### Basis of Presentation

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 material intercompany accounts and transactions have been eliminated.

#### Investment Securities

Investment securities are carried at cost, adjusted for the accretion of discounts and amortization of premiums using the interest method. Amortization is recognized as an adjustment to interest income. Gains and losses (determined on a specific identification method) on sales of investment securities are presented separately in the statements of income.

#### Loans

Loans are reported at the principal amount outstanding, net of unearned income and the allowance for loan losses. Interest on other loans is calculated by using the simple interest method on the daily balance of the principal amount outstanding. Loan fees which represent an adjustment to interest yield are deferred and amortized over the estimated life of the loan.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. Accrual of interest on loans is generally discontinued either when reasonable doubt exists as to the full, timely collection of interest or principal or when a loan becomes contractually past due by 90 days or more with respect to interest or principal. When a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against the allowance for loan losses. 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.

Renegotiated loans are those loans on which concessions in terms have been granted because of a borrower's financial difficulty. Interest is generally accrued on such loans in accordance with the new terms.

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

#### Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely or, with respect to consumer installment loans, according to an established delinquency schedule. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans, leases and commitments to extend credit, based on evaluations of the collectibility and prior loss experience of loans, leases and commitments to extend credit. The evaluations take into consideration such factors as changes in the nature and volume 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.

#### Intangible Assets

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

## Notes To Consolidated Financial Statements (Continued)

TriCo Bancshares and Subsidiaries

Years ended December 31, 1987, 1986 and 1985

### Premises and Equipment

Premises (including those acquired under capital lease) and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expenses are computed using the straight-line method over the shorter of the estimated useful life of the asset or lease term.

### Investment in Real Estate

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

Subsequent to acquisition or transfer, properties included in the investment in real estate account are periodically appraised. Any decline in value below the carrying amount of a property is included in other expense. Income and expenses on the investment in real estate is included in other operating 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. Prior to foreclosure, the value of the underlying loan is written down to the fair market value of the real estate to be acquired by a charge to the allowance for loan losses, if necessary. Any subsequent write-downs are included in other expenses. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in other expenses.

### Income Taxes

Deferred income taxes are provided for timing differences between items of income or expense reported in the consolidated financial statements and those reported for income tax purposes. Investment tax credits related to premises and equipment are accounted for under the flow-through method as a reduction of income tax expense in the period the assets are placed in service.

### 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 assumed outstanding during each year adjusted retroactively to reflect stock dividends

declared, including the 8% dividend declared in 1988 (see Note O). The assumed conversion of the convertible capital notes results in elimination of the related interest expense, net of income tax effect, in the computation of earnings per common share in 1987 and 1986. The weighted average number of shares used in the computation of earnings per common share was 1,014,649, 1,103,318 and 1,125,570 for 1987, 1986 and 1985. Fully diluted earnings per common share are not presented because such amounts would not differ materially from the reported earnings per common share amounts in any of the years presented.

### Note B — Restricted Cash Balances

Reserves (in the form of deposits with the Federal Reserve Bank) of \$900,000 and \$1,250,000 were maintained to satisfy Federal regulatory requirements at December 31, 1987 and December 31, 1986.

### Note C — Investment Securities

The carrying amount and estimated market values of investment securities are summarized as follows:

	December 31, 1987		December 31, 1986	
	Carrying Amount	Market Value	Carrying Amount	Market Value
	(in thousands)			
U. S. Treasury and other:				
U.S. government agencies and corporations	\$44,827	\$40,839	\$29,757	\$29,734
State and political subdivisions	11,146	10,736	11,673	11,698
Mutual funds:				
U.S. government agencies and corporations	4,000	3,902	—	—
State and political subdivisions	3,000	2,987	—	—
Other investments	9,746	9,350	—	—
	\$72,719	\$67,814	\$41,430	\$41,432

Investment securities with an aggregate carrying amount of \$1,308,000 and \$3,774,000 at December 31, 1987 and 1986, were pledged as collateral for public deposits as required by law.

An investment in real estate limited partnerships of \$6,000,000 is carried at cost. Since a ready market does not exist for these investments, the market value was estimated to be at cost by management.

## Notes To Consolidated Financial

### Statements (Continued)

Years ended December 31, 1987, 1986 and 1985

TriCo Bancshares and Subsidiaries

The Bank generally intends to hold investment securities to maturity and, therefore, a valuation allowance is not provided for the excess of carrying amount over market value at December 31, 1987.

#### Note D — Allowance for Loan Losses

Transactions in the allowance for loan losses were as follows:

	Years Ended December 31,		
	1987	1986	1985
	(in thousands)		
Balance, beginning of year	\$1,350	\$1,121	\$ 945
Provision charged to operations	480	878	698
Loans charged off	(488)	(855)	(628)
Recoveries of loans previously charged off	176	206	106
Balance, end of year	\$1,518	\$1,350	\$1,121

Loans classified as nonaccrual amounted to approximately \$533,000, \$1,698,000 and \$2,068,000 at December 31, 1987, 1986 and 1985. If interest on those loans had been accrued, such income would have approximated \$97,000, \$131,000 and \$320,000 in 1987, 1986 and 1985.

#### Note E — Premises and Equipment

Premises and equipment are comprised of:

	December 31,	
	1987	1986
	(in thousands)	
Premises (including \$831,000 acquired under capital lease)	\$6,164	\$5,587
Furniture and equipment	2,870	2,662
	9,034	8,249
Less:		
Accumulated depreciation	(3,079)	(2,555)
Accumulated amortization of capital leases	(219)	(190)
	5,736	5,504
Land	1,296	1,096
	\$7,032	\$6,600

Depreciation and amortization of premises and equipment amounted to \$553,000, \$582,000 and \$555,000 in 1987, 1986 and 1985.

#### Note F — Income Taxes

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

	Years Ended December 31,		
	1987	1986	1985
	(in thousands)		
Current:			
Federal	\$671	\$118	\$ 10
State	262	279	179
	933	397	189
Deferred:			
Federal	4	397	72
State	(7)	(44)	10
	(3)	353	82
	\$930	\$750	\$271

Deferred income tax expense resulted from the following (in thousands):

Increase (reduce) deferred income taxes:			
Tax credits	\$ 62	\$515	\$ 38
Difference between cash and accrual basis of accounting	(41)	(145)	102
Provision for loan losses	(95)	3	(22)
Provision for loss on other real estate	18	134	(77)
Amortization of core deposits	(219)	(168)	(112)
Use of accelerated depreciation methods for tax purposes	61	113	39
Capitalized leases	(14)	(20)	(11)
Direct financing leases	(35)	(35)	31
Leveraged leases	300	—	—
Restoration of deferred taxes, applicable to utilization of prior year's net operating loss carryovers	—	—	58
Other differences	(40)	(44)	36
	\$ (3)	\$353	\$ 82

The cash basis of accounting is not available after 1986 because of changes in tax laws.

