

# Stephens Inc. 2018 East Coast Tour Investment Presentation

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**Richard P. Smith – President & CEO**

February 20-22, 2018



## SAFE HARBOR STATEMENT

Certain comments included in this presentation may involve forward-looking statements, for which TriCo claims the protection of the “safe harbor” provisions credited by Federal securities laws. Such forward-looking statements are subject to risks and uncertainties which may cause TriCo’s actual results to differ materially from those contemplated by such statements. Additional information concerning certain of these risks and uncertainties are described in TriCo’s Annual Report of Form 10-K for the fiscal year ended December 31, 2016 and TriCo’s Quarterly Reports on Form 10-Q as filed with the SEC in fiscal 2017 and 2018.

# AGENDA

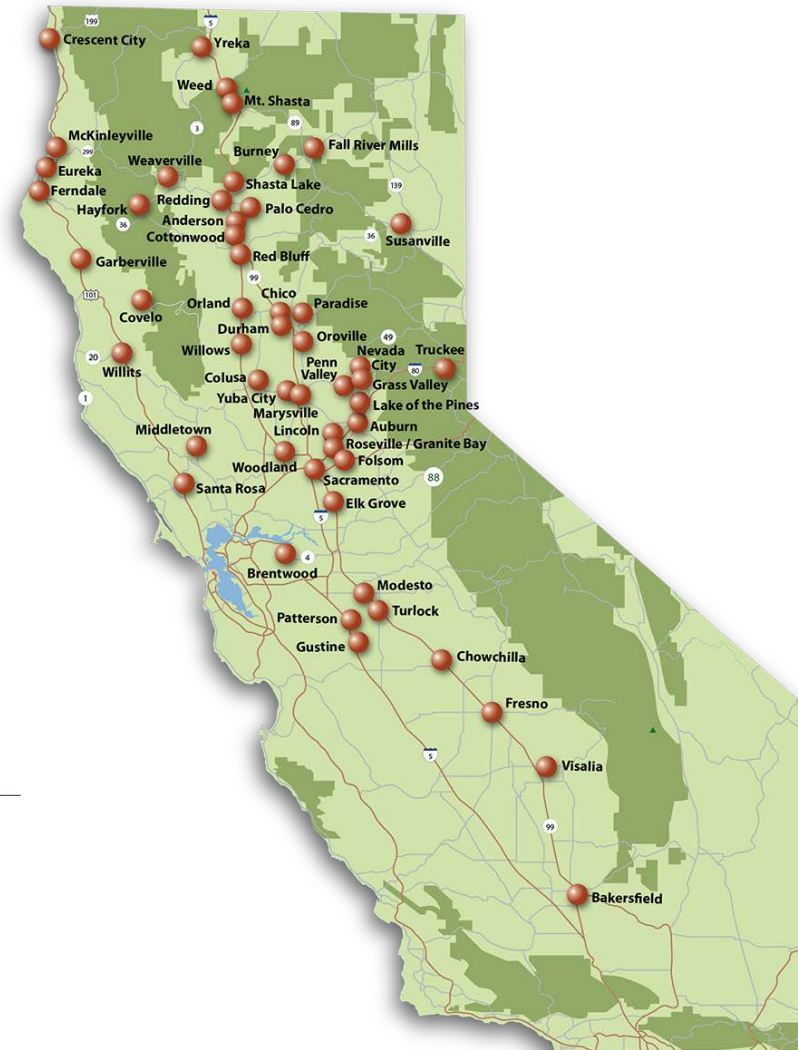
- Company Overview
- Recent Activities & Focus
- Key Revenue Drivers
- Challenges & Opportunities
- Financials
- Questions



# COMPANY OVERVIEW

<b>Asset Size:</b>	<b>\$4.8 Billion</b>
<b>Location:</b>	<b>Chico, CA</b>
<b>Founded:</b>	<b>1975</b>
<b>Deposits:</b>	<b>\$4.0 Billion</b>
<b>Loans (<i>net</i>):</b>	<b>\$3.0 Billion</b>
<b>Customers:</b>	<b>190,000</b>
<b>Bank Branches:</b>	<b>68*</b>
<b>ATMs:</b>	<b>84</b>

*\*includes our telephone banking center*

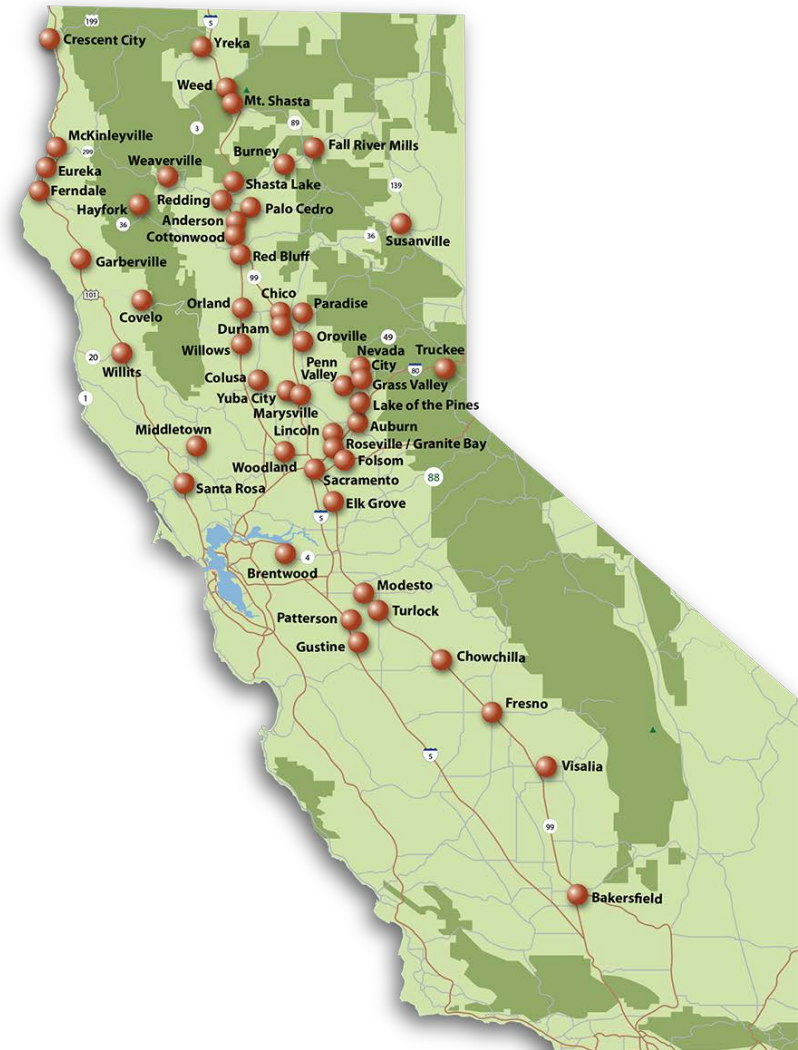


# COMPANY OVERVIEW

Nasdaq:	TCBK
*Stock Price:	\$37.23
Market Capitalization:	\$866 million
*Price to Book stated:	1.7x
*Price to TBVPS	1.98x
**TCBK Asset Size Rank of CA Publicly Traded Banks:	16
Pro Forma TCBK+FNBG Rank:	13

\*Valuation Information as of Market Close 2/14/2018

\*\*Ranking as of 12/31/2017 – Source: SNL Financial



# EXECUTIVE TEAM



**Rick Smith**  
President & CEO  
*TriCo since 1993*



**John Fleshood**  
EVP Chief Operating Officer  
*TriCo since 2016*



**Tom Reddish**  
EVP Chief Financial Officer  
*TriCo since 1994*



**Craig Carney**  
EVP Chief Credit Officer  
*TriCo since 1996*



**Richard O'Sullivan**  
EVP Commercial Banking  
*TriCo since 1984*



**Dan Bailey**  
EVP Retail Banking  
*TriCo since 2007*

## 2017 ACCOMPLISHMENTS

- New deposit product line-up implemented in Q1
- Strong fee revenue growth
  - Year-over-year deposit fee income growth of 12.6%
- Several new technology projects for 2017:
  - Implementing new consumer and mortgage loan origination technologies
  - Loan and operational automation projects
  - Leveraging 2016 core conversion investment into greater operating efficiencies
- Consistent deposit growth – favorable mix and cost

# POSITIONED FOR TODAY, PREPARED FOR THE FUTURE

- Strong and growing bank capital
- Competitive product set to compete with banks both large and small
- Superior reputation versus large bank competitors
- Continue to see strong organic growth in current environment
  - Loan growth of 9.3%\*
  - Deposit growth of 3.4%\*

\*12/31/2017 vs. 12/31/2016



## POSITIONED FOR TODAY, PREPARED FOR THE FUTURE *continued*

- Strong focus on risk management and new regulatory realities
  - Enterprise Risk
  - Strong Focus on CRA
  - HMDA Reporting
  - Fair Lending
- Experienced project teams, well prepared for continued growth through acquisition

# WHAT IS LONG TERM SUCCESS?

- Rewarding our shareholders
  - A winning culture with a motivated and talented work force (good people)
  - Significant and growing market share
  - Low cost core deposit base
  - Strong credit culture
  - Diversified revenue sources
  - Efficient operations
  - Strong risk management practices

# KEY DRIVERS OF BANK REVENUES

- **Deposits & Margin**
  - Average Cost of Deposits of **0.11%** as of 12/31/2017
  - Net Interest Margin in Q4 2017 was **4.26%**
- **Commercial Loans**
  - Commercial Real Estate
    - Diverse portfolio of property types and geographies
  - Commercial & Industry Lines and Loans & Leases
  - Agricultural Loans
  - Asset-Based Loans
- **Non-Interest Income**
  - Service Charge & Fee Income
  - Mortgage Finance
  - Bank Wealth Management Program

# KEY DRIVERS OF BANK REVENUES *continued*

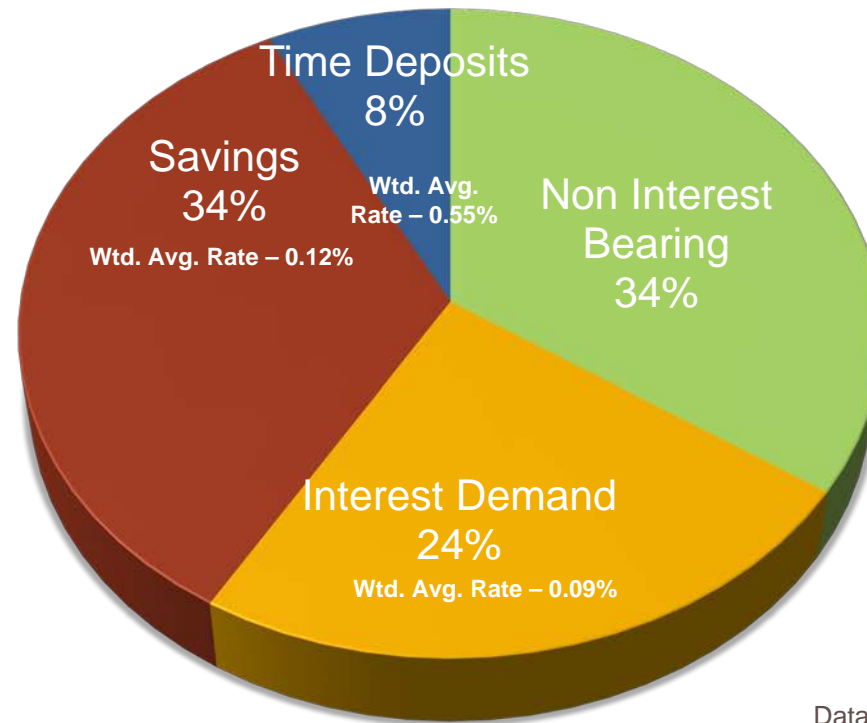
- **Consumer Loans**

- Home Equity Lines/Loans
  - Rising rates a positive for growth
- Small Business

