1998
TRICO BANCSHARES ANNUAL REPORT

trust
respect
integrity
communication
opportunity

Tri Counties Bank Country

Thirty-four Full Service Branch Locations

Crescent City
Yreka
Weed
Mt. Shasta
Fall River Mills
Bieber
Burney
299
5
395
(4) Redding
Palo Cedro
Cottonwood
Susanville
101
Red Bluff
99
Covelo
Orland
Chico (5)
162
Willows
Durham
Grass Valley
80
(2) Yuba City
Marysville
99
70
Middletown
Sacramento
29
101
5
San Francisco
Patterson
San Jose
Gustine
Chowchilla
5
101
Bakersfield
Los Angeles

TRICO BANCSHARES

TRI COUNTIES BANK

In 1975 with $1 million in capital, a group of business people, farmers and professionals chartered Tri Counties Bank in Chico, California. Six years later TriCo Bancshares, a holding company, was formed with the Bank as its sole subsidiary. At year end 1998, the Company had capital totaling $72 million.

The Bank has grown from the original branch in Chico to twenty-six traditional branches, eight in-store branches in seventeen Northern California counties from the San Joaquin Valley to the Oregon border.

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

The Bank provides customer convenience through traditional and in-store branches with extended hours. Also, customers can perform most common banking functions through the 24-hour telephone banking system, as well as via the internet. Personalized service is available seven days a week from customer service representatives in the Bank's Telephone Banking Center. In 1998 the Bank initiated the Financial Services Center, a live video kiosk that not only serves existing customers, but can also open new accounts. The first Financial Services Center will open February 1999 in Raley's supermarket, Chico. Retail banking services include: home equity loans and lines of credit tailored to match customer needs; installment loans; checking accounts with added value; the Check Card, which allows the customer to access checking account funds worldwide wherever Visa is accepted and at ATMs; a variety of savings options; mutual funds and annuity products through INVEST; and Visa and MasterCard credit cards.

The Bank's business customers are primarily small to medium-sized enterprises and agribusinesses within the Bank's service area. Business customers can rely on a personal business banker who acts as a guide to financial services and expediter of business loans. Business banking services include: loans, lines of credit and Small Business loans; Merchant card services, which allows the customer's business to accept credit, debit and ATM card payments; electronic banking products, which enable customers to initiate a wide variety of banking functions from a PC or touch-tone phone; business check services; business savings and investments; and business retirement products.

Tri Counties Bank relies substantially on local promotional activity; personal contacts by its officers, directors, and employees; extended hours; personalized service and its reputation in the communities it serves to compete with other financial institutions.

NASDAQ SYMBOL: TCBK

website: www.tcbk.com

FIVE YEAR SELECTED FINANCIAL DATA

(in thousands, except share data)

	1998	1997	1996	1995	1994
STATEMENT OF OPERATIONS DATA:[1]					
Interest income	**$65,138**	$ 59,877	$ 49,148	$ 46,011	$ 43,240
Interest expense	**25,296**	23,935	19,179	17,988	15,680
Net interest income	**39,842**	35,942	29,969	28,023	27,560
Provision for loan losses	**4,200**	3,000	777	335	316
Net interest income after provision for loan losses	**35,642**	32,942	29,192	27,688	27,244
Noninterest income	**12,869**	9,566	6,636	5,933	5,025
Noninterest expense	**34,692**	32,932	23,485	21,661	22,058
Income before income taxes	**13,819**	9,576	12,343	11,960	10,211
Provision for income taxes	**5,049**	3,707	5,037	4,915	4,350
Net income	**$8,770**	$ 5,869	$ 7,306	$ 7,045	$ 5,861
SHARE DATA:[2]					
Diluted earnings per share	**$1.21**	$0.81	$1.04	$ 0.97	$ 0.78
Cash dividend paid per share	**0.49**	0.43	0.39	0.25	0.21
Common shareholders' equity at year end	**10.22**	9.31	8.73	7.95	6.73
BALANCE SHEET DATA at year end:[3]					
Total loans, gross	**$532,433**	$448,967	$439,218	$318,766	$307,103
Total assets	**904,599**	826,165	694,859	603,554	593,834
Total deposits	**769,173**	724,094	595,621	516,193	491,172
Total shareholders' equity	**72,029**	65,124	60,777	53,213	48,231
SELECTED FINANCIAL RATIOS:					
Return on average assets	**1.03 %**	0.75 %	1.18 %	1.22 %	.99%
Return on average common shareholders' equity	**12.80 %**	9.34 %	13.03 %	13.95 %	12.42%
Total risk-based capital ratio	**11.83 %**	11.90 %	13.58 %	15.17 %	14.65%
Net interest margin[4]	**5.28 %**	5.16 %	5.37 %	5.36 %	5.18%
Allowance for loan losses to total loans outstanding at end of year	**1.54 %**	1.44 %	1.39 %	1.75 %	1.83%

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

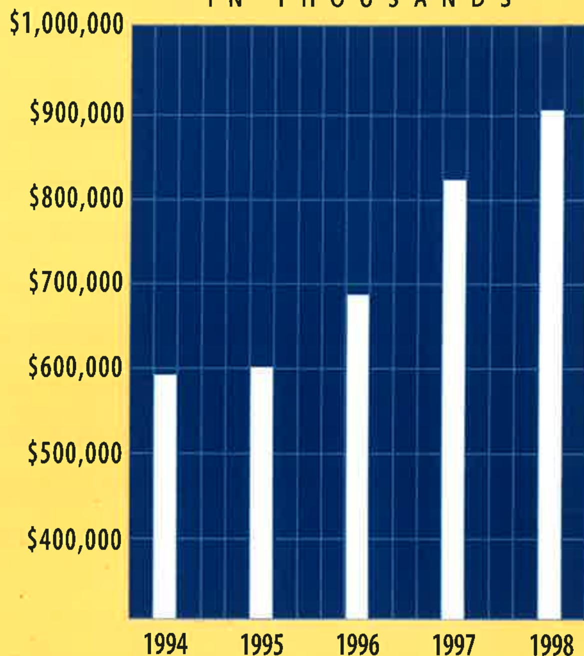
[2] Retroactively adjusted to reflect 3-for-2 stock split effected in 1998, and 5-for-4 stock split effected in 1995.

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

[4] Calculated on a tax equivalent basis.