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

Federal statutory income tax rate	40.0%	46.0%	46.0%
Reduction of taxes previously provided, no longer required	—	—	(5.3)
State income taxes, net of federal tax benefit	5.7	5.9	5.8
Investment tax credits	—	—	(1.3)
Tax-exempt interest on municipal obligations	(6.6)	(15.4)	(24.5)
Tax bracket rate differential	—	—	(1.5)
Other	(4.3)	(2.3)	.1
Effective Tax Rate	34.8%	34.2%	19.3%

## Notes To Consolidated Financial Statements (Continued)

TriCo Bancshares and Subsidiaries

Years ended December 31, 1987, 1986 and 1985

### Note G — Long-Term Debt

Long-term debt is as follows:	December 31,	
	1987	1986
	(in thousands)	
Term loan agreement, interest at prime times 1.1 at December 31, 1987, collateralized by 100% of the Bank stock, requires the Bank to maintain a primary capital to total assets ratio of at least .065 to 1 and restricts payments of cash dividends or distribution of the Company's assets to its shareholders: Quarterly principal payments \$145,833 beginning September 15, 1988.	\$3,500	
Term loan agreement, interest at prime plus 1 to 2 percent (9.5% at December 31, 1986), collateralized by 100% of the Bank stock, requires the Bank to maintain a primary capital to total assets ratio of at least .07 to 1 and restricts payments of cash dividends or distribution of the Company's assets to its shareholders: Quarterly principal payments \$57,416 through June 15, 1992.	\$1,260	
14¼% subordinated capital notes due on July 1, 1988 and July 1, 1992, in the amounts of \$393,000 and \$864,600, with interest payable monthly. Notes may be prepaid in whole or in part anytime after July 1, 1988.	1,257	1,257
Capital lease obligation on premises, effective interest rate of 12% payable monthly in varying amounts through December 1, 2009.	586	586
9% subordinated capital notes due April 1, 1989, with interest payable semiannually. Notes may be prepaid in whole or in part at any time.		
9½% convertible subordinated capital notes payable in annual installments of \$400,000, including interest; balance due March 27, 1988. Notes are convertible into common stock of the Company originally at \$15.20 per share (subject to certain adjustments as defined in the Note agreement). The adjusted price at December 31, 1986 was \$11.93. Notes may be prepaid in whole or in part at par value at any time prior to maturity, subject to the holder's prior right of conversion.		1,641
10% mortgage payable in monthly installments of \$4,000, including interest, through December 1, 2003, collateralized by a first deed of trust on certain Bank premises.		376
	\$5,343	\$5,270

The aggregate maturities of long-term debt, excluding the capital lease obligation, are as follows:

	(in thousands)
1988	\$ 539
1989	583
1990	583
1991	583
1992	1,449
Thereafter	1,020

Future minimum annual lease payments under the capital lease obligation are as follows (in thousands):

	(in thousands)
1988	\$ 76
1989	76
1990	77
1991	78
1992	79
Thereafter	1,488
Net minimum lease payments	1,874
Less amount representing interest	1,288
Present value of net minimum lease payments	\$ 586

### Note H — Other Operating Expenses

The components of other operating expenses are as follows:

	Years Ended December 31,		
	1987	1986	1985
	(in thousands)		
Equipment and data processing	\$ 923	\$ 826	\$ 861
Occupancy	759	777	556
Advertising	259	241	139
Net other real estate expense	180	440	307
Losses and expenses, net of income on investment in real estate	201	534	—
Legal	220	231	168
Other	2,500	1,964	1,697
	\$5,042	\$5,013	\$3,728

### 150 Note I — Retirement Plans

Substantially all employees with at least one year of service are covered by discretionary employee stock ownership and discretionary profit-sharing plans. Contributions are made to each plan at the discretion of the Board of Directors. A contribution to the discretionary employee stock ownership plan of \$192,000 in 1987 and 1986 is included in salary expense for both years. No contributions were approved to the discretionary profit-sharing plan in 1987 or 1986.

In 1987, the Company adopted the supplemental retirement plan for directors and the supplemental executive retirement plan covering key executives. The plans are nonqualified benefit plans and are unsecured and unfunded. The cost of the plans is being defensed through corporate-owned insurance on the lives of the participants.



## Notes To Consolidated Financial

### Statements (Continued)

Years ended December 31, 1987, 1986  
and 1985

The following table sets forth the plan's status and amounts recognized in the Company's December 31, 1987, consolidated balance sheet, as follows:

	Supplemental Retirement Plan for Directors	Supplemental Executive Retirement Plan
	(in thousands)	
Actuarial present value of benefit obligations:		
Projected benefit obligation for service rendered to date	\$233	\$415
Plan assets at fair value	\$-0-	\$-0-
Projected benefit obligation in excess of plan assets	\$233	\$415
Unrecognized net gain from past experience different from that assumed and effects of changes in assumptions	-0-	-0-
Prior service cost not yet recognized in net periodic pension cost	-0-	-0-
Unrecognized net obligation at May 1, 1987, being recognized over 15 years	(216)	(383)
Prepaid pension cost included in other assets	\$ 17	\$ 32
Net pension cost for 1987 included the following components:		
Service cost-benefits earned during the period	\$ 5	\$ 13
Interest cost on projected benefit obligation	7	12
Actual return on plan assets	-0-	-0-
Net amortization and deferral	4	7
Net periodic pension cost	\$ 16	\$ 32

The net periodic pension cost was determined using a 9.00% discount rate assumption.

Also in 1987, the Company adopted the Executive Deferred Compensation Plan under which directors and key executives designated by the Board of Directors of the Company may defer a portion of their compensation.

### Note J — Preferred Stock

On July 31, 1985, the Company issued 26,724 shares of Series A 11% Preferred Stock.

The Company may redeem the preferred stock in whole or in part at its option on or after July 1, 1988 at \$100 per share plus accrued and unpaid dividends. The preferred stock is nonvoting, has a dividend preference and has a liquidation preference of \$100 per share plus accrued and unpaid dividends.

### Note K — Dividend Restrictions

Banking regulations limit the amount of dividends that may be paid without prior approval of the Bank's regulatory agencies. Retained earnings from which dividends may be paid without prior approval of the State Superintendent of Banks amounted to \$3,742,000 at December 31, 1987. In addition, the Company is not allowed to make cash dividends to common stockholders without express prior written consent from its long-term debt creditor.

### Note L — Related Party Transactions

Certain directors and officers and companies with which they are associated were customers of, and had banking transactions with, the Company in the ordinary course of business. It is the Company's policy that all loans and commitments to lend to officers and directors be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other borrowers of the Bank. These loans totaled \$3,643,000 and \$4,784,000 at December 31, 1987 and 1986.

### Note M — Commitments and Contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities that are not presented in the accompanying financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit, and standby letters of credit. At December 31, 1987, undisbursed commercial and real estate loans amounted to \$21,347,000 and \$3,207,000. Standby letters of credit and guarantees totaled \$2,099,000 at December 31, 1987. The Bank does not anticipate any material losses as a result of the commitments and contingent liabilities.

The Bank has available unused lines of credit totaling \$10,000,000 for federal funds transactions.

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

## Notes To Consolidated Financial Statements (Continued)

Years ended December 31, 1987, 1986 and 1985

TriCo Bancshares and Subsidiaries

At December 31, 1987, minimum commitments under noncancellable operating leases with initial or remaining terms of one year or more are as follows (in thousands):

1988	\$194
1989	174
1990	137
1991	133
1992	72
Thereafter	—
	\$710

Rent expense under operating leases was \$233,000, \$228,000 and \$259,000 in 1987, 1986 and 1985.

### Note N — Acquisitions

In 1987, the Bank purchased a branch located in Yreka, California, with total assets of approximately \$23 million from another bank.