- **Growth Opportunities**

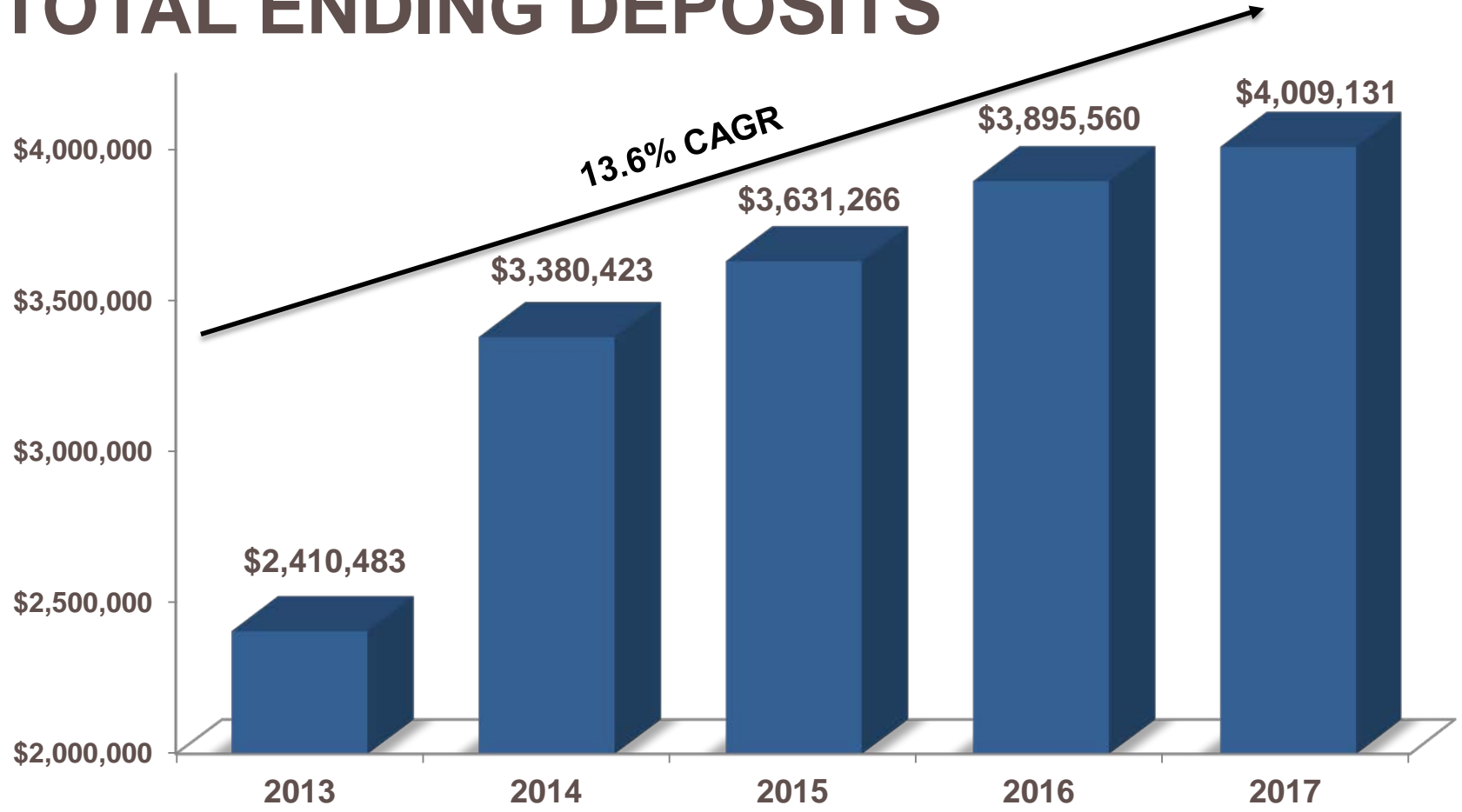
- Wealth Management – Bank Managed Program
  - Raymond James as Broker-Dealer
- Mortgage Banking
- Merchant Fee Opportunities
- Higher stock valuations a plus for M&A activity

# DEPOSIT STRUCTURE



Data as of 12.31.2017

# TOTAL ENDING DEPOSITS



Data as of 12.31.2017

# MARKET SHARE OF ALL BRANCHES

## SORTED BY ZIP CODE

Rank	Institution Name	State (Hdqtrd)	Charter	Deposits (\$000)	Market Share
1	U.S. Bank National Association	OH	Federal	9,893,012	21.2%
2	Wells Fargo & Company	SD	Federal	8,782,186	18.8%
3	Bank of America, National Association	NC	Federal	6,017,267	12.9%
<b>4</b>	<b>Tri Counties Bank</b>	<b>CA</b>	<b>State</b>	<b>3,881,355</b>	<b>8.3%</b>
5	JP Morgan Chase Bank, National Association	OH	Federal	2,994,175	6.4%
6	MUFG Union Bank, National Association	CA	Federal	2,177,323	4.7%
7	Bank of the West	CA	State	1,832,370	3.9%
8	Umpqua Bank	CA	State	1,636,359	3.5%

Source: FDIC Summary of Deposits, June 2017

## NON-INTEREST INCOME

- Consistently Represents Approximately 25% of Total Bank Revenues
- Residential Home Mortgage Lending
  - Refinances remain consistent
  - Increasing numbers of purchase transactions and increasing overall activity for home loans
  - Higher rates will slow refinance market in 2018



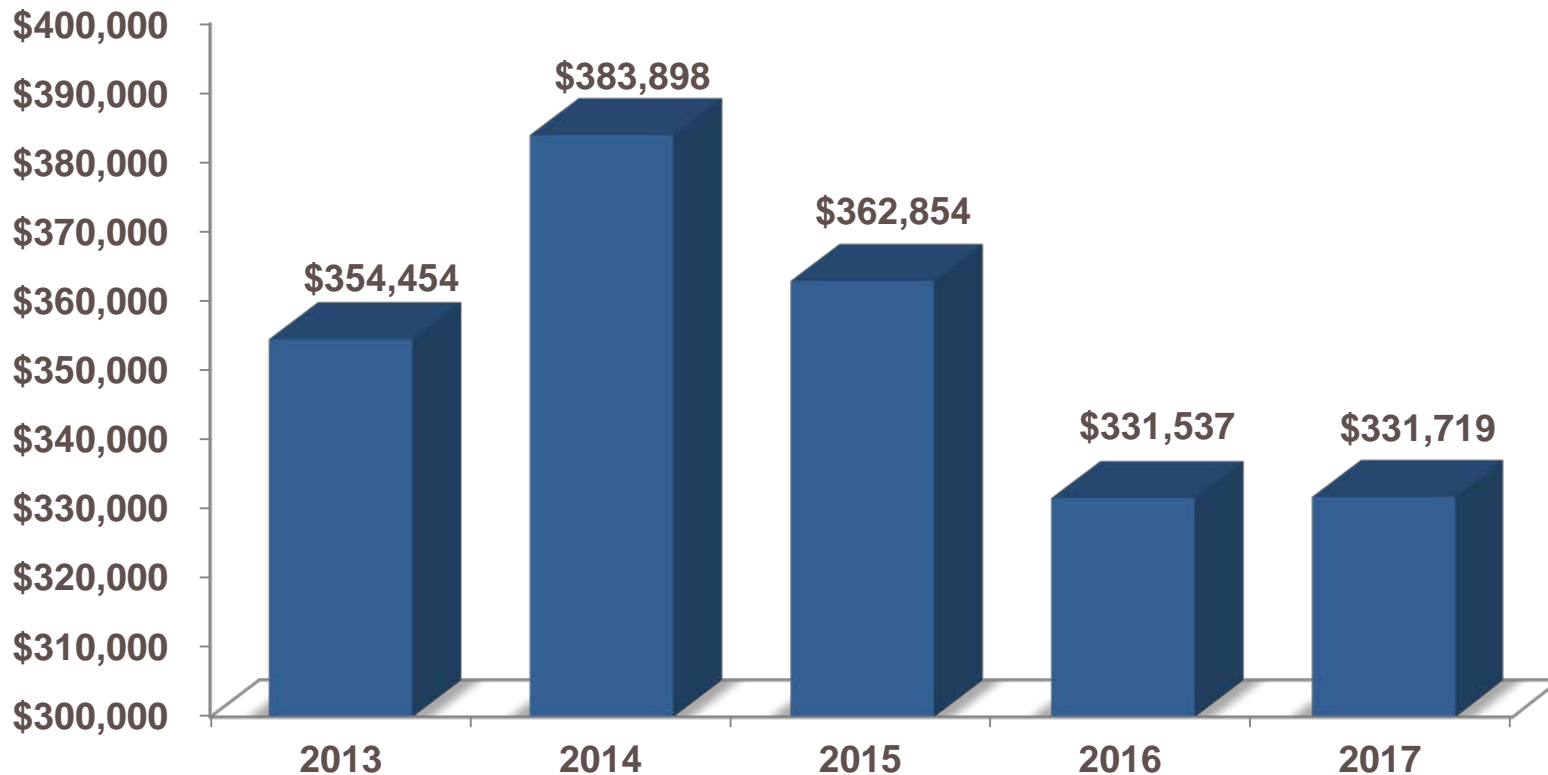
## **NON-INTEREST INCOME** *continued*

- Wealth Management revenues
- Higher revenues from service charges and interchange income
- Cash Management fees continue to increase
- Merchant Card Services
  - \$1.2 million in 2017

# CONSUMER LOANS

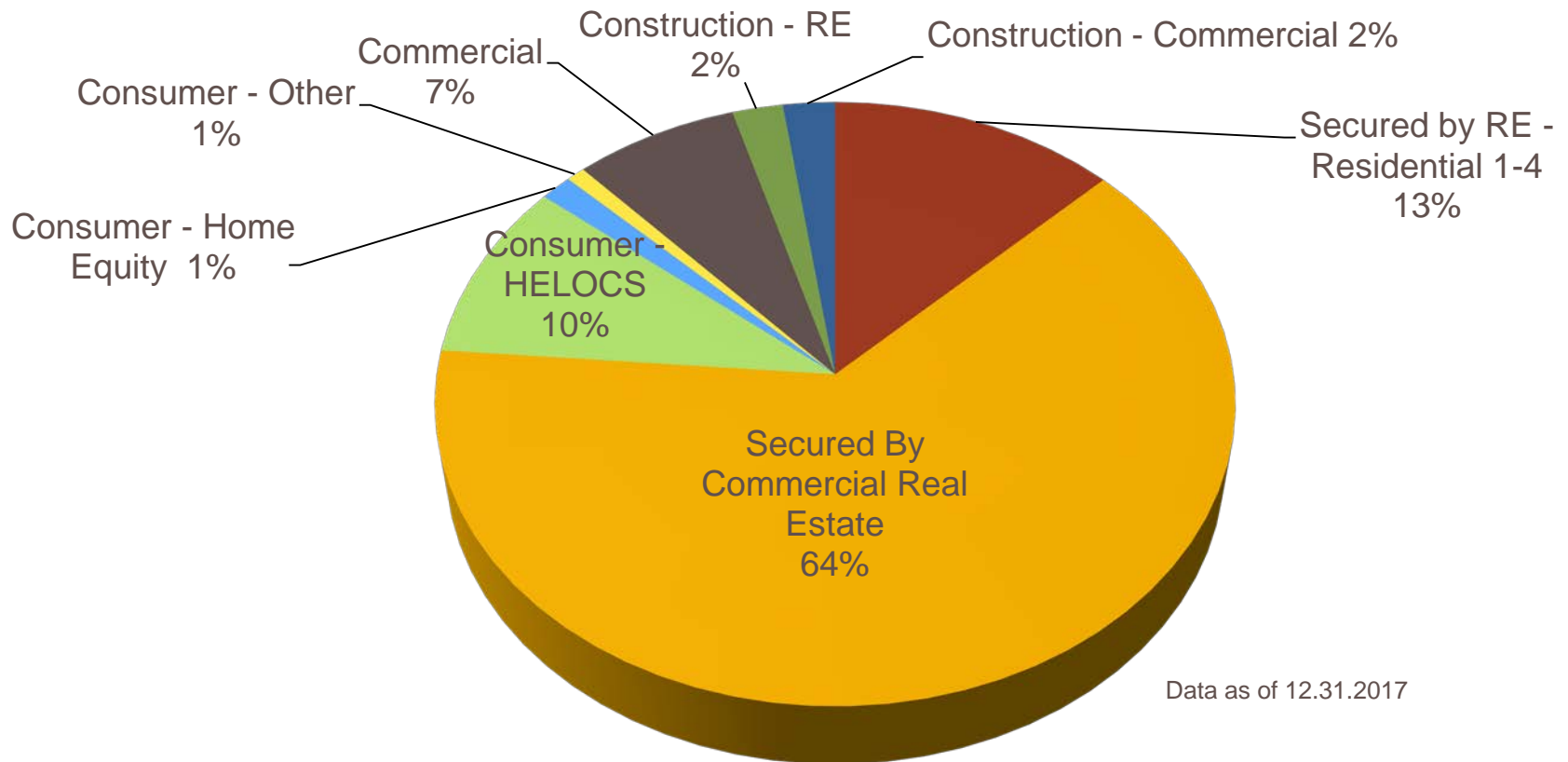
- Increased demand for consumer loans
  - Home equity values have increased
  - Borrowers using refinance of 1<sup>st</sup> mortgage to pay down debt
- Low rate environment led to historically high refi activity
  - \$38MM in Q4 2017 HELOC volume resulted in \$3MM decrease in outstandings
  - This is compared to \$51MM in Q3 2017 volume resulting in \$7.1MM in growth
  - Home equity lines/loans increasing in demand and may begin outpacing 1<sup>st</sup> lien refi volume soon

# HOME EQUITY LOANS OUTSTANDING



Data as of 12.31.2017

# LOAN PORTFOLIO BY TYPE



# COMMERCIAL BANKING

- Target loans of \$2,000,000 to \$15,000,000
- Personalized banking
  - Assigned Relationship Managers
  - Assigned Cash Management Officers
- In-market lending
- Competition is as fierce and diverse as it has ever been