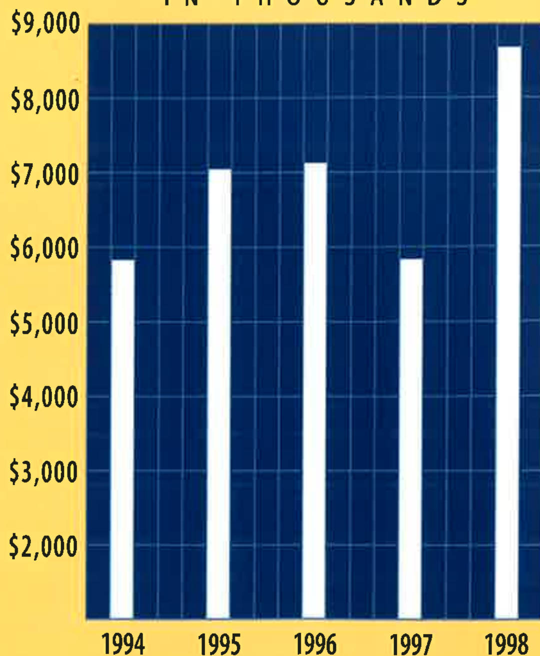
TOTAL ASSETS

IN THOUSANDS



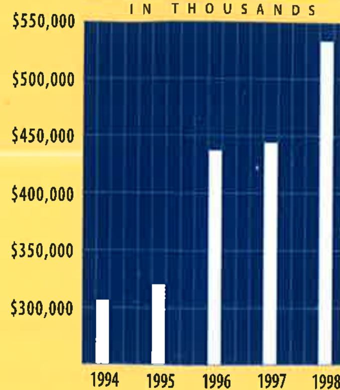
NET INCOME

IN THOUSANDS

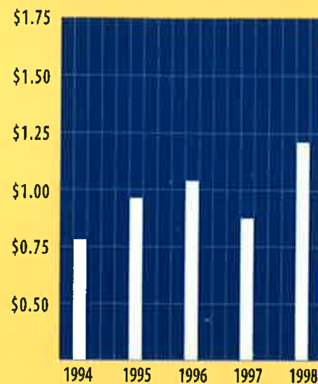


TOTAL LOANS

IN THOUSANDS

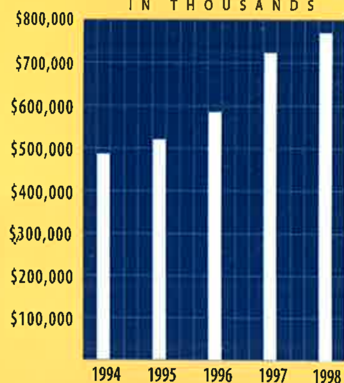


DILUTED EARNINGS PER SHARE



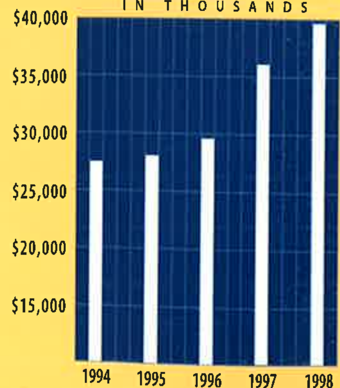
TOTAL DEPOSITS

IN THOUSANDS



NET INTEREST INCOME

IN THOUSANDS



PRESIDENT'S LETTER, TRICO BANCSHARES

"Team TriCo" means we are one team working together to provide outstanding customer service. Only motivated employees working as a team can provide service which increases profits and shareholder value.

The shared "Team Trico Challenge" has increased employee motivation and team spirit beyond all expectations. At "Camp Team TriCo," located seven miles east of Chico at Richardson Springs, groups of twenty Tri Counties Bank employees from our various branches and departments spend two days together learning the value of teamwork in conquering mental and physical challenges. All 400 Bank employees in twenty individual groups have taken the training. They are united with one vision built on **T**rust, **R**espect, **I**ntegrity, **C**ommunication and **O**pportunity... Team **TRICO**.

"Team TriCo" members learn how teamwork solves problems requiring intelligent thought. They listen to each other. They cooperate. Working together, they conquer seemingly insoluble problems quickly and efficiently. It's dramatic proof a team is capable of much more than any individual member.

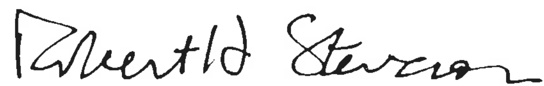
All "Team TriCo" members of various ages and physical condition also complete a series of strenuous physical tasks. The support and encouragement of

fellow team members enables them to call on inner resources of courage and strength to complete the "High V," the "35-ft. Pole Climb," and the "Trust Fall" pictured here.

Tri Counties Bank has grown dramatically during recent years. The Country National Bank and Sutter Buttes Savings Bank mergers, the purchase of nine Wells Fargo Bank branches and considerable internal growth have added many employees unfamiliar with our Tri Counties Bank culture, a culture emphasizing superior customer service. "Team TriCo" does much to provide everyone with the same shared values.

I know you share the tremendous pride your directors, management and I have in the proven intelligence of our employees and their willingness to demonstrate their abundant capabilities.

Sincerely,



Robert H. Steveson
President and Chief Executive Officer
TriCo Bancshares

problem solving

high v

PRESIDENT'S LETTER, TRI COUNTIES BANK

As your new Bank President, I am pleased to report that TriCo Bancshares' history of meeting its strategic goals and objectives continues. In 1998, the Company set a new earnings record. Net Income increased 49% to $8,770,000 from $5,869,000 in 1997. Diluted earnings per share in 1998 increased to $1.21 from $0.81. Return on average common stockholders' equity increased to 12.80% from 9.34%.

Our 1998 strategy was to concentrate on improving earnings by increasing our loan outstandings. This resulted in total loans increasing 18.6% over 1997. At the same time, we were able to substantially reduce non-accrual loans by $3,676,000 or 78%. The sale of our credit card portfolio was a key decision in both improving our non-performing loans and providing for additional reserves for the substantial loan growth in our commercial and agricultural portfolios. Tri Counties Bank is now well positioned for excellent future earnings. This was evidenced by the ability to increase our dividend to $0.16 per share following the 3-for-2 stock split in October 1998.

Tri Counties Bank continues to grow. For the first time, total assets exceeded $900,000,000. In November, our Sacramento and Bakersfield loan production offices were converted into full service branches. In February 1999, we will open a "new concept" financial service center inside the new Raley's supermarket in Chico. This fully automated video kiosk will be unique to our market area. Customers will be able to open accounts, apply for loans, and communicate with a "financial service representative" via a video-banking machine. In Spring 1999, we anticipate opening a full service in-store branch in the Beale Air Force Base commissary, located in our Yuba City/Marysville market area. Additionally, new customers–particularly entrepreneurs–continue to migrate from the metropolitan areas of San Francisco, Sacramento and Los Angeles to California's Central Valley— "Tri Counties Bank Country."

Many busy Tri Counties Bank customers now prefer to bank by toll-free telephone or via the Internet, rarely visiting one of our thirty-four branch locations. Monthly, our 24-hour telephone-banking center handles about 60,000 self-service calls and 15,000 live calls to financial service representatives. Use of the Tri Counties Bank on-line website (www.tricountiesbank.com) is growing dramatically on a daily basis.

Much has been made of the possible Year 2000 (Y2K) effect on computer programs. Tri Counties Bank is committed to attaining Year 2000 compliance, ensuring that our information systems accurately process dates and times, including calculating, comparing and sequencing data from, into and between the 20th and 21st centuries. Our web site is a great place to keep posted on our progress in this area.