### Note O — Subsequent Event

In 1988, the Board of Directors declared an 8% stock dividend to stockholders of record as of February 1, 1988, and will transfer from retained earnings to common stock the amount of \$14.50 for each share to be issued.

### Note P — TriCo Bancshares Financial Statements TriCo Bancshares (Parent Only)

#### Balance Sheets

(In thousands except share amounts)

	December 31,	
	1987	1986
<b>Assets</b>	(in thousands)	
Cash	\$ 288	\$ 279
Loans	350	350
Investment in Tri Counties Bank	18,224	14,279
Other assets	97	104
Income tax benefit	9	451
<b>Total Assets</b>	<b>\$18,968</b>	<b>\$15,463</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Long-term debt	\$ 4,758	\$ 2,518
Other liabilities	46	45
<b>Shareholders' equity:</b>		
Preferred stock, no par value:		
Authorized 1,000,000 shares; issued and outstanding 26,724 shares	2,544	2,544
Common stock, no par value:		
Authorized 20,000,000 shares; issued and outstanding 899,178 and 893,660 shares	7,878	7,812
Retained earnings	3,742	2,544
<b>Total shareholders' equity</b>	<b>14,164</b>	<b>12,900</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$18,968</b>	<b>\$15,463</b>

### Statements of Income

	Years Ended December 31,		
	1987	1986	1985
	(in thousands)		
Interest income	\$ 32	\$ 13	\$ 8
Interest expense on long-term debt	350	256	258
Administration expense	12	17	7
<b>Total expense</b>	<b>362</b>	<b>273</b>	<b>265</b>
Loss before equity in net income of Tri Counties Bank	330	260	257
Equity in net income of Tri Counties Bank	1,922	1,565	1,250
Income tax credits	(148)	(135)	(134)
<b>Net income</b>	<b>\$1,740</b>	<b>\$1,440</b>	<b>\$1,127</b>

### Statements of Changes in Financial Position

	Years Ended December 31,		
	1987	1986	1985
	(in thousands)		
<b>Financial resources were provided by (applied to):</b>			
<b>Operations:</b>			
Net income	\$1,740	\$1,440	\$1,127
<b>Noncash items:</b>			
Equity in net income of Tri Counties Bank	(1,922)	(1,565)	(1,251)
Amortization	6	13	6
Provision for income taxes	(148)	(135)	(134)
<b>Financial resources provided by operations</b>	<b>(324)</b>	<b>(247)</b>	<b>(252)</b>
Preferred stock, cash dividend	(295)	(295)	(124)
Common stock, cash dividend	(247)	(220)	—
<b>Net financial resources applied to operations</b>	<b>(866)</b>	<b>(762)</b>	<b>(376)</b>
<b>Deposits and other financing activities:</b>			
<b>Financing activities and shareholders' equity transactions:</b>			
Issuance of common stock	66	226	—
Issuance of preferred stock	—	—	2,544
Subordinated debt issued	—	—	1,257
Long-term debt incurred	3,500	1,000	—
Long-term debt retired	(1,260)	(147)	(1,906)
Contributed capital to Tri Counties Bank	(2,400)	(600)	(1,800)
Dividend from Tri Counties Bank	444	925	503
Net effect of stock dividend	—	(7)	(8)
<b>Other activities:</b>			
Cash and due from banks	9	(278)	—
Other	507	(7)	(214)
<b>Increase in financial resources invested in earning assets</b>	<b>\$ —</b>	<b>\$ 350</b>	<b>\$ —</b>
<b>Increase in earning assets — loans, net</b>	<b>\$ —</b>	<b>\$ 350</b>	<b>\$ —</b>
<b>Increase in earning assets</b>	<b>\$ —</b>	<b>\$ 350</b>	<b>\$ —</b>

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

Quarter Ended:	Prices of the Company's Common Stock <sup>1,2</sup>		Approximate Trading Volume (in shares)
	High	Low	
March 31, 1986	\$ 9.72	\$ 9.26	13,478
June 30, 1986	9.72	9.26	38,161
September 30, 1986	10.77	9.72	43,755
December 31, 1986	11.81	10.19	57,050
March 31, 1987	13.89	11.11	40,975
June 30, 1987	13.89	12.96	25,394
September 30, 1987	14.35	13.43	14,059
December 31, 1987	14.35	12.96	22,266

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

<sup>2</sup> Figures adjusted to reflect the 5% stock dividend paid on June 16, 1986 and the 8% stock dividend to be paid on March 31, 1988 to shareholders of record on February 1, 1988.

**Holders.** As of December 31, 1987, there were approximately 1,501 holders of record of the Company's Common Stock.

**Dividends.** On December 10, 1987, the Company paid a cash dividend of \$.275 per share of Common Stock. On December 10, 1986, the Company paid a cash dividend of \$.25 per share of Common Stock. The Company has paid no other cash dividends during the last two fiscal years, but on March 31, 1988 the Company will pay an 8% stock dividend to its shareholders and on June 16, 1986 the Company paid a 5% stock dividend. 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"), a certain loan agreement of the Company and the dividend rights of the holders of the Series A Preferred Stock.

Pursuant to the terms of a loan agreement between the Company and First Interstate Bank of California in the aggregate amount of \$3,500,000, the Company is restricted in its ability to pay cash dividends to its Common Stock shareholders. See Note K to Consolidated Financial Statements. The Certificate of Determination of Preferences of the Series A Preferred Stock prohibits the payment of dividends to the holders of Common Stock if the Company is

not current in its payments of dividends to the Preferred Stock shareholders. The Corporation Law provides that a corporation may make a distribution to its shareholders if the corporation's retained earnings equal at least the amount of the proposed distribution.

The Company, as sole shareholder of the Bank, is entitled to dividends when and as declared by the Bank's Board of Directors, out of funds legally available therefor, subject to the powers of the Federal Deposit Insurance Corporation (the "FDIC") and the restrictions set forth in the California Financial Code (the "Financial Code") and the loan agreement. The Financial Code provides that a bank may not make any distributions to its shareholders in excess of the lesser 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 cash dividends in the aggregate amount of \$444,000 in 1987. The loan agreement with First Interstate Bank of California restricts the dividends that the Bank may pay to the Company.

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

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

TriCo Bancshares and Subsidiaries

As the Company has not commenced any business operations independent of the Bank, its only subsidiary, the following discussion pertains primarily to the activities of the Bank.

## (A) Results of Operations

The following is a summary of operations for the five years ended December 31, 1987 and Management's discussion and analysis of the significant changes in income and expense accounts presented therein for the most recent two

years — each as compared with its respective prior period. This information should be read in conjunction with the financial statements and notes related thereto appearing elsewhere in this Annual Report.