## COMMERCIAL BANKING *continued*

- Agricultural lending
  - Drought risk has subsided
  - Commodity prices have stabilized
- Loans <\$1,000,000 served through alternate channel
  - Business Relationship Managers
  - Credit scoring combined with traditional underwriting
- SBA 7A program now offered

# COMMERCIAL REAL ESTATE PORTFOLIO

## AS OF 12.31.2017

Real Estate Loan Type	# of Loans	Outstandings*	% to Total Loans	Avg. Commitment Amount
Office	601	\$411,640,000	15%	\$698,000
Retail	422	\$324,027,000	11%	\$808,000
Multi-Family	318	\$319,957,000	11%	\$1,041,000
Special Purpose Gas Station, Mini Storage, Hotel/Motel, Restaurant	234	\$302,304,000	11%	\$1,363,000
Other Warehouse, Manufacturing, Bare Land, Agricultural Land + Structures	933	\$542,166,000	19%	\$620,000
<b>Totals</b>	2,508	\$1,900,093,000	63%	-
<b>Averages</b>	-	-	-	\$793,000

\* RE Loan Type segment totals do not include all purchase discount adjustments

## AG PORTFOLIO AS OF 12.31.2017

- Agricultural Loans (excluding RE secured) total \$43 million in total commitments with \$24 million outstanding
- The highest crop concentrations by commitments are:

Multiple Crop	\$12.2 million	13 loans	\$939,000 Avg. Commitment
Rice	\$7.9 million	41 loans	\$194,000 Avg. Commitment
Almonds	\$7.4 million	13 loans	\$572,000 Avg. Commitment
Walnuts	\$4.6 million	6 loans	\$767,000 Avg. Commitment
Beef	\$1.1 million	7 loans	\$157,000 Avg. Commitment
Dairy	\$916 thousand	4 loan	\$229,000 Avg. Commitment



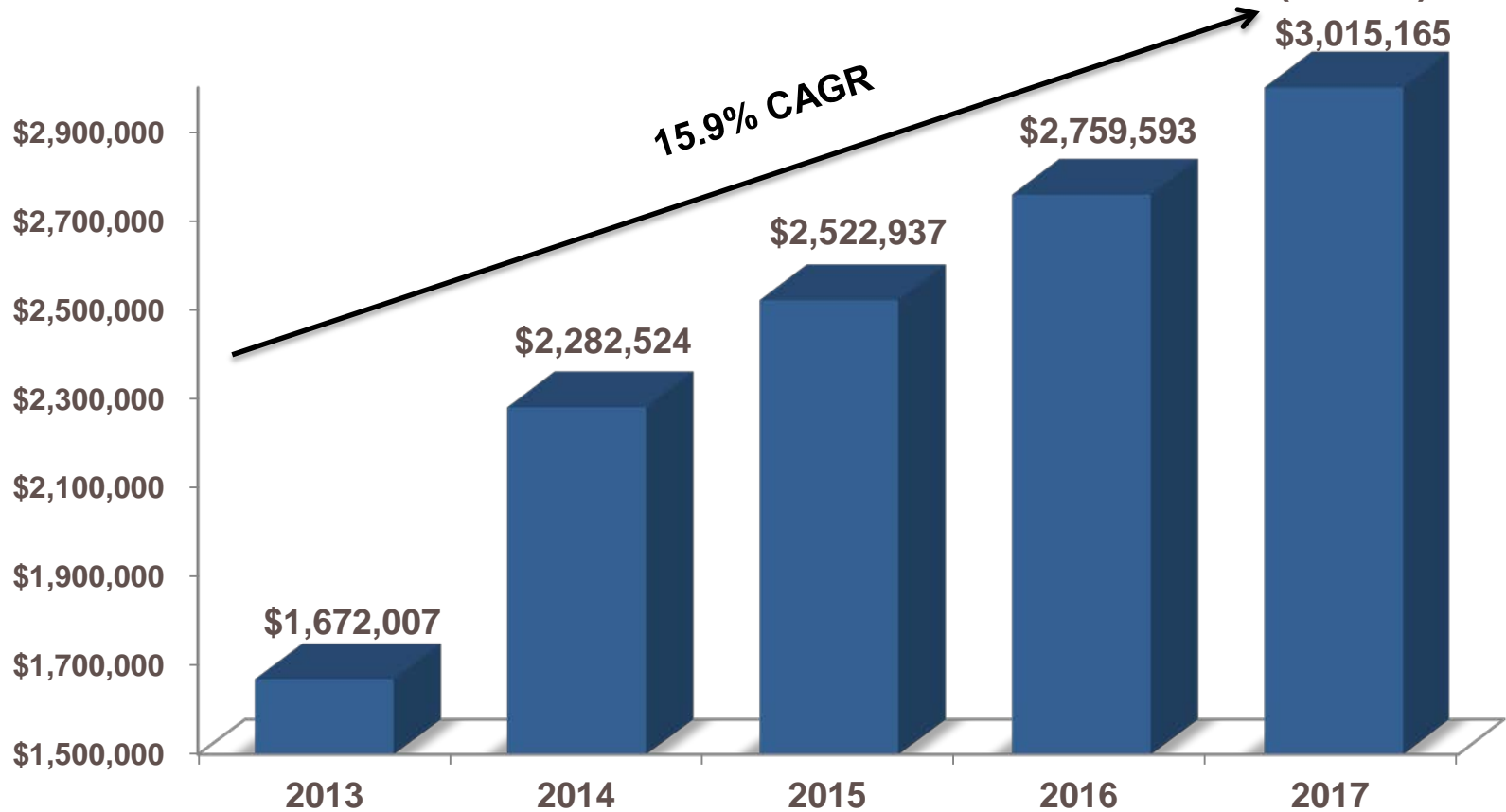
## CONSTRUCTION AND A&D

- Construction lending totals approx. \$137,557,000 outstanding with \$326,977,000 in commitments
- Residential construction approx. \$67,930,000
- Commercial construction approx. \$69,627,000
- Total construction, land development and land acquisition loans represent 4.6% of total loans outstanding

Data as of 12.31.2017

# TOTAL LOANS

NET OF UNAMORTIZED DEFERRED LOAN FEES AND DISCOUNTS (\$'000'S)



Data as of 12.31.2017

# GROWTH OPPORTUNITIES

- Mergers and Acquisitions

- First National Bank of Northern California 2018 (Announced)
- 3 Branch purchase Bank of America 2016
- North Valley Bancorp 2014
- Citizens Bank of Northern California 2011
- Granite Community Bank 2010
- North State National Bank 2003
- 9 Branch purchase Wells Fargo 1997
- Sutter Butte Savings 1996
- Country National Bank 1993
- Branch purchase from Wells Fargo 1987
- Shasta County Bank 1981

## WHAT KEEPS US UP AT NIGHT?

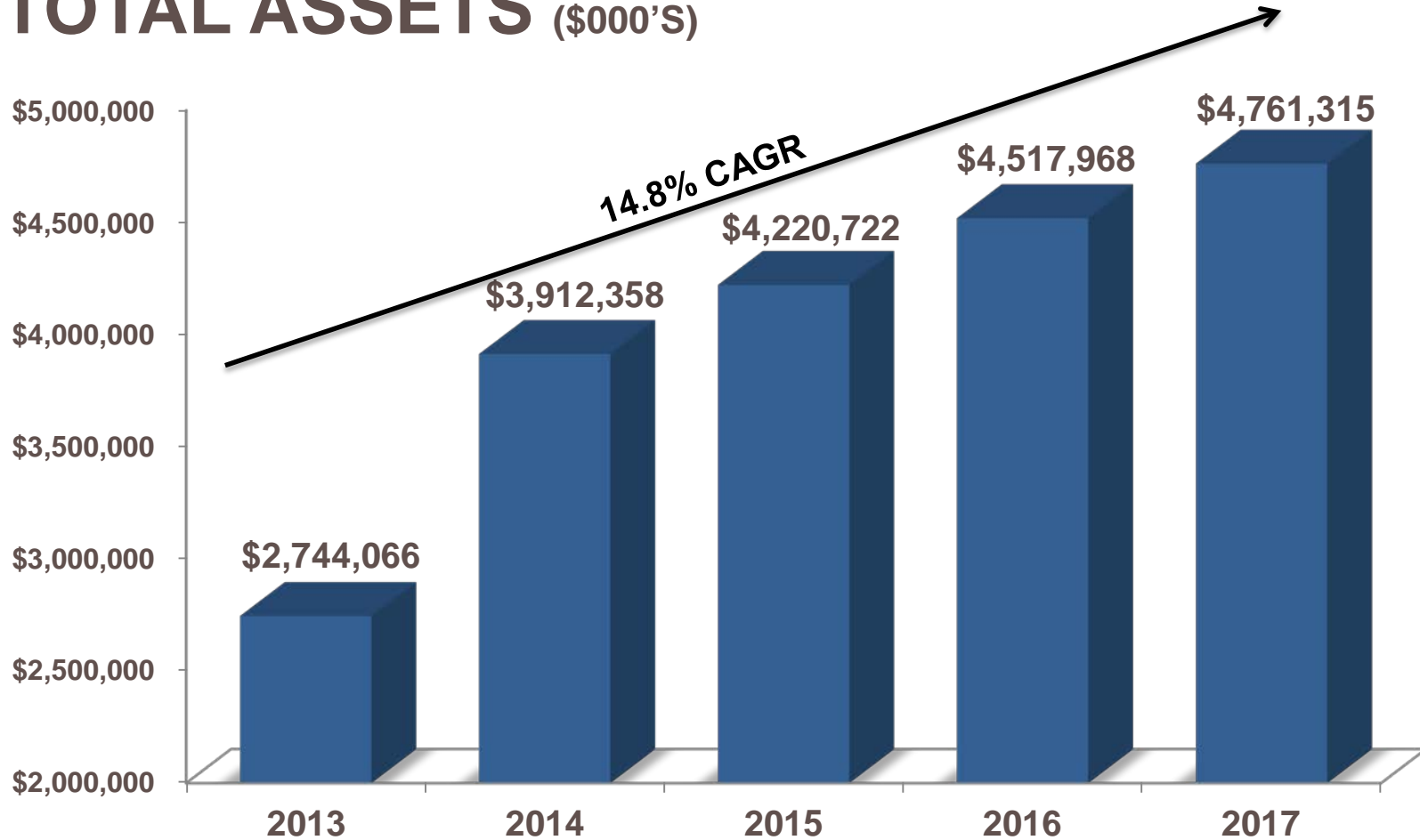
- Deposit Betas
- Ability to Increase Loan Yields
- Interest Rate Risk
- Aggressive Competitors
- Compliance Regulations
- The Cost of Compliance with New Regulations
- Dysfunction in Washington

# CHALLENGES WITHIN BANK STRATEGIES

- **Big Banks**
  - Aggressive banking in community bank space
  - Bad reputations
  - Large banks cost saving a new opportunity in rural markets
- **Technology and Banking**
  - New technology is expensive
  - New technology will streamline banking ultimately lowering costs
- **Bank Operations and Efficiency**
  - Managing multiple delivery channels
- **Enterprise Risk Management**
  - Many threats, so little time