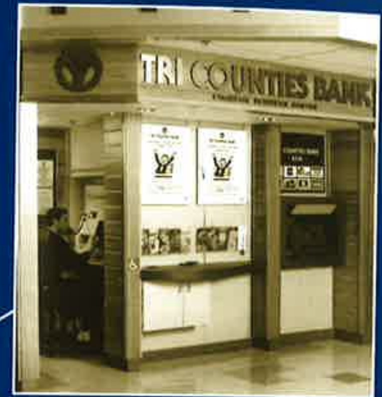
On behalf of your Board of Directors and management team, thank you for your continued support and confidence in Tri Counties Bank.

Sincerely,

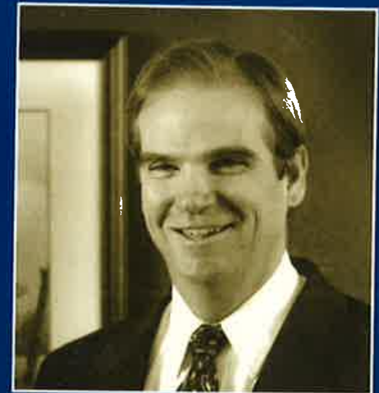
Richard P. Smith
President and Chief Operating Officer
Tri Counties Bank

record earnings

Customers can access Y2K updates regularly in the branches or on our website.

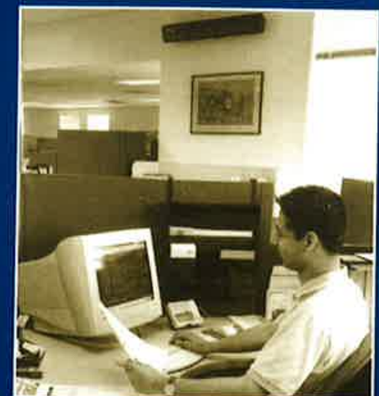


New Financial Services Center connects to live Representative via video telephone.
Inside Raley's Supermarket, Chico.



Business loans have increased under the direction of Richard O'Sullivan, Executive Vice President Sales & Service.

Sacramento and Bakersfield Business Loan offices converted to Full Service Branches.



Our 24-Hour Telephone Banking Center is now set up to handle all consumer loan applications.