	Years ended December 31,				
	1987	1986	1985 <sup>1</sup>	1984 <sup>1</sup>	1983 <sup>1</sup>
	(in thousands, except earnings per share amounts)				
<b>Interest income:</b>					
Interest and fees on loans	\$17,505	\$16,781	\$14,868	\$13,505	\$11,945
Interest on investment securities (taxable)	3,238	1,155	1,172	1,920	1,288
Interest on investment securities (tax free) <sup>2</sup>	867	1,489	1,538	126	—
Interest on time deposits and federal funds sold	365	331	183	187	211
<b>Total interest income</b>	<b>21,975</b>	<b>19,756</b>	<b>17,761</b>	<b>15,738</b>	<b>13,444</b>
<b>Interest expense:</b>					
Interest on deposits	11,053	9,352	8,850	8,335	6,673
Interest on short-term borrowing	42	6	45	56	15
Interest on long-term debt	469	581	664	656	351
<b>Total interest expense</b>	<b>11,564</b>	<b>9,939</b>	<b>9,559</b>	<b>9,047</b>	<b>7,039</b>
<b>Net interest income</b>	<b>10,411</b>	<b>9,817</b>	<b>8,202</b>	<b>6,691</b>	<b>6,405</b>
Less provision for loan losses	480	878	698	750	983
<b>Net interest income after provision for loan losses</b>	<b>9,931</b>	<b>8,939</b>	<b>7,504</b>	<b>5,941</b>	<b>5,422</b>
<b>Other income:</b>					
Gain on security transactions	179	1,013	515	70	143
Service charges and other	2,365	1,924	1,537	1,529	1,465
<b>Total other income</b>	<b>2,544</b>	<b>2,937</b>	<b>2,052</b>	<b>1,599</b>	<b>1,608</b>
<b>Other expenses:</b>					
Salaries and employee benefits	4,415	3,989	3,720	3,449	3,246
Other operating expenses	5,042	5,013	3,728	3,731	3,088
<b>Total other expenses</b>	<b>9,457</b>	<b>9,002</b>	<b>7,448</b>	<b>7,180</b>	<b>6,334</b>
<b>Income before provision for income taxes</b>	<b>3,018</b>	<b>2,874</b>	<b>2,108</b>	<b>360</b>	<b>696</b>
Provision (credit) for income taxes-actual	930	750	271	(179)	152
Tax equivalent adjustment	348	684	710	63	—
<b>Net income</b>	<b>\$ 1,740</b>	<b>\$ 1,440</b>	<b>\$ 1,127</b>	<b>\$ 476</b>	<b>\$ 544</b>
<b>Earnings per common share</b>	<b>\$ 1.44</b>	<b>\$ 1.10</b>	<b>\$ .97</b>	<b>\$ .51</b>	<b>\$ .58</b>
<b>Selected Balance Sheet Information</b>					
Total Assets	\$275,476	\$222,664	\$173,684	\$152,508	\$122,165
Long-term Obligations	\$ 5,343	\$ 5,270	\$ 4,667	\$ 5,772	\$ 3,613
Preferred Stock	\$ 2,544	\$ 2,544	\$ 2,544		

<sup>1</sup> Certain reclassifications have been made in the 1985, 1984 and 1983 summary of operations to conform to classifications in 1986 and 1987.

<sup>2</sup> Interest on tax-free securities is reported on a tax equivalent basis of 1.67 for 1987; 1.85 for 1986, 1985, 1984 and 1983.

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

## (A) Results of Operations (continued) Net Interest Income

Net interest income is the most significant contributor to the Bank's earnings. Net interest income represents the excess of interest and fees earned on interest-earning assets (loans, investment securities and federal funds sold) over the interest paid on deposits and borrowed funds. Net interest income increased \$594,000 in 1987. This increase

in net interest income resulted from an increase in the volume of interest-bearing assets partly offset by an increase in interest-bearing liabilities and a decrease in the net interest margin on earning assets. Net interest income in 1986 increased \$1,615,000 due to an increase in the volume of interest-bearing assets, also offset by an increase in interest-bearing liabilities and a decrease in the net interest margin on earning assets.

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

Assets	1987			1986			1985		
	Average Balance <sup>1</sup>	Income/Expense	Yield/Rate	Average Balance <sup>1</sup>	Income/Expense	Yield/Rate	Average Balance <sup>1</sup>	Income/Expense	Yield/Rate
(amounts in thousands)									
Earning assets:									
Loans <sup>2,3</sup>	\$150,385	\$17,505	11.64%	\$125,527	\$16,781	13.37%	\$102,709	\$14,868	14.48%
Investment securities <sup>4</sup>	49,984	4,105	8.21%	26,212	2,644	10.09%	22,284	2,710	12.16%
Federal funds sold	5,395	365	6.77%	5,165	331	6.41%	2,211	183	8.28%
Total earning assets	205,764	21,975	10.67%	156,904	19,756	12.59%	127,204	17,761	13.96%
Cash and due from banks	11,320			8,435			8,909		
Premises and equipment	7,300			7,230			7,027		
Other assets	15,849			18,193			16,891		
Less: Allowance for loan losses	(1,558)			(1,228)			(1,015)		
Total	\$238,675			\$189,534			\$159,016		
<b>Liabilities and shareholders' equity</b>									
Interest-bearing liabilities:									
Demand deposits (interest-bearing)	73,993	4,267	5.77%	54,207	3,286	6.06%	44,872	3,103	6.92%
Savings deposits	20,560	1,129	5.50%	13,755	751	5.46%	11,443	631	5.51%
Time deposits	80,331	5,657	7.04%	66,283	5,315	8.02%	54,913	5,116	9.32%
Federal funds purchased	571	42	7.36%	88	6	6.82%	540	45	8.33%
Long-term debt and mortgages	4,122	469	11.38%	4,769	581	12.18%	5,160	664	12.87%
Total interest-bearing liabilities	179,577	11,564	6.44%	139,102	9,939	7.15%	116,928	9,559	8.18%
Demand deposits (noninterest-bearing)	41,242			34,596			28,919		
Other liabilities	4,217			3,473			3,202		
Shareholders' equity	13,639			12,363			9,967		
Total	\$238,675			\$189,534			\$159,016		
Net interest income		\$10,411			\$ 9,817			\$ 8,202	
Net interest margin on earning assets <sup>5</sup>		5.06%			6.26%			6.45%	

<sup>1</sup> Average balances are computed principally on the basis of daily balances.

<sup>2</sup> Nonaccrual loans are included.

<sup>3</sup> Interest income on loans includes fees on loans of \$588,000 in 1987, \$1,352,000 in 1986, and \$1,224,000 in 1985.

<sup>4</sup> Interest income is stated on a tax equivalent basis of 1.67 in 1987, 1.85 in 1986 and 1985.

<sup>5</sup> Net interest margin on earning assets is computed by dividing net interest income by total interest-earning assets. Net interest income is the difference between the total interest earned and the total interest paid.

**(A) Results of Operations (continued)**

The accompanying tables analyze the changes in net interest income for 1987, 1986 and 1985. The first table provides an analysis of change in net interest margin on earning assets setting forth average assets, liabilities and

shareholders' equity; interest income earned and interest expense paid and average rates earned and paid; and the net interest margin on earning assets. The second table presents an analysis of volume and rate change on net interest income and expense.

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

	1987 over 1986			1986 over 1985		
	Volume	Yield/ Rate	Total	Volume	Yield/ Rate	Total
Increase (decrease) in interest income:						
Loans <sup>1,2</sup>	\$2,893	\$(2,169)	\$ 724	\$3,051	\$(1,138)	\$1,913
Investment securities <sup>3</sup>	1,952	(491)	1,461	396	(462)	(66)
Federal funds sold	16	18	34	189	(41)	148
Total	4,861	(2,642)	2,219	3,636	(1,641)	1,995
Increase (decrease) in interest expense:						
Demand deposits (interest bearing)	1,141	(160)	981	566	(383)	183
Savings deposits	379	(1)	378	126	(6)	120
Time deposits	1,040	(698)	342	912	(713)	199
Federal funds purchased	40	(4)	36	(31)	(8)	(39)
Long-term borrowings	(74)	(38)	(112)	(48)	35	(83)
Total	2,526	(901)	1,625	1,525	(1,145)	380
Increase (decrease) in net interest income	\$2,335	\$(1,741)	\$ 594	\$2,111	\$ (496)	\$1,615

<sup>1</sup> Nonaccrual loans are included.