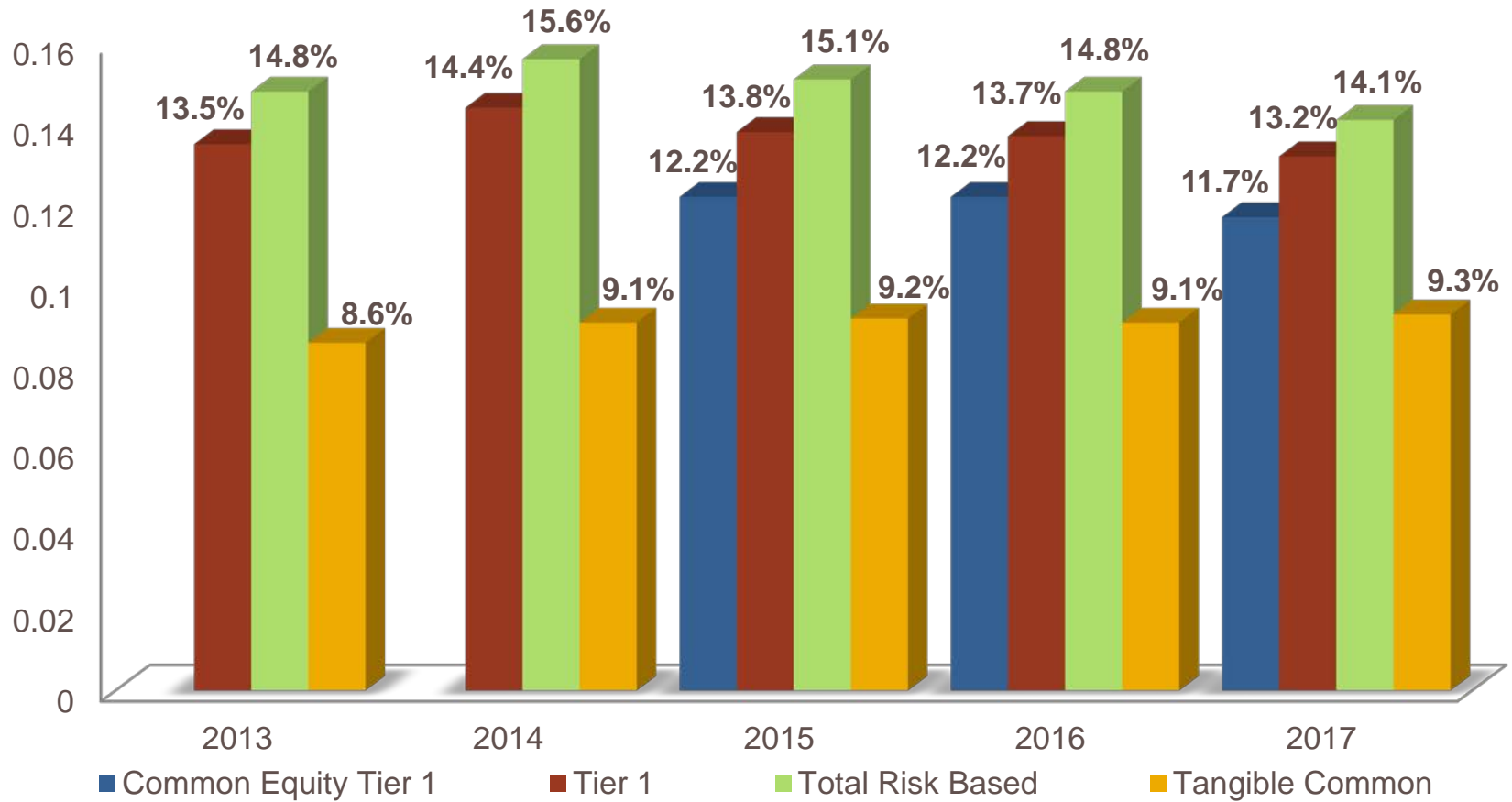
# FINANCIALS

# TOTAL ASSETS (\$000'S)



Data as of 12.31.2017

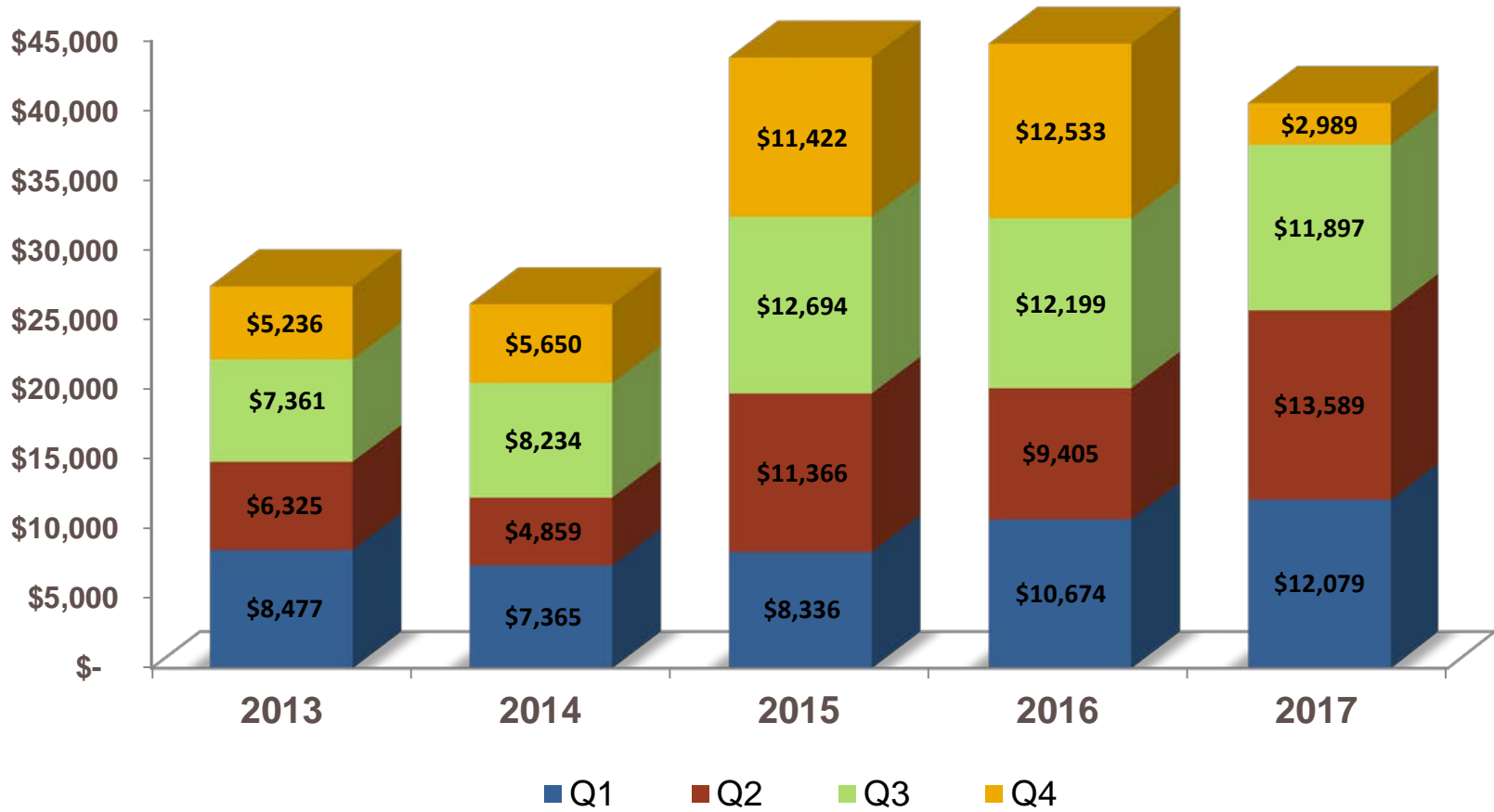
# CAPITAL RATIOS (\$000'S)