National Federation for the Blind; Huntington College, School of Ministry; Twin Oaks Recreation Fund; Chico Heat Jr. Olympic Softball Team; Hy-Stick Extremes; Chico Friends of the Library; Butte American Indian Club; Mercy High School; Mediation Center-Victim/Offender Program; North Chico Volunteer Fire Company #42; Butte County AIDS Walk; Jesus Center; Work Training Center; Chico Community Shelter Partnership; Salvation Army; American Diabetes Walk; American Hear-Walk; North State Crime Stoppers; Peg Taylor Center; Rad (Enloe); Touchstone; Richvale Foundation; Durham Fire; Chico Museum; Always A Friend; Esplanade House; The Well; House of Mercy; Catholic Ladies Relief Society; Oroville Rescue Mission; Citizens Crime Alert Program; We Support Chico School; Muscular Dystrophy; Think Pink Day-American Cancer Society; America Legion Post #759-Covelo; David Cerrato-Honduras; Janet Turner Print Galley; Campus Wave; Janet Levy Center; Young Life of Butte County; Sierra Cascade Girl Scout Council; Boys 7 Girls Club-Camp Journey Sponsorship; Scholarships; Jesus Center-Building Rehab; Boy Scouts; Friends of The Playground; Haven Human Society; Shasta Wildlife Rescue; Good News Rescue Mission; City of Redding Downtown Revitalization; YMCA; Redding Junior Golf; Lassen High Sports; Friends of State Fair; Kool April Nights; Girl Scouts Headquarters Building; Alturas Livestock; HART Center Runaway Shelter; Shasta Livestock; Plus One Mentors; Friends of the Ice Rink; Tehama Livestock; Redding Swim Team; Honey Bee Festival; Turtle Bay; Siskyou Livestock; Crescent City Women's Shelter; Haven Human Society; Shasta Wildlife Rescue; Good News Rescue; Mt. Shasta Soccer; Tule Lake Fair Auction; Heart Association Walk; Lassen County Arts; 4th of July Mt. Shasta Runners; Junction Weather Station; Yreka Hospice House; Redding Jazz Festival; Bishop Quinn Hwy 44 Sign; Habitat for Humanity; GoodNews Rescue Mission; Soroptimist "Baby Think"; NVCSS Magic of Christmas; Leadership Redding; Mt. Shasta High School Sound System; Shasta County Down-Payment Assistance Program; Resources for Rural Community Development; Redding Chamber of Commerce Winter Social; California Flash Running Club; Easter Seals; Mercy Foundation North; Shasta Roller Hockey League; Economic Development Corporation; Deputy Sheriff's Association; YMCA Golf Tourney; Redding Rattlers Baseball Team; Shasta County Foster Parents; Kids Unlimited; Redding Renegades; Riverview Golf & Country Club; Redding Chamber of Commerce Golf Tourney; Redding Chamber of Commerce, State of City; Liberty Christian, Sober Grad; American Cancer Society, Relay for Life; Shasta College, Drafting Challenge; Secret Witness; Northern California Burn Foundation, Camp; Shasta High School Band; American Cancer Society, Life Underwriters Campaign; Bethel Christian School County Fair; MGIC Home Purchase Education Materials; McKenzie Beaton Family; Shasta County Farm Bureau; Shasta County Cattle Women; Mountain Lakes High School; Bobby McMullen Fund Raiser; Shasta County Graffitti Eradication; Bethel School, Presidential Class; Hart Center; Orland Area Chamber of Commerce; Glenn County Business Education Council; Soroptimist International of Orland; Orland Rotary Club; Glenn Action Team; 1998 United Way Halloween Bow-a-Thons; Boy Scouts of America; Capay Grange; Elk Creek Forestry Team; EPSC-Portuguese Members of California; Fairview School Western Night; Fraternal Order of Eagles; Glenn County 24 Hour Relay; Glenn County Farm Bureau; Glenn County Harvest Festival; Glenn County Human Resource Agency (Adopt-A-Family Xmas Program); Glenn County Fair Junior Livestock Auction; Glenn County Theatre Company; Hamilton City High School Yearbook; Hamilton City Lions Club; Hamilton City Volunteer Fire Department; Hamilton High School 1998 Sober Graduation Party; Handi-Riders; Lake School Spaghetti Dinner; Loyal Order of the Moose, Kids 'n' Khrome Car Show; Mexican Independence; National Child Safety Council; North State Crime Stoppers; Northern California Holstein Association, OHS Academic Decathlon Team; Ord Bend Volunteer Fire Department; Orland Business Improvement Association, Frontier Days; Orland Community Scholarship Association; Orland Girls Softball; Orland High Athletic Boosters; Orland High School 1998 All-Night Grad Party; Orland Kiwanis Club, Halloween Party; Orland Otters Swim Team; Orland Rotary 98 BrewFest; Orland Takedown Club; Orland Volunteer Fire Department; Orland Youth Football; Plaza School Carnival; The Glenn Chorale; Veterans MOC Fund; Children's Home Society, Lambkin Chapter; Willows Area Chamber of Commerce; Glenn County Farm Bureau; Abundant Life Academy; National Child Safety Council; Glenn County 4-H; American Cancer Society, Daffodil Days; Willow Rotary; Lambkins; Butte City Fire Department; Willows High School, Class of 1998; Willows Lamb Derby Committee; Willows Little League; Jim Hofenke, Karate Tournament; Orland Holy Ghost Club; Glenn County Fair, Miss Glenn County Pageant; Glenn County Fair, Ag Mechanics Award; Orland Livestock, Black & White Sale; Glenn County Fair Queen Contest; Willow Chamber of Commerce, Car Show; Princeton School, Benefit for Paul Wright; Willows High Grad Night; Glenn County Junior Livestock Auction; Glenn county Farm Bureau, Defenders Donation; Bayliss Volunteer Fire Department; Glenn County K-9 Association; Hamilton City FFA, Benefit Dinner; Multiple Sclerosis Foundation; Glenn County Harvest Festival; American Cancer Society, Making Strides Walk; Elk Creek FFA, Forestry Competition; Children's Home Society; Lambkin Silent Auction; Glenn County Resource Conservation District; Glenn County Scope; Willows Volunteer Fire Department; 76 Joy St.; Glenn County Adopt-a-Family; Glenn County Colusa Cattlewomen; UC Regents; Mid Valley Baptist Church; Durham Rotary; Richvale Boosters; The Forum; Lutheran Brotherhood; Every 15 Minutes; Durham High School Safe and Sober; CWA; American Cancer Society; Shriners; Durham Junior Women's Club; Sierra View PTA Carnival; End of Frost Dinner; Durham Days; Sicily Bradley; Big Brother/ Big Sister; MDA; Girl Scouts of America; Veteran's Dinner; Sounds of the Foothills; Richvale Parents Association; Richvale Cafe; Durham Pump, Golf Tourney; Farm Bureau; NFIB; Ducks Unlimited; Durham Rotary; Athletic Horizons; Durham Little League; Durham Baseball Team; Chico Tennis Team Trophies; Chico State Men's Basketball; Chico State Women's Basketball; Chico Central Majors, Baseball; Durham Pump, Gold Tourney; Silver Dollar Fair; ROP Training Program; Save At School Program; Networking Women; Salvation Army; American Red Cross, Three Rivers Chapter; Casa de Esperanza; Twin Cities Rescue Mission; Yuba Sutter School Based Mobil Clinic; Central Valley Homeless Veterans Assistance Program; Diabetes Society of Yuba Sutter; Yuba Sutter Gleaners; Craftsmen for Christ; Yuba City High School; Grass Valley High School; Sutter High School; Live Oak High School; East Nicolaus High School; Nevada Union High School; Toys for Tots; Boy Scouts of America; Yuba Sutter YMCA; Mary Covillaud School; The Acting Company; Tri County Community Concert Association; Literature Alive; Yuba Sutter Habitat for Humanity; Nevada County Habitat for Humanity; Mercy Guild Pink Tea; Mary Aaron Museum Foundation; California Women for Agriculture; Rotary Club of Yuba City; Fremont-Rideout Hospital Foundation; Yuba/Sutter Economic Development Corporation; Beale Military Liason; Sutter Union High School Sports Alumni Association; Sutter Union High School Grad Night; Yuba-Sutter Peace Officer's Association; Sutter Lions Club; Sutter High School FFA; Miladi Karate Academy; Kiwanis Club of Marysville; Bartlett Gospel Music; Casa de Esperanza; Sutter-Yuba Association of Realtors; Lovey's Make a Wish Striper Derby; Native Daughters of the Golden West; Woodleaf Outdoor Education Foundation; California Women for Agriculture Annual Dinner; Punjabi Festival; Wheatland Union High School; Habitat for Humanity; Boy Scouts of America; Six High School Student Scholarships; Yuba Sutter Youth Soccer League; Soroptimist International; Meridian Lions Club; American Red Cross Golf Tourney; Alzheimer's Golf Classic; Literature Alive; Tri-County Community Concert; Twin Cities Rescue Mission; East Nicolaus High School Golf Tourney; Sierra Services for the Blind; Sutter Surge Youth Football; Credit Grantors Golf Tourney; Marysville Buddhist Church Golf; Nuestro Elementary School; Kiwanis Club of Yuba City; American Cancer Society Daffodil Day; Mel Good Holiday Classic Basketball; St. Isidore's Catholic School; Craftsmen for Christ; Toys for Tots; Yuba-Sutter Mobil Clinic; Yuba-Sutter Diabetes Society; Yuba-Sutter Gleaners, Inc.; Salvation Army, American Red Cross; The Acting Company; YMCA; Central Valley Homeless Veterans; Arthur McCready Charitable Trust; Peach Tree Land Church of Christ; Network Professionals of Yuba & Sutter Counties; Gospel Lighthouse of Sutter County; Twin Cities Nar-a-Non Family Support Group; Yuba-Sutter Rabbit Breeders Association; Sutter Area 4-H/FFA Boosters; Yuba Sutters PC Users Group; Girl Scout Troop 1247; Tierra