<sup>2</sup> Interest income on loans includes fees on loans of \$588,000 in 1987, \$1,352,000 in 1986 and \$1,224,000 in 1985.

<sup>3</sup> Interest income is stated on a tax equivalent basis of 1.67 in 1987; 1.85 in 1986 and 1985.

**Interest Income**

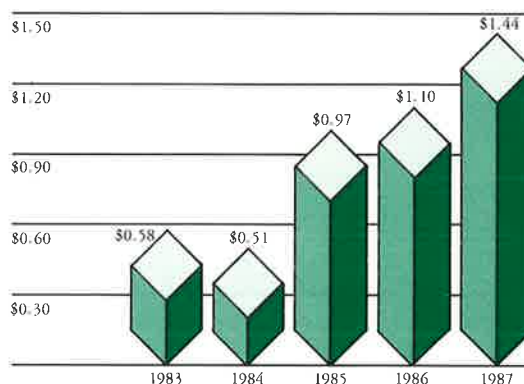
Interest income increased 11% to \$21,975,000 in 1987, compared to a 10% growth rate in 1986. This increase is attributed primarily to a 31% increase in earning assets, offset by a rate decrease.

Rates on securities and rates on loans both decreased in 1987; however, the amount of securities, with a lower interest rate, increased to 30% of earning assets.

The securities portfolio grew 75.5% in 1987. Approximately \$15,000,000 in funds received from the purchase of the Yreka Branch in November were invested in investment securities at the end of the year. The rate on securities decreased due to declining interest rates, a decrease in the amount of tax-free security income, and a decrease in the tax benefit from tax-free securities. Income from tax-free securities is restated to reflect the tax benefit. This tax

benefit was \$348,000 in 1987 with a tax equivalency rate of 1.67% compared to \$684,000 in 1986 with a tax equivalency rate of 1.85%.

**Earnings Per Share**



**(A) Results of Operations (continued)**

The Bank's loan portfolio experienced continued growth in 1987, increasing 20% after a 22% increase in 1986. Interest income on loans increased 3% in 1987 reflecting an increased volume of loans, offset by declining interest rates and deferred loan fees. Interest income on loans increased in 1986 reflecting an increased volume of loans offset by declining interest rates in the loan portfolio.

**Interest Expense**

Interest expense in 1987 increased 16% to \$11,564,000 in 1987 from \$9,939,000 in 1986. This increase was primarily due to the increased volume of deposits reduced by declining rates and a change in the mix of deposits from higher interest rate time deposits to lower interest rate Money Market, NOW and Savings Deposits. Part of the increase in deposits resulted from the purchase of the Yreka Branch deposits from Wells Fargo Bank in November 1987. This purchase increased average deposits approximately 2% and interest expense approximately \$171,000.

Primarily as a result of a 1987 marketing campaign to increase savings deposits, the Bank's average savings deposits grew by 49.5% to \$20,560,000. This increase of savings deposits with a lower interest rate than other deposits, reduced the average interest rate on deposits although interest expense on savings deposits increased by \$378,000.

The average amount of interest-bearing demand deposits increased 36% in 1987. The increased interest expense on these Money Market and NOW accounts is offset by a lower interest rate in 1987 for an increase in interest expense of \$981,000.

The average volume of time deposits continued to increase by 20% a year. This increased interest expense on time deposits is offset by reduced interest rates resulting in an increase of interest expense on time deposits of \$342,000.

In 1986, the mix of deposits remained substantially the same. The 1986 interest expense increase was due primarily to an increase in total deposits offset by reduced interest rates on deposits.

Interest on federal funds purchased in 1987 increased compared to 1986 as a result of increased purchase of federal funds. This increase of \$36,000 in interest expense was partly offset by a declining interest rate.

Interest expense on long-term debt decreased due to a decrease in the average amount of long-term debt and lower interest rates.

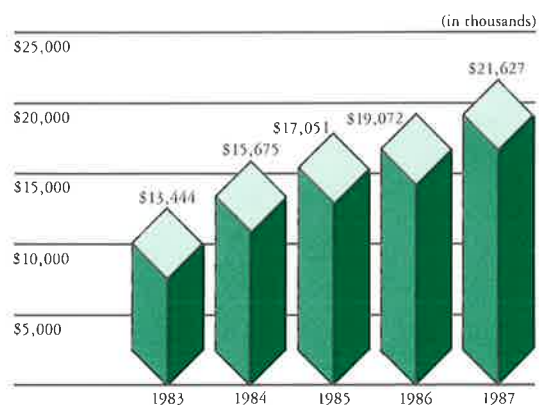
**Net Interest Margin on Earning Assets**

The net interest margin on earning assets declined to 5.06% in 1987 from 6.26% in 1986. This change resulted primarily from interest rates on earning assets declining more than interest rates on interest-bearing liabilities. In 1986, the rate decreased to 6.26% from 6.45% also as a result of interest rates on earning assets declining more than interest rates on interest-bearing liabilities.

**Service Charges and Other**

Income from service charges totaled \$1,622,000 in 1987 compared to \$1,576,000 in 1986. This increase is primarily due to the increased number of checking and savings accounts.

**Interest Income**



**(A) Results of Operations (continued)**

Other income increased to \$743,000 in 1987 from \$348,000 in 1986 primarily due to \$307,000 in commission fees earned from a personal investment services program initiated in December 1986. Brokerage services are provided at the Bank's offices by the Bank's association with Investment Service of America (ISFA) under the name INVEST.

**Securities Transactions**

Net gains from security transactions were \$179,000, \$1,013,000 and \$515,000 in 1987, 1986 and 1985. The Bank does not actively trade in the securities market but does elect, for liquidity purposes, to sell certain securities when it is to its advantage during periods of declining interest rates.

**Salaries and Benefits**

Salaries and benefits increased 11% to \$4,415,000 in 1987, primarily due to an increase of staff, increased insurance costs, increased pension costs, and annual salary adjustments.

**Other Expenses**

Other operating expenses increased slightly to \$5,042,000 in 1987 compared to \$5,013,000 in 1986. Expenses from Other Real Estate Owned and losses in the sale of investment properties decreased; other general and administrative expenses increased as a result of the growth of the Bank.

**Provision (credit) for Income Taxes**

The effective tax rate on income was 34.8% in 1987. The effective tax rate is less than the statutory rate due to tax-free interest of \$519,000 from investment securities.

Similarly, the effective tax rate in 1986 was 34.2% due to the tax-free interest of \$805,000.