Data as of 12.31.2017

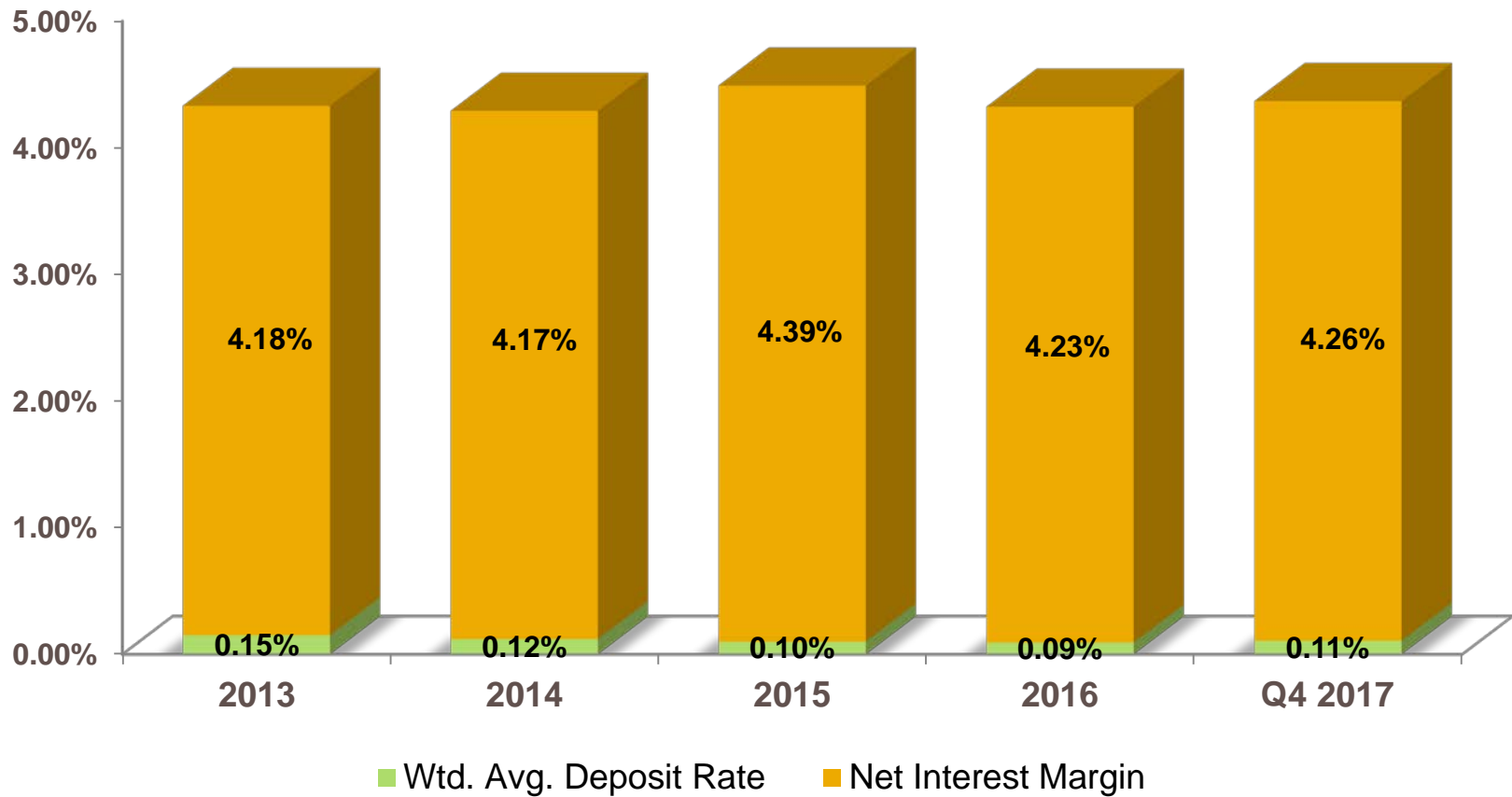


# NET INCOME (\$000'S)



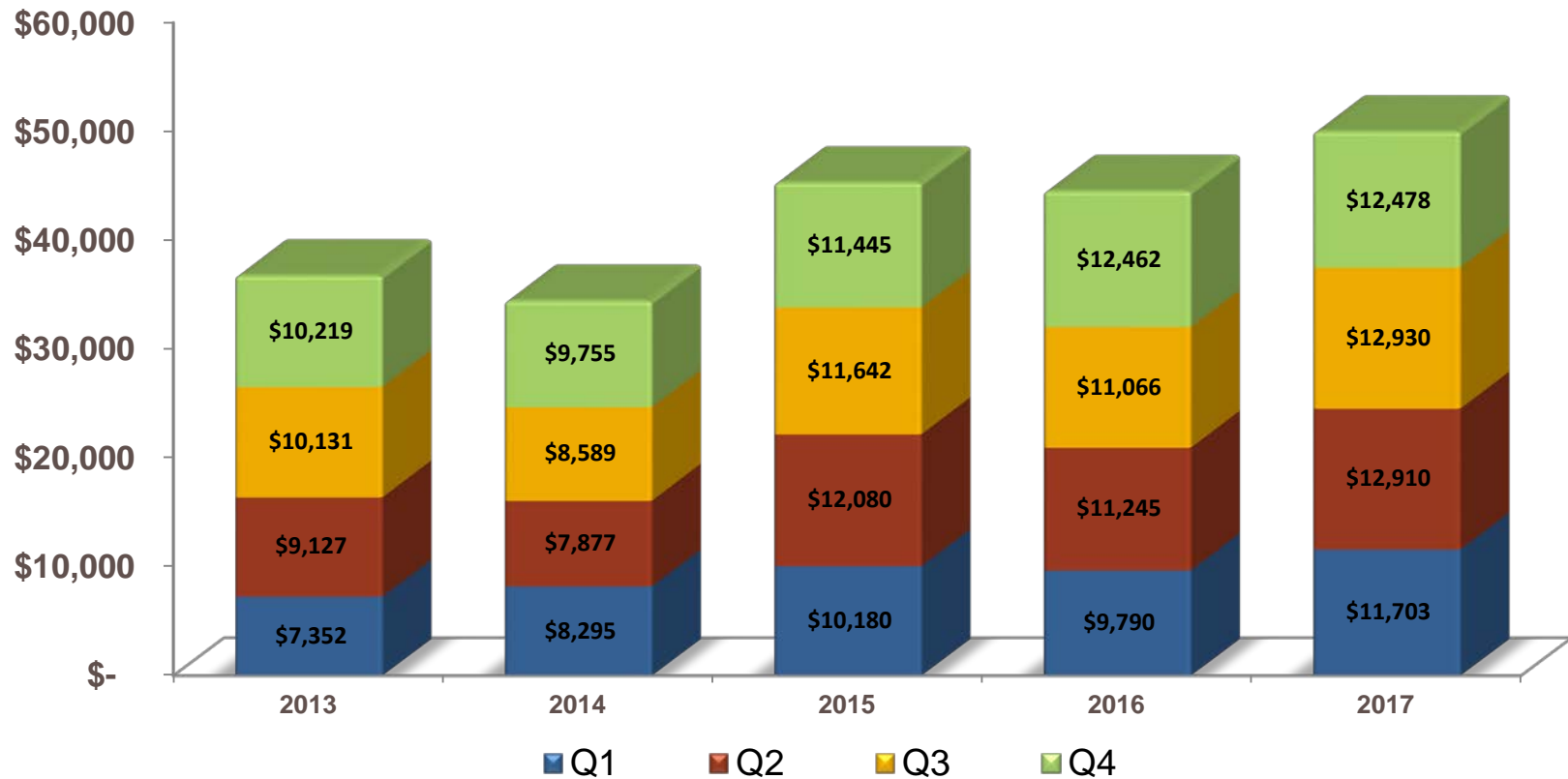
Data as of 12.31.2017

# NET INTEREST MARGIN



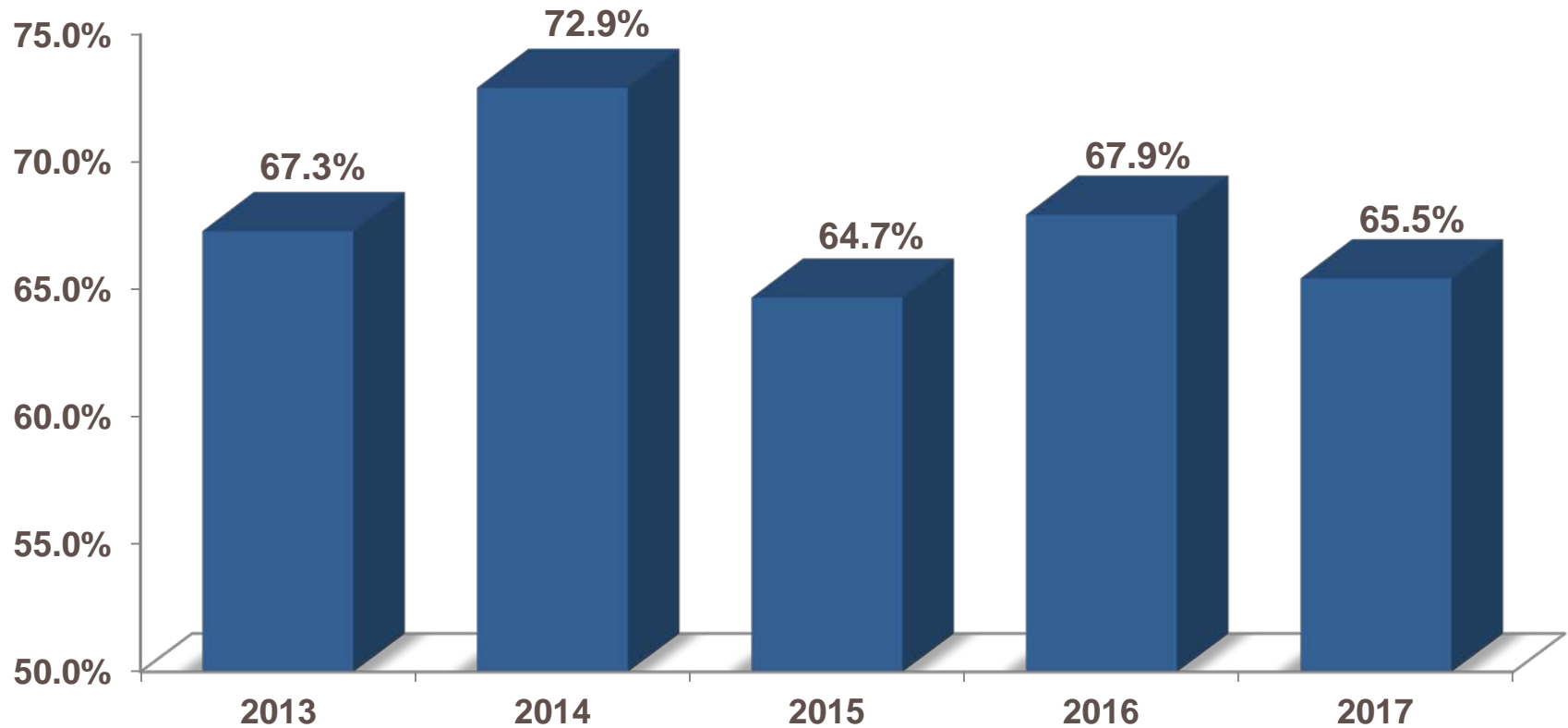
Data as of 12.31.2017

# NON-INTEREST INCOME (\$000'S)



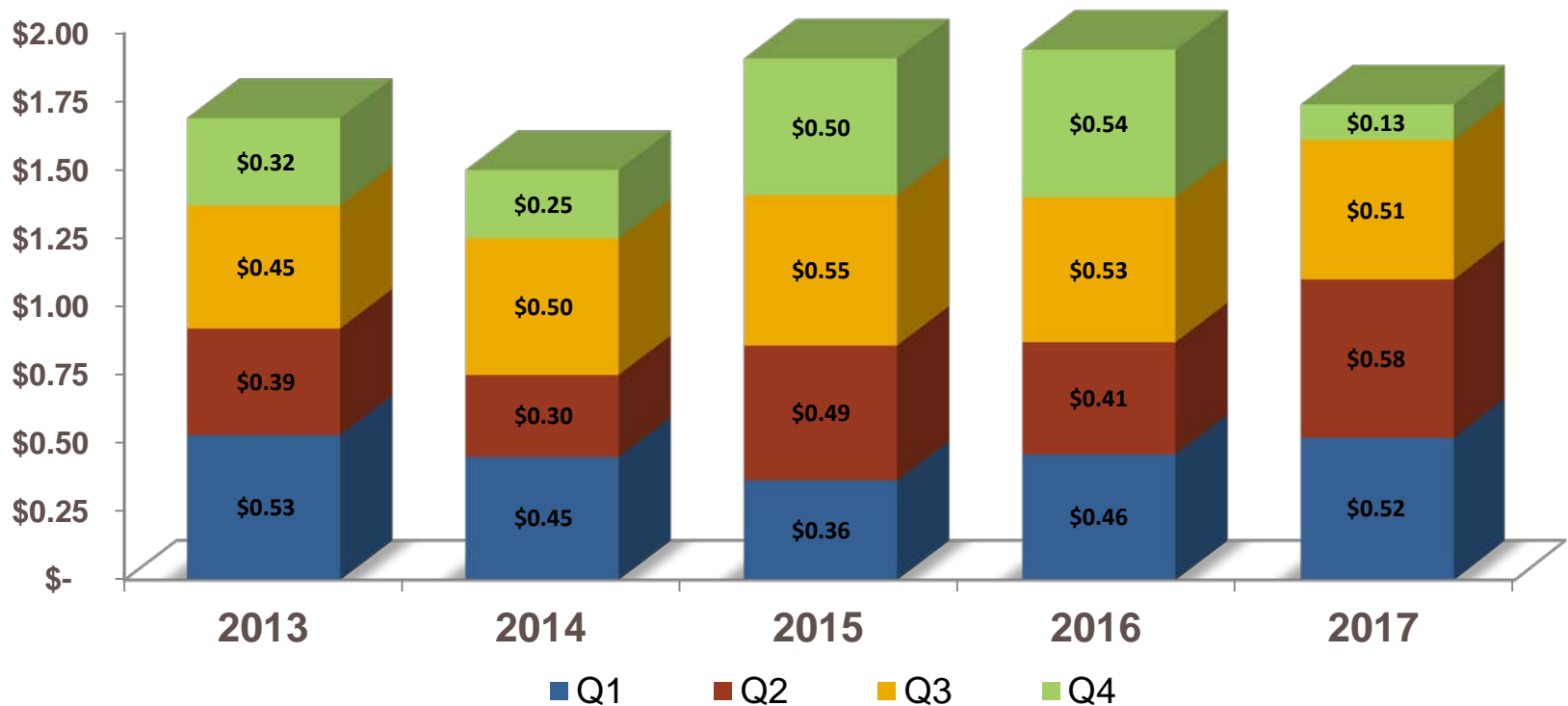
Data as of 12.31.2017

# EFFICIENCY RATIO (FULLY TAXABLE EQUIVALENT)



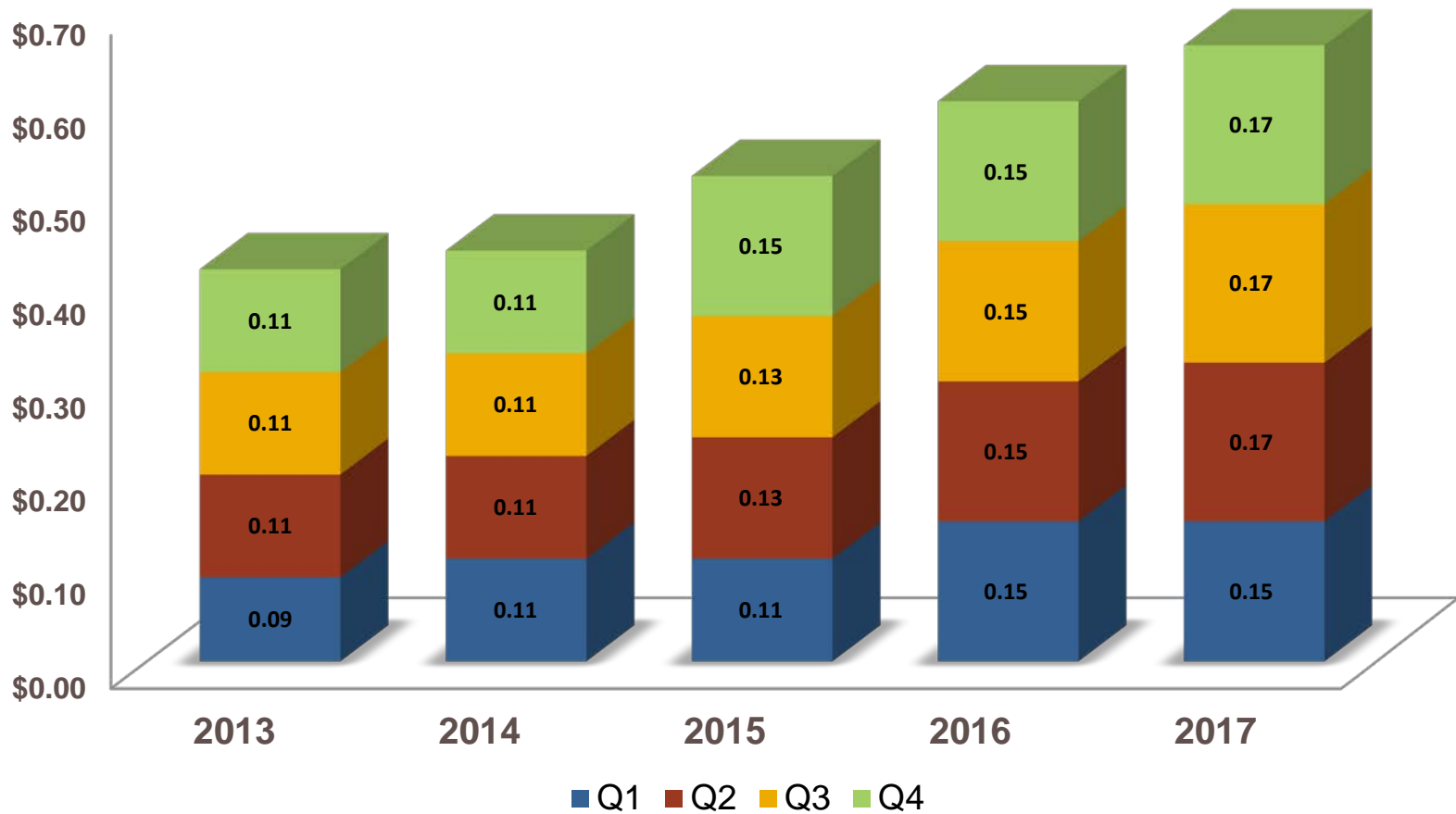