Del Oro Girl Scout Troops 203, 227, 887; Tiera Buena Parent Teacher Association; Brittan School Bank; Midvalley Association of Life Underwriters; Bible Study Fellowship; Northside Baptist Church; Brittan Activity Club; KCHO North State Public Radio; KIXE Public Television; Central Gaither Parent Teacher Association; Brittan Classified Association; Sutter Youth Organization; Salty Lady Salmon Club; Yuba City Church of Christ; Yuba City 329 Group, Alcoholics Anonymous; Yuba Sutter Friends of the NRA Committee; First Baptist Church of Yuba City; Bethel AME Music Department; Brown's School Parents Club; Shepherd of the Valley Lutheran Church; Sutter Area Little League; Yuba Sutter Fairgrounds, 10th Annual Prune Festival; Redding Chamber of Commerce; Redding Regional Occupational Program; Redding Exchange Club; Kiwanis; Bethel Christian Preschool; Save at School-Bethel School; Library Park, Downtown Redding; Turtle Bay; Enterprise High School Scholarship Fund; Enterprise High School Spring and Fall Sports Calendar; Enterprise High School Football Calendar; Shasta, Trinity, Tehama AIDS Consortium, AIDS Walk; Shasta Senior Nutrition Program; AAU Basketball; Redding Metro Kiwanis Martial Arts Tournament; Shasta 2001 Economic Development Strategy/ EDC; Bethel Church Country Fair; Redding Medical Center Turkey Trot; Muscular Distrophy Association; Vision Resource Center; Soroptomist Breast Cancer Awareness; American Legion Shasta Dam Post 720; Special Olympics Northern California; American Heart Association; Shasta/Cascade Kids Turn; Good News Rescue Mission; Shasta County Fire Department; West Valley 49ers Youth Football; One Can Feed Families; Shasta Blues Society; Deputy Sheriff Association/DARE; Redding Rodeo Association; Burney Chamber of Commerce; Inter-Mountain United Way; Letty Olson Scholarship Committee; Soroptimist International; Burney 4-H Club; Pit River Pioneers; Redding Peace Officers Association; Shasta County Strutters; Burney Boosters, Sober Grad Night; Intermountain Aid to Handicapped; Burney Lions Club; Mountain Christian Academy Bike-A-Thon; Mountain Cruisers; Shasta County Deputy Association; Secret Witness of Shasta County; Veteran's of Foreign Wars; Burney High School, Yearbook; Cottonwood Citizens Voluntary Patrol; Shasta District Fair; Cottonwood Cemetery; Cottonwood Community Park; Cottonwood Planning Advisory Committee; KAN's; Anderson Union High School District Scholarship Fund; Shasta District Fair Junior Livestock Auction; Tehama County Fair Junior Livestock Auction; Cottonwood Community Library; Cottonwood Foundation for Excellent Schools; West Valley Sober Grad Night; Junctions School; North Cow Creek School Improvement Club; Foothill High School Boosters Club; Millville Volunteer Fire Department; Millville Grange; Sierra Cascade Girl Scouts; Seniors Dancing For Fun; Shingletown Volunteer Fire Department; Palo Cedro 4-H Club; Bella Vista School; Shingletown Library; Oak Run Volunteer Fire Department; Shasta County Fire Chief's Association; Palo Cedro Lions Club; Bella Vista Fire Department; Foothill Area Little League; Little Country Church; Church in the Wildwood; Junction School, Arts for Everyone; Shasta County Sober Graduation; Riparian Education and Life Sciences; Foothill High School Academic Awards; California State Horsemen's Association; Diabetes Society; Bishop Quinn High School; Whitmore School; North Cow Creek School; Up With People; Shasta County Sheriffs' Association; Palo Cedro Volunteer Fire Department; Oak Run Volunteer Fire Department; Bella Vista Volunteer Fire Department; Shingletown Volunteer Fire Department; Junction 6th Grade Ecology Camp; Shasta District Junior Livestock; Palo Cedro Chamber of Commerce; Enterprise Lions Club; Palo Cedro Community Planning Board; Save at School Program; Fall River High School; Intermountain Fair Queen; Hay Growers Association, Fall River Valley Youth Baseball; Intermountain Fair; Fall River 4-H Club; Fall River Lions; Fall River High School Scholarship; Fall River Citizens Patrol; Burney Lions Club; McArthur Volunteer Fire Department; Fall River Education Foundation; Intermountain Preschool; Intermountain Fair Junior Livestock Auction; Wrymoo Railroad Educational Society; Mayers Memorial Hospital Home Health; Big Valley High School Scholarship; Alturas Junior Livestock Auction; Lookout Community Church; Rotary International; Kiwanis; Yreka Police Department; Grenada Elementary School, Jackson Street Middle School, Ducks Unlimited, Yreka High School, Muscular Dystrophy Association; Siskiyou County Junior Livestock Auction; Siskiyou County Child Abuse Response Team; Etna High School; Seiad Valley Volunteer Fire Department; Siskiyou County Farm Bureau, Rotary Club of Scott Valley, Yreka Rotary Club; Yreka Chamber of Commerce; Rocky Mountain Elks Foundation; Fairchild Medical Center; Miner Power, C.A.R.T.; Rotary Club of Marysville; Gustine High School Scholarship; Gustine High School Booster; Gustine High School, Sober Graduation; Gustine Volunteer Fire Department; Our Lady of Miracles, Agape Food Program; Chowchilla Community Hospital; Chowchilla Park and Recreation Department; Senior Citizens Center; Chowchilla Fairgrounds; Senior Citizens Food Drive; Patterson High School Scholarship; Patterson Volunteer Fire Department; City of Patterson City Council; Patterson 4-H Booster Club; Westside Food Pantry; Patterson Chapter Salvation Army; City of Patterson Christmas Decorations; Patterson Rotary Club; Patterson Soroptimist Club; Merced County Sheriff Search & Rescue; Gustine Rotary; Gustine Chapter Ducks Unlimited; Our Lady of Miracles School; Gustine Chamber of Commerce; Young Ladies Institute; Chowchilla Rotary; Chowchilla Chamber of Commerce; Middletown Senior Center; Middletown Rotary Club; Middletown Lionesses; Coyote Valley Elementary School; Middletown Community Methodist church; Middletown Educational Foundation; American Red Cross; Hidden Valley Women's Golf Association; Middletown Youth Football; Mini Cannon Elementary School; Covelo Chamber of Commerce; Round Valley Community Rodeo; Round Valley Chamber of Commerce; Covelo Flying Club; Round Valley FFA and $H; American Legion; Friends of the Public Library; Round Valley Blackberry Festival; Sober Grad; Business Network International; Rotary International; Soroptimist International; Mt. Shasta Rotary Club; Mt Shasta Chamber of Commerce; Grandparents Anonymous; Mountain Runners; Dunsmuir High School Booster; Great Northern; Mt. Shasta High School Ski Team; Mt. Shasta Chamber of Commerce, Summit Century Bike Ride; Mt. Shasta High School, The Summit Club; Mt. Shasta Police Department; Mercy Mt. Shasta Hospital Auxiliary; Mt. Shasta Elks, Club Easter Egg Hunt; Mt. Shasta High School, Whit and Gold Yearbook; Mt. Shasta High School, Banner Project; Mt. Shasta Education Foundation; Siskiyou spirits, Youth Baseball; Mt. Shasta McCloud Ladies Golf Club, South Siskiyou Hospice; Mt. Shasta Youth Baseball; Boy Scouts of America; Tulelake-Butte Valley Fair; South Siskiyou Ducks Unlimited; College of Siskiyou Latino Student; Rocky Mountain Elk Foundation; Mt. Shasta Concert Association; Strawberry Valley 4-H; Sisson School Girls Basketball; Mt. Shasta Runners, Inc.; Consumer Credit Counseling Service; Habitat for Humanity; C.O.S. Scholarships, Inc.; Weed Revitalization Committee; D.A.R.E.; Weed Museum; Weed Youth Baseball; Mt. Shasta High School Senior Class; Yreka Chamber of Commerce; Butteville Elementary History Club; Siskiyou Union High School District; College of the Siskiyou Performing Arts; Weed Chamber of Commerce; South Siskiyou Ducks Unlimited; Weed High School Sports, Cougar Power; Weed Ladies Golf Club Charity Day Tournament; Weed Youth Soccer; C.O.S. Scholarships Inc., Weed Christmas Food Basket, Rural Human Services; BMX Bike Races; Friends of The NRA; Crescent Elk Elementary School, Cover Graphics; Del Norte County Fair, Swine Purchase FFA; MDA; Del Norte High Girls Basketball; Del Norte High Drama Department; Del Norte High Dance Department; Del Norte High Football and Wrestling; Del Norte High Yearbook; Del Norte Youth Wrestling; Del Norte Scholarship Foundation; Redwood School, Yearbook; Del Norte Association for Culture Awareness; Ducks Unlimited Green Wings; Care Services; Pelican State Prison Employees Association; Del Norte Children's Party; Red Bluff Chamber of Commerce; Espanic Outreach; Red Bluff 4H; Career Day; United Way; Jerry Lewis Muscular Dystrophy Association Telethon; Leukemia Society of America; Special Olympics Northern California; Redding Soroptimists; Redding YMCA; Redding Rotary; American Heart Association, Heart Walk; Redding Rattlers, Youth Softball; United Way, Adopt-a-Family, Coops Kids; M.D.A.; Durham Dolphins Swim Association; Gasoline Alley; Scotten School; Nevada County Habitat for Humanity; Soroptimist International of Grass Valley; Food Bank of Nevada County; Retired & Seniors Volunteer Program (RSVP); The Nevada County Board of Realtors; Literature Alive; Privilege of Aging Forum; Music in the Mountains; Nevada Union High School Scholarship; Washington Fire Department.