**Return on Assets and Equity**

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

	1987	1986	1985
Return on assets	.73%	.76%	.71%
Return on shareholders' equity	12.75%	11.65%	11.31%
Return on common shareholders' equity	13.01%	11.66%	11.54%
Shareholders' equity to assets	5.71%	6.52%	6.27%
Common shareholders' equity to assets	4.65%	5.16%	5.47%
Common shareholders' dividend payout ratio	17.11%	20.83%	—

In 1987, the return on assets declined slightly primarily due to an increase of average assets. The return on assets in 1986 increased due to an increase in income partly offset by a \$30,518,000 increase in average assets.

The return of shareholders' equity and common shareholders' equity increased in 1987 and 1986 primarily due to the increase in income.

The ratio of shareholders' equity to assets decreased in 1987 due primarily to the asset growth resulting from the purchase of the Yreka Branch for \$22,995,000. In 1986, shareholders' equity to assets had increased over 1985 due to an increase in income offset by an increase in average assets.

The ratio of common shareholders' equity to assets decreased in 1987 and 1986 primarily due to the increase in average assets.

In 1987, the Company paid a cash dividend of \$.275 per share at a dividend payout ratio of 17.11%. A 1986 cash dividend of \$.25 per share had a dividend payout ratio of 20.83%.

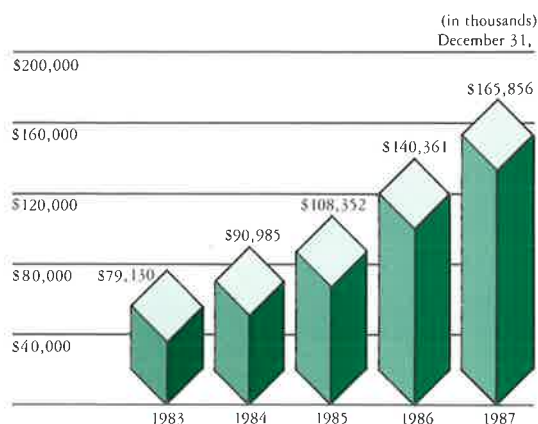
**(B) Balance Sheet Analysis**

**Loans**

Total loans increased 18% in 1987 following a 29% increase in 1986. The mix of loans changed in 1987. Commercial loans which were 46% of the 1986 loan portfolio increased to 48% in 1987. Consumer loans decreased to 20% from 23% in 1986, and real estate loans remained at 25% of the loan portfolio. Banker's Acceptances were purchased with funds from the purchase of the Yreka Branch.

Current and anticipated economic conditions in the Bank's service area indicate a lessening loan demand and increased competition for quality loans. In order to maintain the high quality of loans, Management expects the loan portfolio to grow at a slower rate than in the past.

**Loans, Net**





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

## (B) Balance Sheet Analysis (continued)

### Loan Portfolio Composite

	December 31,				
	1987	1986	1985	1984	1983
	(in thousands)				
Commercial, financial and agricultural	\$ 81,130	\$ 63,861	\$ 48,040	\$ 36,003	\$ 34,386
Consumer installment	33,909	33,053	32,500	29,178	21,974
Real estate mortgage	37,290	34,773	19,259	20,007	17,141
Real estate construction	4,765	8,462	7,378	3,753	4,618
Lease financing	1,772	1,562	2,296	2,989	1,812
Banker's Acceptances	8,508				
<b>Total loans</b>	<b>\$ 167,374</b>	<b>\$ 141,711</b>	<b>\$ 109,473</b>	<b>\$ 91,930</b>	<b>\$ 79,931</b>

### Nonaccrual, Past Due and Restructured Loans

The table below sets forth the nonaccrual loans and loans carried on an accrual basis but past due more than 90 days. There were no loans, the terms of which had been restructured, prior to December 31, 1986.

	December 31,				
	1987	1986	1985	1984	1983
	(in thousands)				
Nonaccrual loans	\$ 533	\$ 1,689	\$ 2,086	\$ 1,515	\$ 2,625
Past due loans (90 days or more)	1,292	1,598	1,812	1,475	1,625
Restructured debt	346	415			
<b>Total</b>	<b>\$ 2,171</b>	<b>\$ 3,702</b>	<b>\$ 3,898</b>	<b>\$ 2,990</b>	<b>\$ 4,115</b>

Nonperforming loans decreased to 1.3% of total loans in 1987 compared to 2.6% in 1986. Approximately \$97,000 of additional interest income would have been recorded if loans classified as nonaccrual had been current in 1987. Approximately \$40,000 of interest income was earned on restructured loans. Commercial, real estate (other than 1-4 single family dwellings), and consumer loans are reviewed on an individual basis for reclassification to nonaccrual status when any one of the following occurs: the loan becomes 90 days past due as to interest or principal, the full and timely collection of additional interest or principal becomes uncertain, the loan is classified doubtful by internal auditors or bank regulatory agencies, or a portion of the principal balance has been charged-off. The reclassification of loans as nonperforming does not necessarily reflect Management's judgment as to collectibility.

### Allowance for Loan Losses Activity

In determining the adequacy of the loan loss allowance, Management relies primarily on its ongoing review of the loan portfolio, both to ascertain whether there are probable losses to be written off and to assess the loan portfolio in the aggregate. Problem loans are examined on an individual basis to determine estimated probable loss. In addition, Management considers current and projected loan mix and loan volumes, historical net loan loss experience for each loan category, and current and anticipated economic conditions affecting each loan category.

The Bank's total net charge-offs decreased by 52% to \$312,000 in 1987 from \$649,000 in 1986. Net charge-offs are expected to increase slightly in 1988, primarily in commercial loans. The provision for loan losses decreased to \$480,000 in 1987 compared to \$878,000 in 1986. This lower provision requirement resulted from a significant decrease in net charge-offs, and an improved loan delinquency rate. The increased provision for loan losses in 1986 resulted primarily from an increased volume of loans. The ratio of net charge-offs to average loans decreased significantly in 1987 following a slight increase in 1986. The allowance for loan losses excluding Banker's Acceptances increased slightly in 1987 following a drop in 1986.



**(B) Balance Sheet Analysis (continued)**

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

	December 31,				
	1987	1986	1985	1984	1983
	(in thousands)				
Balance, beginning of year	\$ 1,350	\$ 1,121	\$ 945	\$ 801	\$ 1,092
Provision charged to operations	480	878	698	750	983
Loans charged-off:					
Commercial, financial and agricultural	(283)	(590)	(332)	(517)	(1,012)
Consumer installment	(191)	(241)	(292)	(379)	(237)
Real estate mortgage	(14)	(24)	(4)	(20)	(105)
Real estate construction	—	—	—	—	—
Total loans charged-off	(488)	(855)	(628)	(916)	(1,354)
Recoveries:					
Commercial, financial and agricultural	118	108	65	265	35
Consumer installment	58	98	34	45	18
Real estate mortgage	—	—	7	—	27
Real estate construction	—	—	—	—	—
Total recoveries	176	206	106	310	80
Net loans charged-off	(312)	(649)	(522)	(606)	(1,274)
Balance, year end	\$ 1,518	\$ 1,350	\$ 1,121	\$ 945	\$ 801
Average total loans	\$150,385	\$125,527	\$102,709	\$85,285	\$78,797
Ratios:					
Net charge-offs during period to average loans outstanding during period	.21%	.52%	.51%	.71%	1.62%
Provision for loan losses to average loans outstanding	.32%	.70%	.68%	.88%	1.25%
Allowance to loans at year end <sup>1</sup>	.96%	.95%	1.02%	1.03%	1.00%

<sup>1</sup> Banker's Acceptances are not included.