Data as of 12.31.2017

# DILUTED EARNINGS PER SHARE



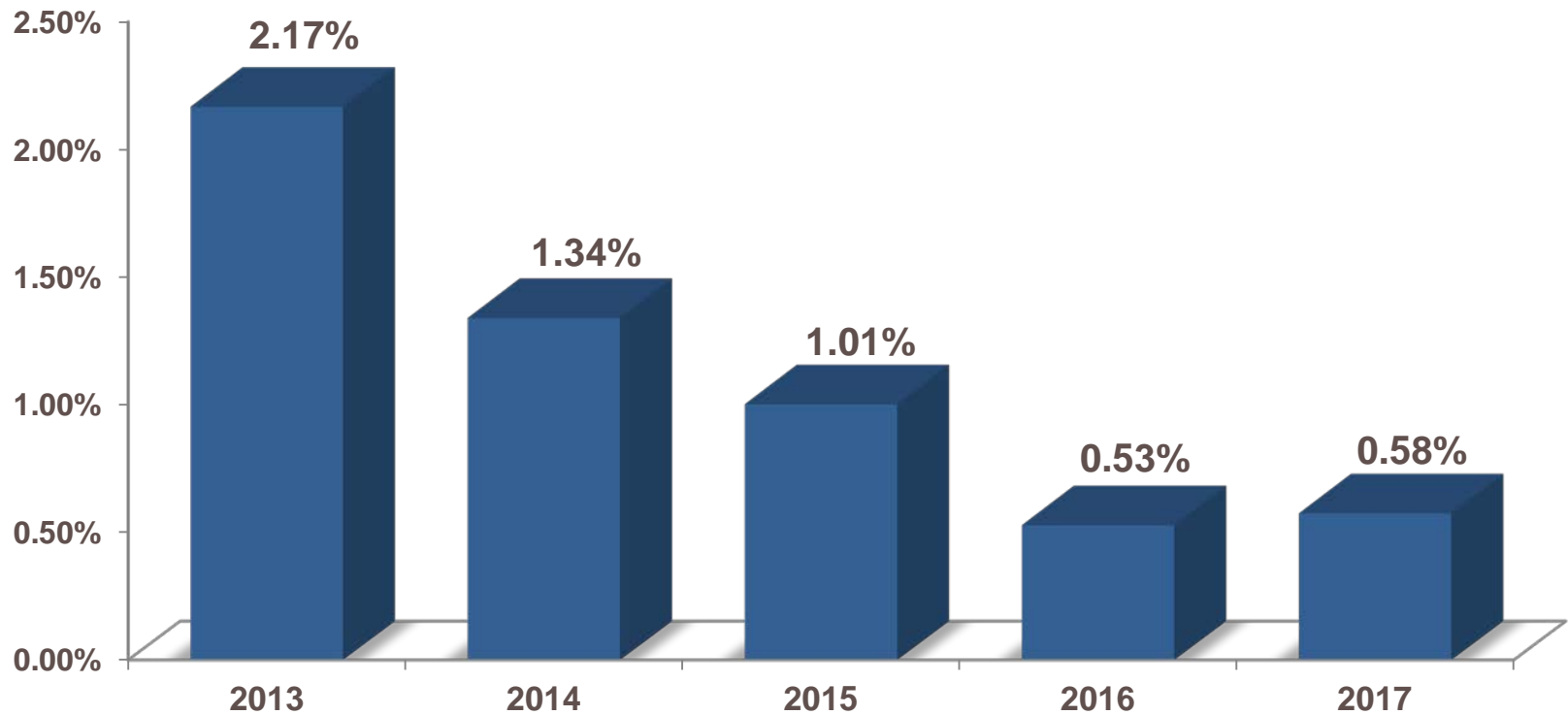
Data as of 12.31.2017

## DIVIDENDS PAID



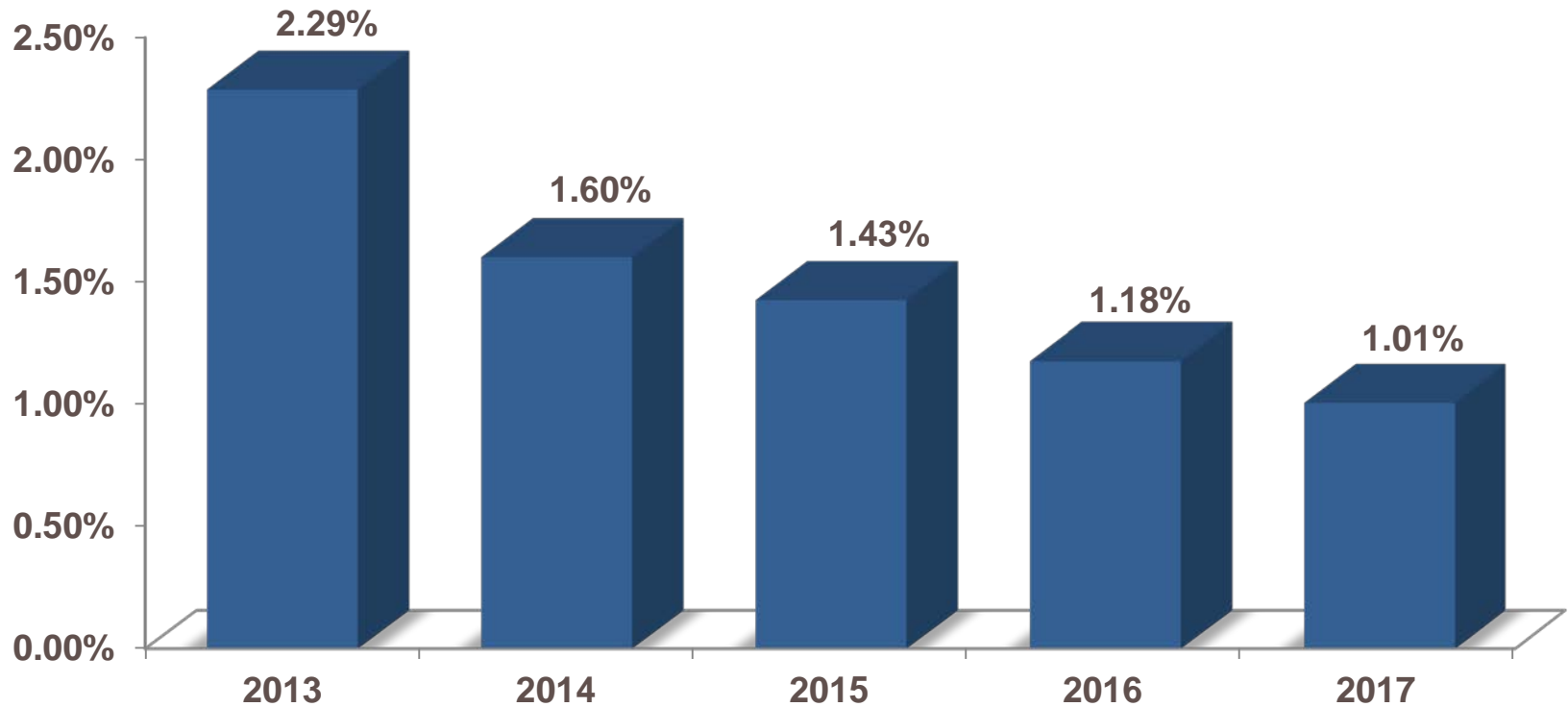
Data as of 12.31.2017

# NON-PERFORMING ASSETS TO TOTAL ASSETS



Data as of 12.31.2017

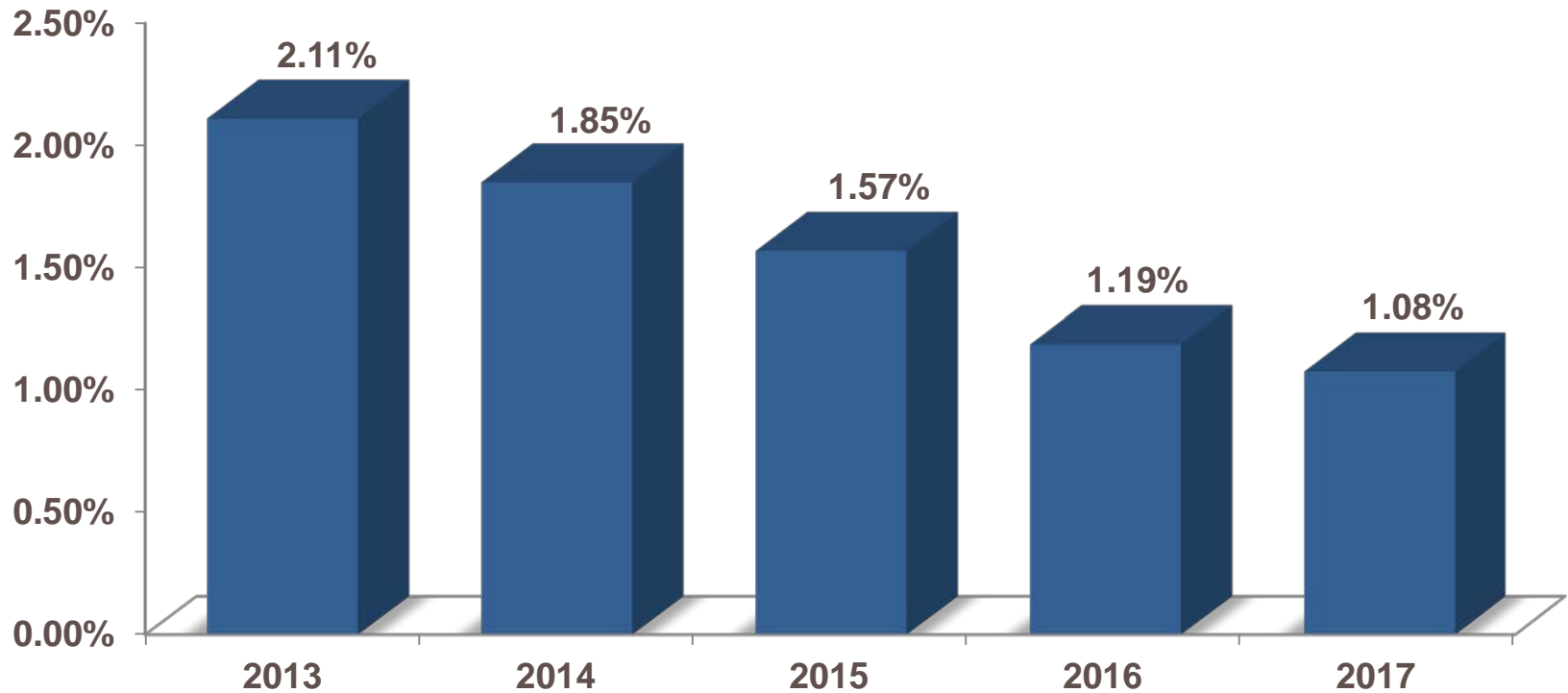
# ALLOWANCE FOR LOAN LOSSES TO TOTAL LOANS