EVERYDAY IS FOR SHARING

Tri Counties Bank's Directors, Management and Staff are all deeply committed to community service—time and effort as well as financial support. Tri Counties Bank Country is more than a market area—it's home.

top row, from left

William J. Casey
Vice Chairman of the Board
Health Care Consultant, Chico

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

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

Carroll Taresh
Retired Banking Executive, Farming Operations, Chico

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

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

bottom row, from left

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

Everett B. Beich
Owner, Beich Company Real Estate Investments and Development, Chico

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

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

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

Consolidated Balance Sheets

(in thousands, except share amounts)

	December 31, 1998	1997
Assets		
Cash and due from banks	**$ 50,483**	$ 48,476
Repurchase agreements	—	15,000
Cash and cash equivalents	**50,483**	63,476
Securities held-to-maturity (approximate fair value $0 and $88,950), respectively	—	90,764
Securities available-for-sale	**279,676**	175,753
Loans:		
Commercial	**211,773**	165,813
Consumer	**72,512**	87,950
Real estate mortgages	**211,072**	160,954
Real estate construction	**37,076**	34,250
	532,433	448,967
Less: Allowance for loan losses	**8,206**	6,459
Net loans	**524,227**	442,508
Premises and equipment, net	**16,088**	18,901
Investment in real estate properties	—	856
Other real estate owned	**1,412**	2,230
Accrued interest receivable	**5,821**	5,701
Deferred income taxes	**5,783**	4,132
Intangible assets	**7,564**	8,902
Other assets	**13,545**	12,942
Total assets	**$ 904,599**	$ 826,165
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing demand	**$ 148,840**	$ 122,069
Interest-bearing demand	**149,698**	130,958
Savings	**220,810**	216,402
Time certificates, $100,000 and over	**64,857**	48,907
Other time certificates	**184,968**	205,758
Total deposits	**769,173**	724,094
Federal funds purchased	**14,000**	15,300
Accrued interest payable	**3,863**	4,039
Other Liabilities	**7,610**	6,168
Long-term debt and other borrowings	**37,924**	11,440
Total liabilities	**832,570**	761,041
Commitments and contingencies (Note H)		
Shareholders' equity:		
Common stock, no par value: Authorized 20,000,000 shares; issued and outstanding 7,050,990 and 6,993,974 shares, respectively	**48,838**	48,161
Retained earnings	**22,257**	16,956
Accumulated other comprehensive income	**934**	7
Total shareholders' equity	**72,029**	65,124
Total liabilities and shareholders' equity	**$ 904,599**	$ 826,165

See Notes to Consolidated Financial Statements

(in thousands, except earnings per share)

	Years Ended December 31, 1998	1997	1996
Interest income:			
Interest and fees on loans	**$ 48,506**	$ 44,903	$ 38,227
Interest on investment securities—taxable	**14,622**	13,791	10,409
Interest on investment securities—tax exempt	**1,860**	630	120
Interest on federal funds sold	**150**	553	392
Total interest income	**65,138**	59,877	49,148
Interest expense:			
Interest on interest-bearing demand deposits	**2,932**	2,781	2,226
Interest on savings	**6,473**	6,400	5,032
Interest on time certificates of deposit	**11,685**	11,481	8,820
Interest on time certificates of deposit, $100,000 and over	**1,775**	2,020	1,123
Interest on short-term borrowing	**816**	537	359
Interest on long-term debt	**1,615**	716	1,619
Total interest expense	**25,296**	23,935	19,179
Net interest income	**39,842**	35,942	29,969
Provision for loan losses	**4,200**	3,000	777
Net interest income after provision for loan losses	**35,642**	32,942	29,192
Noninterest income:			
Service charges and fees	**7,387**	6,745	4,924
Other income	**5,482**	2,821	1,712
Total noninterest income	**12,869**	9,566	6,636
Noninterest expenses:			
Salaries and related expenses	**16,803**	15,671	11,989
Other, net	**17,889**	17,261	11,496
Total noninterest expenses	**34,692**	32,932	23,485
Net income before income taxes	**13,819**	9,576	12,343
Income taxes	**5,049**	3,707	5,037
Net income	**$ 8,770**	$ 5,869	$ 7,306
Basic earnings per common share	**$ 1.25**	$ 0.84	$ 1.08
Diluted earnings per common share	**$ 1.21**	$ 0.81	$ 1.04

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 1998, 1997 and 1996
(in thousands, except share amounts)

	Common Stock Number of Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Total	Comprehensive Income
Balance, December 31, 1995	4,464,828	$44,315	$9,548	($650)	$53,213	
Issuance of Common Stock	102,868	2,134			2,134	
Exercise of Common Stock options	89,950	1,157			1,157	
Repurchase of Common Stock	(16,423)	(163)	(132)		(295)	
Common Stock cash dividends			(2,646)		(2,646)	
Stock option amortization		209			209	
Comprehensive income:						
Net income			7,306		7,306	$7,306
Other comprehensive income, net of tax:						
Change in unrealized loss on securities, net of tax of $208, net of reclassification adjustment (Note A):					(301)	
Other comprehensive income:				(301)	(301)	(301)
Comprehensive income						$7,005
Balance, December 31, 1996	4,641,223	47,652	14,076	(951)	60,777	
Exercise of Common Stock options	22,526	332			332	
Repurchase of Common Stock	(1,100)	(11)	(19)		(30)	
Common Stock cash dividends			(2,970)		(2,970)	
Stock option amortization		188			188	
Comprehensive income:						
Net income			5,869		5,869	$5,869
Other comprehensive income, net of tax:						
Change in unrealized loss on securities, net of tax of $(665), net of reclassification adjustment (Note A):						958
Other comprehensive income:				958	958	958
Comprehensive income						$6,827
Balance, December 31, 1997	4,662,649	48,161	16,956	7	65,124	
Exercise of Common Stock options	60,125	532			532	
3-for-2 Common Stock split	2,330,371					
Repurchase of Common Stock	(2,055)	(21)	(39)		(60)	
Common Stock cash dividends			(3,430)		(3,430)	
Stock option amortization		166			166	
Comprehensive income:						
Net income			8,770		8,770	$8,770
Other comprehensive income, net of tax:						
Cumulative effect of change in accounting principle						337
Change in unrealized loss on securities, net of tax of $(539), net of reclassification adjustment (Note A):						590
Other comprehensive income:				927	927	927
Comprehensive income						$9,697
Balance, December 31, 1998	7,050,990	$48,838	$22,257	$934	$72,029	