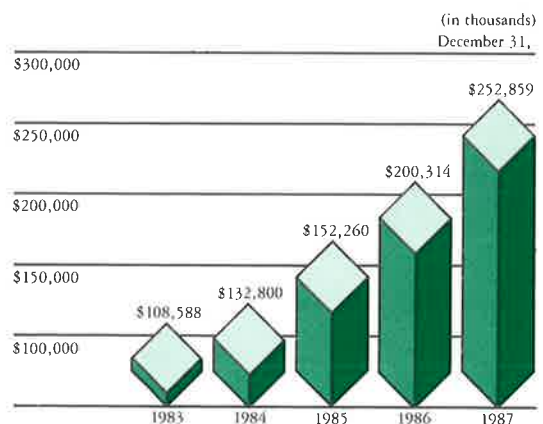
**Investment in Real Estate**

At December 31, 1987, \$7,098,000 of property was held by a subsidiary of the Bank for the purposes of development or to be held as income-earning assets; \$7,177,000 was held at December 31, 1986. This reduction resulted primarily from the sale of \$2,995,000 of investment property, offset by the addition of \$960,000 in property acquired in settlement of debt and \$2,035,000 development costs.

**Deposits**

Deposit accounts increased by \$52,545,000 to \$252,859,000 from \$200,314,000 in 1986. Approximately 45% of this increase in 1987 resulted from the purchase of the Yreka Branch of Wells Fargo Bank. This purchase contributed to the change in the mix of deposits; an increase in interest-bearing deposits and a decrease in noninterest-bearing deposits. Noninterest-bearing demand deposits decreased to 19% of deposits in 1987 compared to 23% in 1986. This resulted from a continuing shift in the Bank from noninterest-bearing deposits to interest-bearing deposits and a lower percentage of noninterest-bearing deposits from the Yreka Branch purchase. Savings deposits increased to 11% of deposits in 1987 compared to 8% in 1986, primarily due to a marketing campaign and a higher mix of savings deposits from the Yreka Branch purchase. The Yreka Branch purchase also contributed to an increase in certificates of deposit under \$100,000 to 36% in 1987 compared to 33% in 1986. Certificates of deposit over \$100,000 remained unchanged at 2% of total deposits.

**Deposits**



**(B) Balance Sheet Analysis (continued)**

**Long-Term Debt**

Total long-term debt increased slightly in 1987. In April of 1987, the Bank repaid \$1,790,000 in subordinated capital notes to former shareholders of Shasta County Bank. In September 1987, the Company made a capital contribution of \$2,400,000 to the Bank and repaid \$1,100,000 to First Interstate Bank from the proceeds of a \$3,500,000 term loan from First Interstate Bank. The \$2,400,000 contribution to the Bank increased the FDIC capital ratio of the Bank to 7.3%, prior to the acquisition of the Yreka Branch.

**Equity**

The primary capital ratio of the Bank is 6.85%. The primary capital ratio includes the Bank's stockholders' equity and the allowance for loan losses divided by the total assets and the allowance for loan losses at December 31, 1987. Management has determined this ratio is adequate to support the anticipated growth of the Bank.

**Liquidity**

Liquidity relates to the ability of the Company and the Bank to generate adequate cash to meet their respective needs. The principal cash requirements of the Bank are to cover downward fluctuations in its deposit accounts and unexpected loan demand.

Another indication of potential demand on the Bank's liquidity is the maturity distribution of certificates of deposit in denominations of \$100,000 or more which is set forth in the following table. These deposits are generally more rate sensitive than other deposits and therefore more likely to be withdrawn to obtain higher yields elsewhere if available.

**Certificates of Deposit in  
Denominations of \$100,000 or More —**

	Amount as of December 31,	
	1987	1986
	(in thousands)	
<b>Time remaining until maturity:</b>		
Less than three months	\$2,193	\$2,843
3 months to 6 months	1,840	205
6 months to 12 months	100	409
More than 12 months	230	100
<b>Total</b>	<b>\$4,363</b>	<b>\$3,557</b>

Loan demand also affects the Bank's liquidity position. The following table presents the maturities and sensitivity to changes in interest rates at December 31, 1987. The Bank maintains 44% of its loan portfolio on a variable interest rate tied to its base commercial loan rate. This pricing minimizes the repricing risk associated with a changing rate environment.

**Loan Maturities —  
December 31, 1987**

	Within	After	After 5	Total
	One Year	One but within 5 Years	Years	
	(amounts in thousands)			
<b>Loans with predetermined interest rates:</b>				
Commercial, financial and agricultural	\$19,445	\$ 2,112	\$ 5,392	\$ 26,949
Consumer installment	1,530	14,714	16,864	33,108
Real estate mortgage	1,240	1,101	31,151	33,492
	22,215	17,927	53,407	93,549
<b>Loans tied to Bank's base commercial loan rate:</b>				
Commercial, financial and agricultural	16,090	13,337	35,034	64,461
Consumer installment	—	142	659	801
Real estate mortgage	1,659	182	1,957	3,798
Real estate construction	4,659	106	—	4,765
	22,408	13,767	37,650	73,825
<b>Total loans</b>	<b>\$44,623</b>	<b>\$31,694</b>	<b>\$91,057</b>	<b>\$167,374</b>



**(B) Balance Sheet Analysis (continued)**

The principal cash requirements of the Company are servicing the term loan agreement of \$3,500,000, paying interest and \$393,000 principal on the 14¼% Subordinated Capital Notes and dividends on preferred stock. The Company is dependent upon the payment of cash dividends by the Bank to service its commitments. The Company expects that the cash dividends paid by the Bank to the Company will be sufficient to meet this repayment schedule.

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



**Investment Securities Maturities —  
December 31, 1987**

	Within One Year	After One but within 5 Years	After 5 but within 10 Years	After 10 Years	Total
(amounts in thousands)					
U.S. Treasury and other U.S. Government agencies and corporations	\$ 7,003	\$ 8,043	\$ —	\$29,781	\$44,827
State and political subdivisions	488	4,361	4,393	1,904	11,146
Other investment securities	6,051 <sup>1</sup>	4,157 <sup>2</sup>	6,000 <sup>3</sup>	538	16,746
Total book value	\$13,542	\$16,561	\$10,393	\$32,223	\$72,719
Average Yield <sup>4</sup>	7.64%	7.88%	7.89%	7.58%	7.69%

<sup>1</sup> Includes the following security:

Continental U.S. Government Fund, book value \$4,006,000, market value \$4,157,498 at January 31, 1988.

<sup>2</sup> Includes the following security:

Metlife State Government Fund, book value \$3,000,004, market value \$3,069,116 at January 31, 1988.

<sup>3</sup> Includes the following security:

Paine Webber Income Partners Eight, book value \$5,000,000. The Bank expects to hold this investment to maturity.

<sup>4</sup> Yields are computed on a tax equivalent basis.