Data as of 12.31.2017

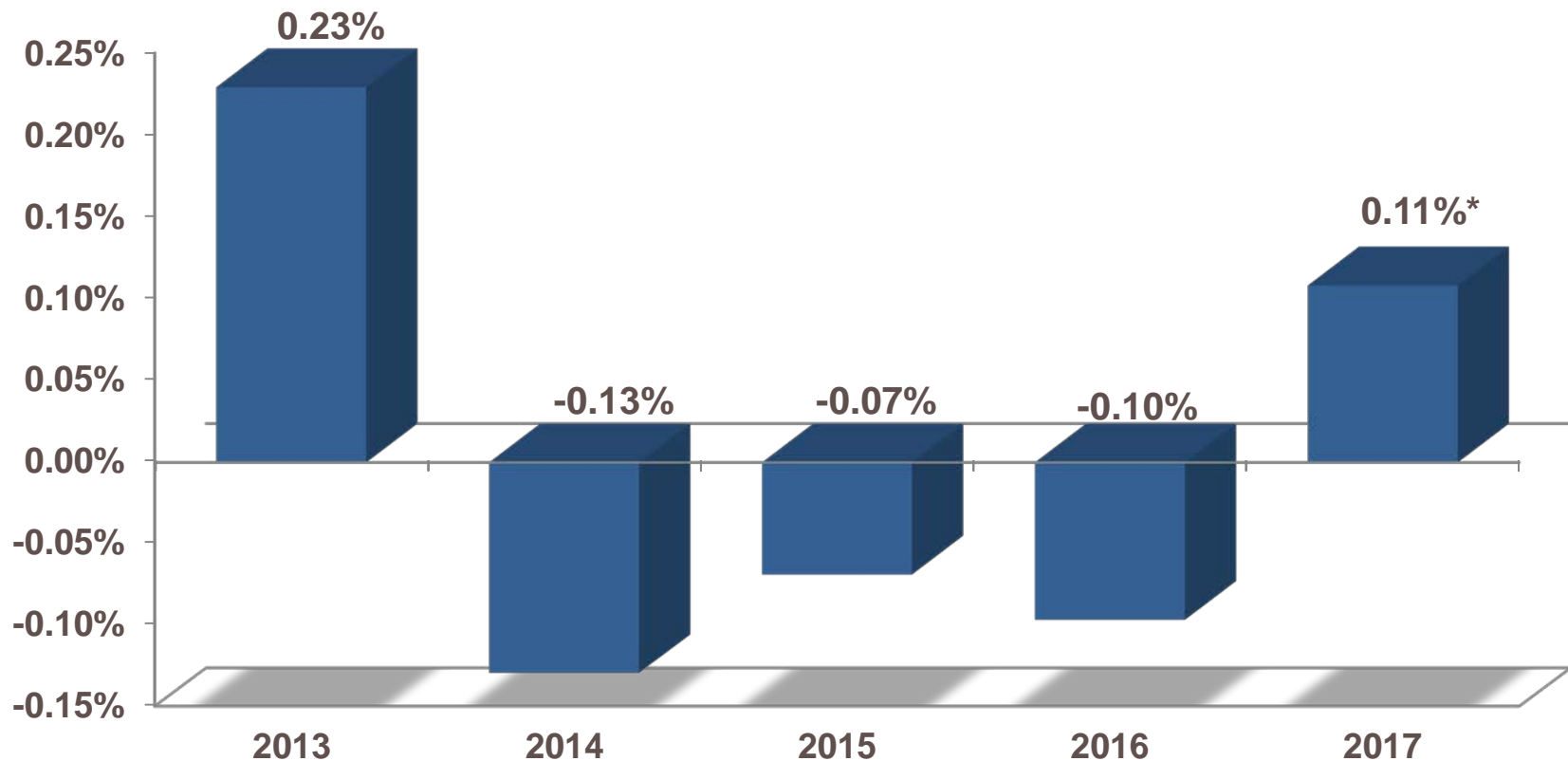


# ORIGINATED ALL TO TOTAL ORIGINATED LOANS



Data as of 12.31.2017

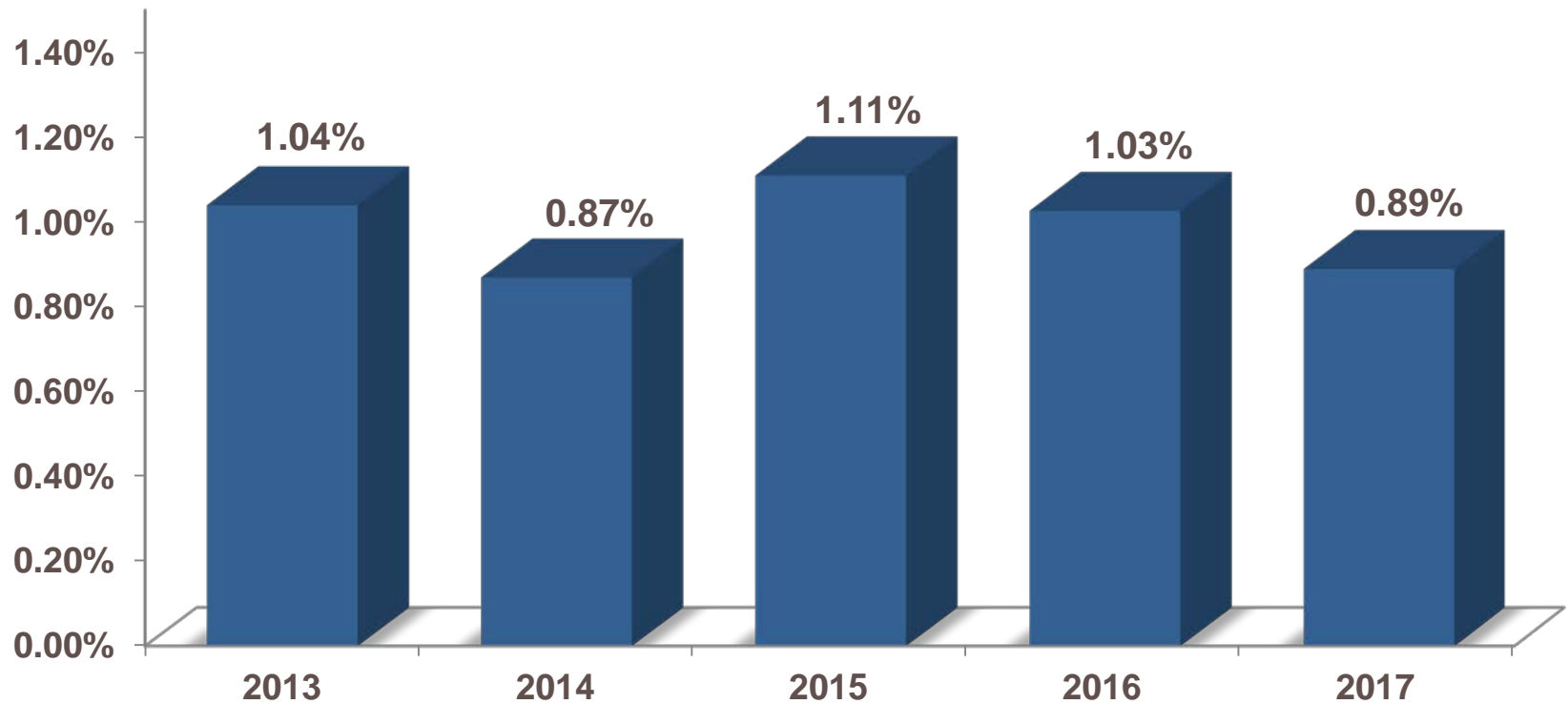
# ANNUALIZED NET CHARGE-OFFS TO AVERAGE LOANS



Data as of 12.31.2017

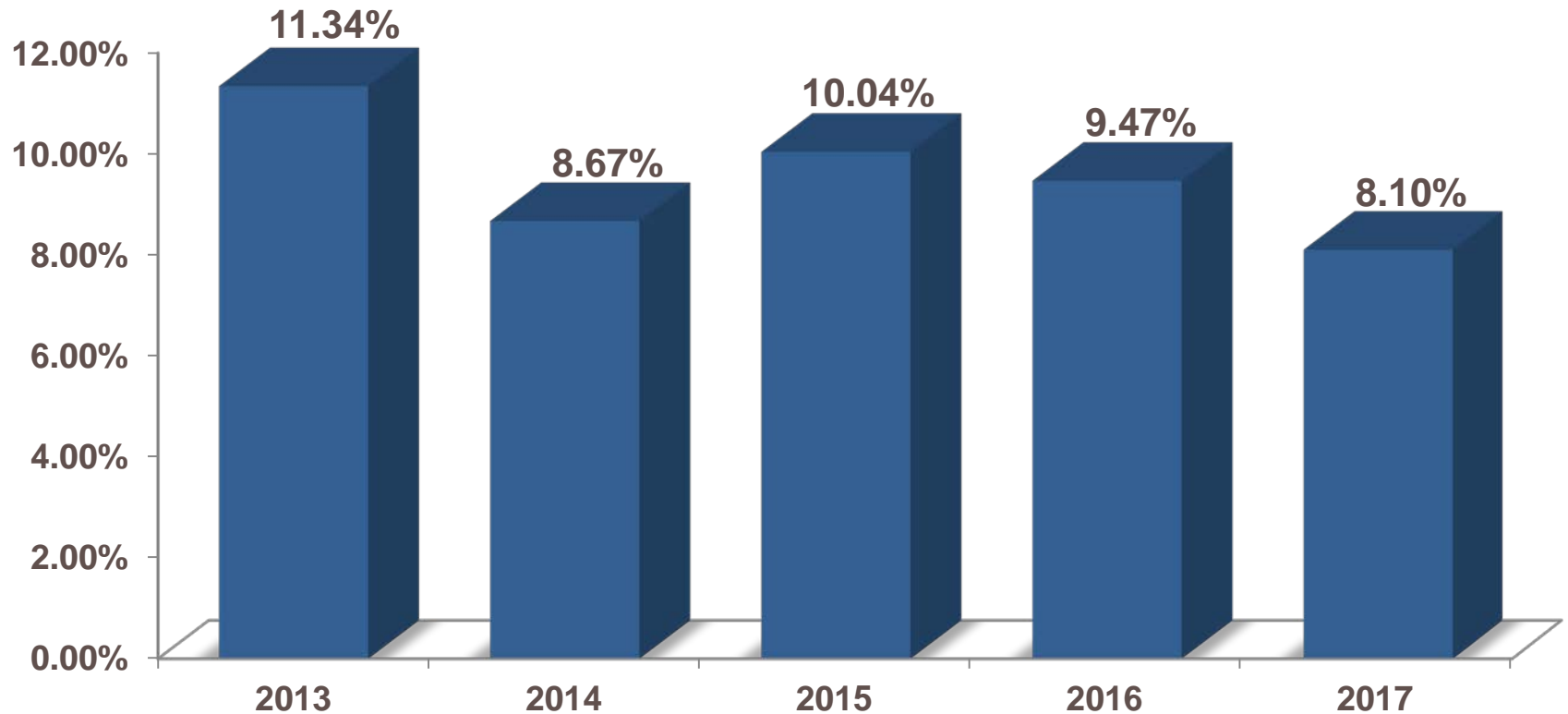
\*0.08% related to ASC 310-30 PCI loan adjustment

# RETURN ON AVERAGE ASSETS



Data as of 12.31.2017

# RETURN ON AVERAGE SHAREHOLDER'S EQUITY



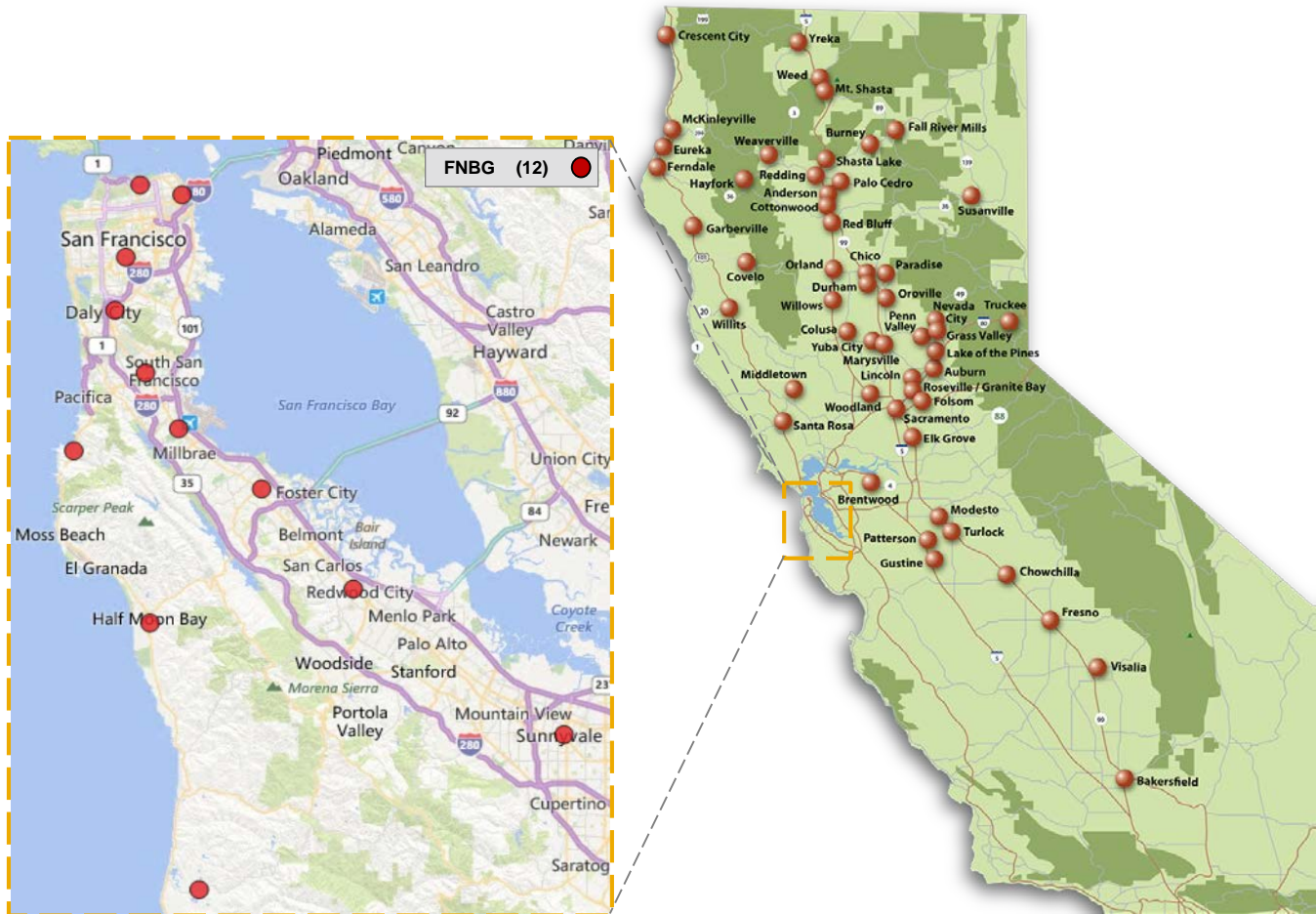
Data as of 12.31.2017

# Acquisition of FNB Bancorp

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# PREMIER NORCAL COMMUNITY BANK

- TCBK has an extensive presence throughout Northern California and the Central Valley with 66 branches
- FNBG's twelve branches across the SF Peninsula provide scale in a key Northern California market
- FNBG adds an established presence with a 50+ year history serving the SF Peninsula
- San Francisco is the economic hub of Northern California, located ~150 miles from TriCo's headquarters in Chico, CA
- Significant business activity exists between San Francisco and other Northern California markets within TriCo's footprint