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(in thousands)

	Years ended December 31, 1998	1997	1996
Operating activities:			
Net income	**$ 8,770**	$ 5,869	$ 7,306
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**4,200**	3,000	777
Provision for losses on other real estate owned	**377**	169	202
Provision for premises impairment and lease loss	**175**	300	—
Depreciation and amortization	**2,611**	2,438	1,809
Amortization of intangible assets	**1,338**	1,342	34
(Accretion) amortization of investment security (discounts) premiums, net	**128**	(273)	28
Deferred income taxes	**(2,084)**	(601)	(930)
Investment security gains, net	**(316)**	(18)	—
(Gain) loss on sale of loans	**(497)**	(260)	3
(Gain) loss on sale of other real estate owned, net	**96**	11	(5)
Amortization of stock options	**166**	188	209
Change in assets and liabilities, net of effects from purchase of Sutter Buttes (1996 only):			
(Increase) decrease in interest receivable	**(120)**	(1,129)	344
Increase (decrease) in interest payable	**(176)**	992	(495)
(Increase) decrease in other assets and liabilities	**678**	(10,078)	(6,273)
Net cash provided by operating activities	**15,346**	1,950	3,009
Investing activities :			
Proceeds from maturities of securities held-to-maturity	**18,523**	14,116	19,179
Purchases of securities held-to-maturity	**—**	—	(5,516)
Proceeds from maturities of securities available-for-sale	**82,214**	35,604	24,353
Proceeds from sales of securities available-for-sale	**87,094**	29,033	—
Purchases of securities available-for-sale	**(199,335)**	(173,327)	(13,704)
Net increase in loans	**(86,066)**	(13,915)	(62,104)
Purchases of premises and equipment	**(1,225)**	(5,968)	(2,526)
Proceeds from sale of other real estate owned	**1,711**	838	673
Proceeds from sale of premises and equipment	**1,110**	—	—
Proceeds from sale of real estate properties	**554**	—	—
Purchases and additions to real estate properties	**—**	(288)	—
Purchase of Sutter Buttes, net of cash acquired	**—**	—	(997)
Net cash used by investing activities	**(95,420)**	(113,907)	(40,642)
Financing activities:			
Net increase in deposits	**45,079**	128,473	23,486
Net increase (decrease) in federal funds borrowed	**(1,300)**	10,400	4,900
Borrowings under long-term debt agreements	**31,500**	—	—
Payments of principal on long-term debt agreements	**(5,016)**	(12,841)	(2,011)
Repurchase of Common Stock	**(60)**	(30)	(295)
Cash dividends — Common	**(3,430)**	(2,970)	(2,646)
Issuance of Common Stock	**308**	170	1,157
Net cash provided by financing activities	**67,081**	123,202	24,591
Increase (decrease) in cash and cash equivalents	**(12,993)**	11,245	(13,042)
Cash and cash equivalents at beginning of year	**63,476**	52,231	65,273
Cash and cash equivalents at end of year	**$ 50,483**	$ 63,476	$ 52,231
Supplemental information:			
Cash paid for taxes	**$ 6,965**	$ 3,907	$ 5,727
Cash paid for interest expense	**$ 25,472**	$ 22,943	$ 19,908
Non-cash assets acquired through foreclosure	**$ 644**	$ 1,859	$ 1,628

Supplemental schedule of non-cash investing and financing activities:

On October 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 133 (see Note A) and in connection with the adoption, elected to transfer investment securities carried at $78,901,000 from the held-to-maturity classification to the available-for-sale classification.

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

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

See Notes to Consolidated Financial Statements

Note A - General Summary of Significant Accounting Policies

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

Principles of Consolidation

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

Nature of Operations

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

Use of Estimates in the Preparation of Financial Statements

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

Securities

The Company classifies its debt and marketable equity securities into one of three categories: trading, available-for-sale or held-to-maturity. Trading securities are bought and held principally for the purpose of selling in the near term. Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale. In 1998 and 1997, the Company did not have any securities classified as trading.

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

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

Effective October 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). The Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The adoption of SFAS 133 did not materially impact the financial position or results of operations of the Company as the Company does not utilize derivative instruments in its operations. As allowed by the Statement, in connection with the adoption of SFAS 133, the Bank reclassified investment securities carried at $78,901,000 from the held-to-maturity classification to the available-for-sale classification. As a result of this transfer, an unrealized gain of $337,000, net of tax, was recognized in other comprehensive income as a cumulative effect of change in accounting principle.

Loans

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

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

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

Allowance for Loan Losses

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

The Company defines a loan as impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Certain impaired loans are measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate. As a practical expedient, impairment may be measured based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance.

Mortgage Operations

The Company sold substantially all of its conforming long term residential mortgage loans originated during 1998, 1997 and 1996 for cash proceeds equal to the fair value of the loans. The Company records originated mortgage servicing rights as assets by allocating the total costs incurred between the loan and the servicing right based on their relative fair values.

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

At December 31, 1998, the Company had no mortgage loans held for sale. At December 31, 1998 and 1997, the Company serviced real estate mortgage loans for others of $124 million and $147 million, respectively.

Premises and Equipment

Premises and equipment, including those acquired under capital lease, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expenses are computed using the straight-line method over the estimated useful lives of the related assets or lease terms. Asset lives range from 3-10 years for furniture and equipment and 15-40 years for land improvements and buildings.

Investment in Real Estate Properties

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

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

Other Real Estate Owned

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

Identifiable Intangible Assets

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

Income Taxes

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

Cash Flows

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

Note A - General Summary of Significant Accounting Policies (continued)

Stock-Based Compensation

The Company uses the intrinsic value method to account for its stock option plans (in accordance with the provisions of Accounting Principles Board Opinion No. 25). Under this method, compensation expense is recognized for awards of options to purchase shares of common stock to employees under compensatory plans only if the fair market value of the stock at the option grant date (or other measurement date, if later) is greater than the amount the employee must pay to acquire the stock. Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123) permits companies to continue using the intrinsic value method or to adopt a fair value based method to account for stock option plans. The fair value based method results in recognizing as expense over the vesting period the fair value of all stock-based awards on the date of grant. The Company has elected to continue to use the intrinsic value method and the pro forma disclosures required by SFAS 123 are included in Note J.

Comprehensive Income

As of January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (SFAS 130). This statement establishes standards for the reporting and display of comprehensive income and its components in the financial statements. For the Company, comprehensive income includes net income reported on the statement of income and changes in the fair value of its available-for-sale investments reported as other comprehensive income.