### **TriCo Bancshares Executive Officers**

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

**Joan Jones**  
Vice President &  
Chief Financial Officer

**Fred W. Hignell III**  
Secretary

### **Administration Tri Counties Bank**

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

**Joan Jones**  
Executive Vice  
President & Chief  
Administrative Officer

**James Mabry**  
Senior Vice President  
& Loan Administrator

**Daniel Herbert**  
Vice President & Cashier

**Lawrence Sparks**  
Vice President &  
Loan Supervisor

**David Raven**  
Vice President &  
Regional Loan Specialist

**Carroll Taresh**  
Regional Vice President

**Ruth Irvine**  
Assistant Vice President  
& Personnel Manager

**Kathleen Pisani**  
Executive Secretary

**Janet K. Hannis**  
Assistant Vice President  
& Sales Administrator

**Larry Hall**  
Vice President & Data  
Processing Manager

**Kevin W. Larrivee**  
Chief Auditor &  
Security Officer

**Helen Ost**  
Financial Analyst

**Kim Carter**  
Shareholder Relations  
Administrator

### **Managers**

**Park Plaza Branch/Chico**  
**Ty Thresher**  
Vice President & Manager

**Palo Cedro Branch**  
**Gary Drake**  
Facility Manager

**Pillsbury Branch/Chico**  
**Jim Burnell**  
Vice President & Manager

**Redding Branch**  
**Larry Lewis**  
Vice President & Manager

**Durham Branch**  
**Walt Bender**  
Manager

**Burney Branch**  
**Vi Nelson**  
Manager

**Orland Branch**  
**Erika Bender**  
Manager

**Fall River Mills Branch**  
**Suzanne Shoemaker**  
Facility Manager

**Bieber Branch**  
**Stella Griner**  
Facility Manager

**Cottonwood Branch**  
**Bonnie Coleman**  
Manager

**Willows Branch**  
**Ed Richter**  
Manager

**Yreka Branch**  
**Raymond Langford**  
Manager

### **Department Managers**

**Data Processing/Chico**  
**Larry Hall**  
Vice President & Manager

**Real Estate Department/Chico**  
**Wayne Francis**  
Manager

**INVEST/Chico & Redding**  
**Ron Bee**  
Manager

**Computerized Loan  
Documentation Center/Chico**  
**Kathy Allan**  
Manager

**Purchasing Department/Chico**  
**Beverly London**  
Manager

**Personal Financial  
Planning/Chico**  
**Rudy Taube**  
Manager

### **Locations**

**Park Plaza Branch**  
780 Mangrove Avenue  
P.O. Box 2207  
Chico, California 95927  
(916) 345-5151

**Pillsbury Branch**  
2171 Pillsbury Road  
P.O. Box 1130  
Chico, California 95927  
(916) 345-5151

**Durham Branch**  
9411 Midway  
P.O. Box 190  
Durham, California 95938  
(916) 343-3735

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

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

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

**Palo Cedro Branch**  
3751 Deschutes Road  
P.O. Box 144  
Palo Cedro, California 96073  
(916) 547-4494

**Redding Branch**  
1810 Market Street  
P.O. Box 4738  
Redding, California 96099  
(916) 244-4700

**Burney Branch**  
1275 Main Street  
P.O. Box 2590  
Burney, California 96013  
(916) 335-2215

**Fall River Mills Branch**  
Highway 299 East  
P.O. Box 758  
Fall River Mills, California  
96028  
(916) 336-6291

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

**Yreka Branch**  
165 Broadway  
P.O. Box 98  
Yreka, California 96097  
(916) 842-2761

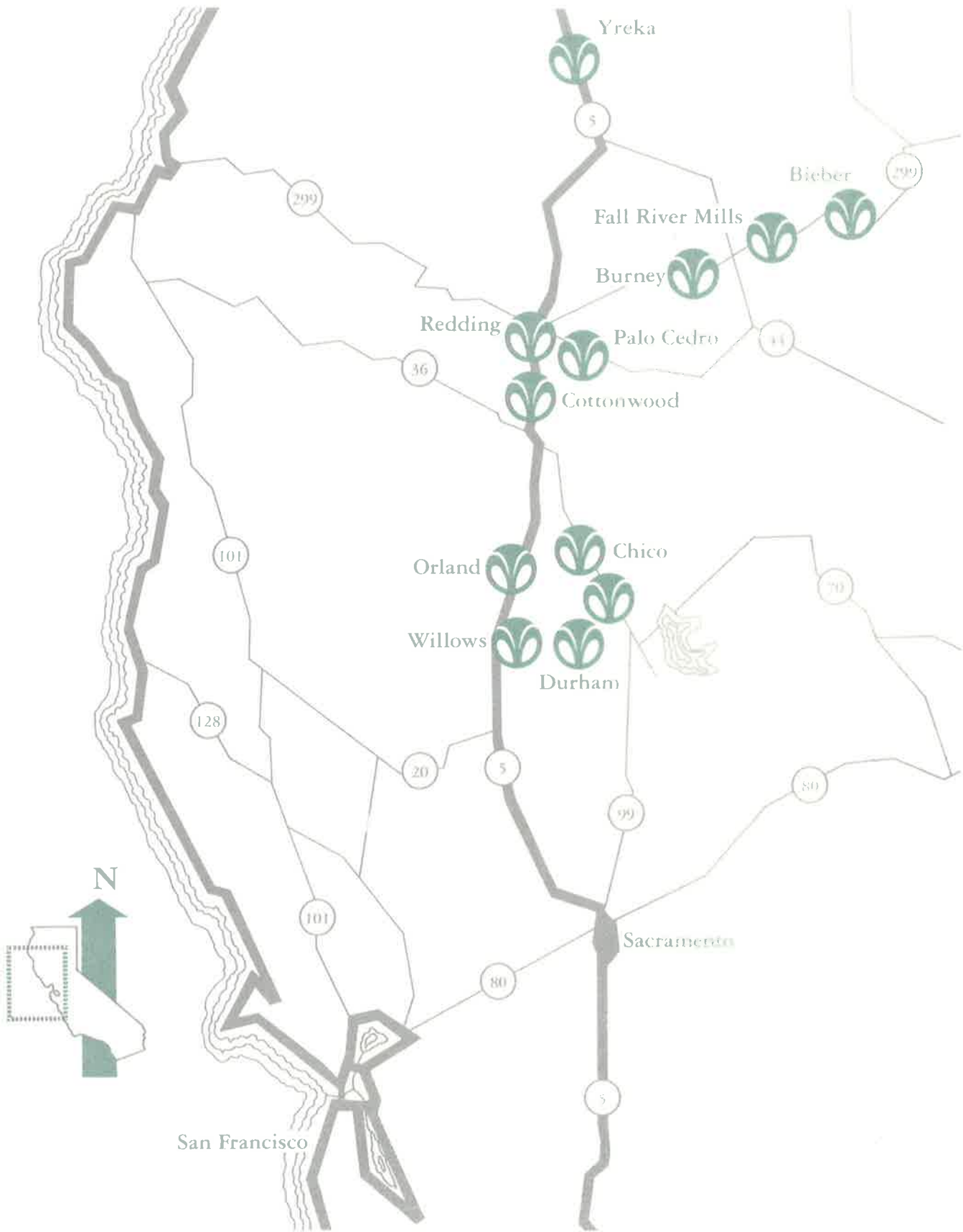
**Administration Office**  
15 Independence Circle  
Chico, California 95926  
(916) 893-8222

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### **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, 1987, as filed with the Securities and Exchange Commission, including the financial statements and schedules thereto. The report may be obtained by written request to: **Corporate Secretary, TriCo Bancshares, 15 Independence Circle, Chico, CA 95926.**

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**TRICO**  
**BANCSHARES**

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