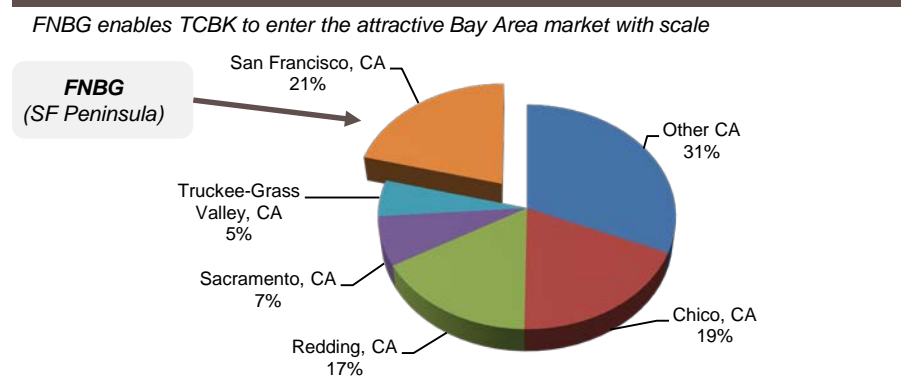


# MARKET POSITION IN NORCAL

- FNBG and TriCo will create the largest Northern California-based community bank at over \$6bn in assets
- TriCo currently has a dominant market share in several Northern California markets
  - #1 ranked deposit market share in Chico and Redding MSAs (~25% of total market)
  - Represent stable markets with low-cost, “sticky” deposits
  - Top 5 market share position in 42% of TCBK’s counties
- FNBG’s San Francisco presence provides increased growth prospects with strong demographic trends
  - Larger and thriving markets with affluent population base and significant business opportunities
  - Ample scale with capacity to improve market penetration
  - One of the largest, best-positioned community banks serving San Francisco
- TriCo’s recent expansion into Sacramento, CA complements San Francisco as a metro growth opportunity

Largest Northern California Based Banks			
Rank	Community Bank Rank	Institution	MRQ Total Assets (\$mm)
1		Wells Fargo & Company	\$1,934,939
2		First Republic Bank	84,320
3		SVB Financial Group	50,754
4	1	<b>TriCo Bancshares (Pro Forma)</b>	<b>6,100</b>
5	2	Mechanics Bank	5,702
6	3	Westamerica Bancorporation	5,446
7	4	Luther Burbank Corporation	5,320
8	5	Fremont Bancorporation	3,870
9	6	Farmers & Merchants Bancorp	3,072
10	7	1867 Western Financial Corporation	2,907

**TCBK 2017 Deposits by MSA (pro forma)**



# BAY AREA OPPORTUNITY

## Economy

- The Bay Area's \$780 billion economy would rank 5<sup>th</sup> among all US states and 18<sup>th</sup> globally among all countries
- The Bay Area economy grew 5.2% in 2016, ~3x faster than the US rate
- At 3.3% unemployment the area is significantly below national averages
- The Bay Area is the #1 region in the U.S. for venture capital investment
- Tourism attracts ~25 million visitors annually accounting for ~\$9.7B in spending
- More than 52% of the population holds a Bachelor's degree or higher
- 25 Colleges and Universities are present in San Francisco
- Although led by tech, the Bay Area economy is supported by a diverse set of industries

## Major Employers

- The Bay Area is home to 36 Fortune 500 companies, more than any other US region except New York
- Major employers include:

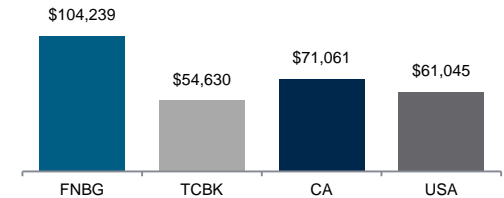


## Demographics

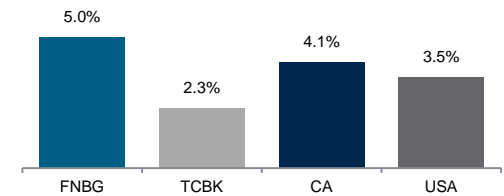
- With a population of ~7.6 million in the nine county region, the Bay Area represents ~20% of California's residents
- Attractive demographic trends driven by strong population growth on a large, affluent population base

## Strong Demographics<sup>(1)</sup>

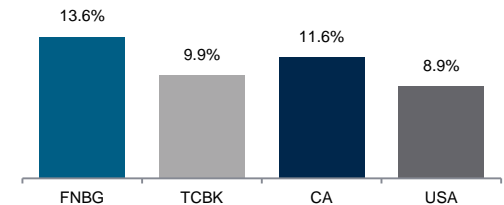
### 2017 Median HHI



### Projected 5-Year Population Growth



### Projected 5-Year Median HHI Growth



Sources: The San Francisco Center for Economic Development, Center for Continuing Study of the California Economy and U.S. Bureau of Labor Statistics.

(1) Median for zip codes in FNBG's and TCBK's footprint.



# OVERVIEW OF FNB BANCORP

## Company Background

- FNB Bancorp (NASDAQ: FNBG) is the bank holding company for First National Bank of Northern California
- Bank was founded in 1963 and is headquartered in South San Francisco, CA
- Largest community bank headquartered on the San Francisco Peninsula
- Twelve branches serving San Mateo, San Francisco and Santa Clara counties with 166 employees
- Longstanding, loyal customer and employee relationships developed over a 50+ year history
- Local, consultative and relationship-focused approach to banking
- Low-cost deposit base, liquid balance sheet and strong credit culture
- Community banking and lending approach that complements TriCo's focus
- Maintained asset quality through the financial crisis with no dilutive common equity offering

## Financial Summary

### Balance Sheet (\$ millions)

Total Assets	\$1,275
Deposits	1,045
Gross Loans	839
Loans / Deposits	80.3%
2-yr Loan CAGR	9.0%

### Profitability (3Q'17)

Adj. ROAA <sup>(1)</sup>	1.12%
Adj. ROATCE <sup>(1)</sup>	12.5
Net Interest Margin	3.97
Efficiency Ratio	58.9

### Asset Quality & Capital

NPAs / Assets	0.66%
Reserves / NPLs	148.0
Reserves / Loans	1.22
TCE / TA	9.16

Source: SNL Financial. FNBG information as of 9/30/2017.

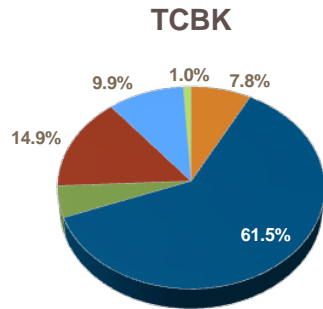
Note: All dollars in millions for consolidated holding company.

1) Adjusted for an estimated \$1.8mm pretax in non-recurring accelerated expense of FNBG's Management Continuity Agreements, less estimated ongoing accrual of \$350,000 pretax.

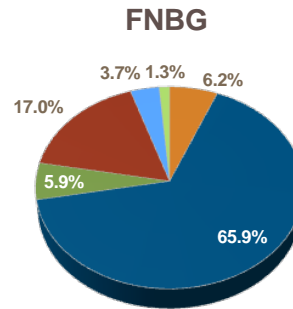
# PRO FORMA LOAN & DEPOSIT MIX

## Loan Portfolio

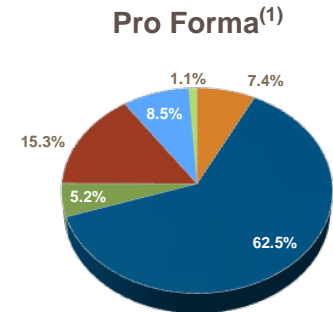
*Highly Similar Lending Focus, Shared Credit Culture*



\$2.9B Loans  
5.2% Yield on Loans



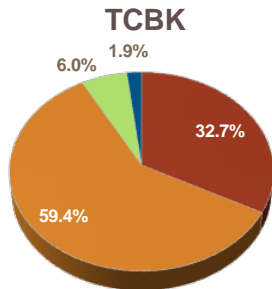
\$0.8B Loans  
5.2% Yield on Loans



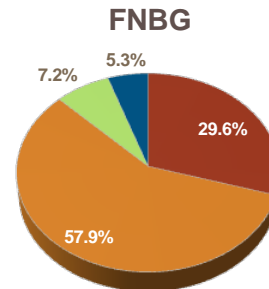
\$3.8B Loans  
5.2% Yield on Loans

## Deposit Base

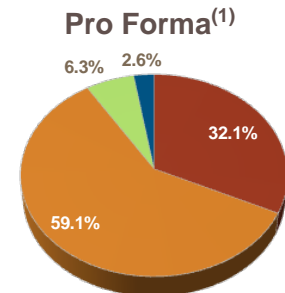
*Maintains An Attractive Low-Cost Deposit Base With A Liquid Balance Sheet*



\$3.9B Deposits  
0.11% Cost of Deposits  
Loan / Deposits 74.7%



\$1.0B Deposits  
0.29% Cost of Deposits  
Loan / Deposits 80.3%



\$5.0B Deposits  
0.14% Cost of Deposits  
Loan / Deposits 75.9%

Source: SNL Financial. TCBK and FNBG information for the quarter ended 9/30/2017.  
(1) Pro forma does not include purchase accounting or merger related adjustments.

# TRANSACTION ASSUMPTIONS

## Cost Savings

- Estimated at \$8.7mm or 28% of FNBG's 2017e expense base
- Primarily driven by executive management and back office operations as well as significant IT savings from elimination of FNBG's in-house data processing function
- Retain branches and substantially all customer facing and business development personnel
- Cost savings estimates exclude impact of concluding FNBG's accelerated expense from "Salary Continuation Agreements" <sup>(1)</sup> and one-year employment agreements with certain FNBG executives

## One-time Deal Costs

- Estimated at \$12.5mm pretax, included in pro forma tangible book value calculation
- Minimal contract termination fees due to FNBG's in-house data processing function
- Relatively low transaction costs in aggregate

## FMV Adjustments

- Loan mark: \$10.3mm pretax gross credit mark; \$14.9mm pretax rate mark
- Fixed asset mark: \$18.0mm pretax write-up on owned branches and buildings
- Core deposit intangible: 1.5% of core deposits

## Revenue Enhancements

- None assumed for modeling purposes
- Significant opportunities exist
  - New product lines to FNBG customers; mortgage banking, wealth management, SBA
  - Opportunity to deploy excess liquidity with new growth opportunities and larger lending limits within the Bay Area

<sup>1)</sup> A pretax charge of ~\$1.8mm per year was incurred by FNBG over 2015 – 2017 for an accelerated accrual related to FNBG's Salary Continuation Agreements. The accelerated accrual will end at December 31, 2017.

# FINANCIAL IMPACT & PRICING

## EPS Accretion<sup>(1)</sup>

As announced - 35% Fed tax rate

- 2018e: 2.1% accretive excluding transaction costs <sup>(2)</sup>
- 2019e: 7.9% EPS accretion <sup>(2)</sup>

Est. under tax reform - 21% Fed tax rate

- 2018e: 2.4% accretive excluding transaction costs <sup>(2)</sup>
- 2019e: 9.0% EPS accretion <sup>(2)</sup>

## TBV Impact

- TBV dilution of 6.6% at close
- TBV earnback of 4.7 years via crossover method

- TBV dilution of 6.5% at close
- TBV earnback of 4.0 years via crossover method

## Other Metrics

- Internal rate of return of >15%
- Improves estimated 2019 ROAA and ROATCE
- Pro forma TCE/TA of 9.2% at close

- Internal rate of return of > 20%
- Improves estimated 2019 ROAA and ROATCE
- Pro forma TCE/TA of 9.2% at close

## Pricing Multiples

Price /	Transaction multiples as of: <sup>(5)</sup>		Comparable West Coast Transactions <sup>(6)</sup>
	9/8/2017	12/8/2017	
LTM GAAP EPS	19.6x	24.0x	
Adjusted LTM Annualized EPS <sup>(3)</sup>	18.5	22.5	26.2x
Tangible Book Value Per Share	2.13	2.60	
Marked Tangible Book Value Per Share <sup>(4)</sup>	1.95	2.38	2.24
One-day Market Premium	4.8%	15.5%	36.2%

1) Based on TCBK's median analyst estimates from S&P CapIQ at December 11, 2017.

2) Assumes 75% run-rate realized on cost savings in 2018 (following close) and fully phased in cost savings for 2019.

3) Adjusted for an estimated \$1.8mm pretax in non-recurring accelerated expense of FNBG's Management Continuity Agreements, less estimated ongoing accrual of \$350,000 pretax.

4) Adjusted for \$18mm pretax write-up due to FMV of owned branches and buildings.

5) September 8, 2017 represents the value of consideration based on the date when the initial exchange ratio range was determined.

6) Shows median of West Coast transactions (CA,WA,OR) since 2016 U.S. Presidential Election with a deal value between \$100 million and \$1 billion.



# TRICO BANCSHARES IS COMMITTED TO:

Improving the financial success and well-being of our shareholders, customers, communities and employees.