The changes in the components of other comprehensive income for the years ended December 31, 1998, 1997 and 1996 are reported as follows:

	1998	1997	1996
		(in thousands)	
Holding gain arising during the period, net of tax	$1,128	$969	$(301)
Reclassification adjustment for net realized gains on securities available for sale included in net income during the year, net of tax of $115, $7 and $0, respectively	(201)	(11)	0
	$927	$958	$(301)

Reclassifications

Certain amounts previously reported in the 1997 and 1996 financial statements have been reclassified to conform to the 1998 presentation. These reclassifications did not effect previously reported net income or total shareholder's equity

Note B - Restricted Cash Balances

Reserves (in the form of deposits with the Federal Reserve Bank) of $500,000 were maintained to satisfy Federal regulatory requirements at December 31, 1998 and December 31, 1997. These reserves are included in cash and due from banks in the accompanying balance sheet.

Note C - Investment Securities

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

December 31, 1998	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Esimated Fair Value
		(in thousands)		
Securities Available-for-Sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 39,523	$ 260	$ —	$ 39,783
Obligations of states and political subdivisions	50,525	1,545	(44)	52,026
Mortgage-backed securities	166,557	415	(326)	166,646
Other securities	21,595	—	(374)	21,221
Totals	$278,200	$2,220	$ (744)	$279,676

December 31, 1997	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Esimated Fair Value
		(in thousands)		
Securities Held-to-Maturity				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 21,805	$ 179	$ (16)	$ 21,968
Obligations of states and political subdivisions	530	1	—	531
Mortgage-backed securities	68,429	281	(2,259)	66,451
Totals	$90,764	$ 461	$(2,275)	$88,950
Securities Available-for-Sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 100,886	$ 263	$ —	$101,149
Obligations of states and political subdivisions	13,218	582	(1)	13,799
Mortgage-backed securities	36,557	56	(429)	36,184
Short-term corporate obligations	19,960	—	—	19,960
Other securities	4,661	—	—	4,661
Totals	$175,282	$ 901	$ (430)	$175,753

Note C - Investment Securities (continued)

The amortized cost and estimated fair value of debt securities at December 31, 1998 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
	(in thousands)	
Securities Available-for-Sale		
Due in one year	$ 21,555	$ 21,609
Due after one year through five years	7,612	7,714
Due after five years through ten years	52,368	52,454
Due after ten years	191,725	192,959
	273,260	274,736
Other Securities	4,940	4,940
Totals	$278,200	$279,676

Proceeds from sales of securities available-for-sale were as follows:

For the Year	Gross Proceeds	Gross Gains	Gross Losses
	(in thousands)		
1998	$87,094	$331	$ 15
1997	$29,033	$ 19	$ 1
1996	$ 0	$ 0	$ 0

Investment securities with an aggregate carrying value of $118,962,000 and $109,967,000 at December 31, 1998 and 1997, respectively, were pledged as collateral for specific borrowings, lines of credit and local agency deposits.

Note D - Allowance for Loan Losses

Activity in the allowance for loan losses was as follows:

	Years Ended December 31, 1998	1997	1996
	(in thousands)		
Balance, beginning of year	**$6,459**	$6,097	$5,580
Balance acquired from Sutter Buttes	—	—	623
Provision for loan losses	**4,200**	3,000	777
Loans charged off	**(2,755)**	(2,840)	(1,192)
Recoveries of loans previously charged off	**302**	202	309
Balance, end of year	**$8,206**	$6,459	$6,097

Loans classified as nonaccrual amounted to approximately $1,045,000, $4,721,000, and $9,044,000 at December 31, 1998, 1997, and 1996, respectively. These nonaccrual loans were classified as impaired and are included in the recorded balance in impaired loans for the respective years shown below. If interest on those loans had been accrued, such income would have been approximately $220,000, $460,000, and $902,000 in 1998, 1997 and 1996, respectively.

As of December 31, the Company's recorded investment in impaired loans and the related valuation allowance were as follows (in thousands):

1998	Recorded Investment	Valuation Allowance
Impaired loans -		
Valuation allowance required	$ 952	$490
No valuation allowance required	4,750	—
Total impaired loans	$5,702	$490

1997	Recorded Investment	Valuation Allowance
Impaired loans -		
Valuation allowance required	$ 1,476	$162
No valuation allowance required	11,739	—
Total impaired loans	$13,215	$162

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

The average recorded investment in impaired loans was $9,459,000, $14,784,000, and $10,720,000 for the years ended December 31, 1998, 1997 and 1996, respectively. The Company recognized interest income on impaired loans of $565,000, $1,118,000, and $729,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

Note E - Premises and Equipment

Premises and equipment were comprised of:

	December 31, 1998	1997
	(in thousands)	
Premises	**$11,441**	$13,973
Furniture and equipment	**13,141**	12,912
	24,582	26,885
Less:		
Accumulated depreciation and amortization	**(11,897)**	(11,836)
	12,685	15,049
Land and land improvements	**3,403**	3,852
	$16,088	$18,901

Depreciation and amortization of premises and equipment amounted to $2,251,000, $2,100,000, and $1,497,000 in 1998, 1997 and 1996, respectively. In 1997, the Company provided $300,000 for the impairment of certain properties and leaseholds which it vacated.

Note F - Time Deposits

At December 31, 1998, the scheduled maturities of time deposits were as follows (in thousands):

	Scheduled Maturities
1999	$235,357
2000	8,616
2001	5,301
2002	395
2003 and thereafter	156
Total	$249,825

Note G - Long-Term Debt and Other Borrowings

Long-term debt is as follows:

	December 31, 1998	1997
	(in thousands)	
FHLB loan, fixed rate of 5.13% payable on April 28, 1998	—	$5,000
FHLB loan, fixed rate of 5.62% payable on February 4, 1999	**400**	400
FHLB loan, fixed rate of 6.14% payable on March 21, 1999	**3,000**	3,000
FHLB loan, fixed rate of 5.84% payable on November 6, 2000	**1,500**	1,500
FHLB loan, fixed rate of 5.90% payable on January 16, 2001	**1,000**	1,000
FHLB loan, fixed rate of 5.20% payable on June 12, 2003	**10,000**	—
FHLB loan, fixed rate of 5.41% payable on April 7, 2008	**20,000**	—
FHLB loan, fixed rate of 5.35% payable on December 9, 2008	**1,500**	—
Capital lease obligation on premises, effective rate of 13% payable monthly in varying amounts through December 1, 2009	**524**	540
Total long-term debt	**$37,924**	$11,440

The Company maintains a collateralized line of credit with the Federal Home Loan Bank of San Francisco. Based on the FHLB stock requirements at December 31, 1998, this line provided for maximum borrowings of $97,123,000 of which $37,400,000 was outstanding, leaving $59,723,000 available. The maximum month-end outstanding balances of short term reverse repurchase agreements in 1998 and 1997 were $20,000,000 and $16,300,000, respectively. The Company has available unused lines of credit totaling $51,000,000 for Federal funds transactions at December 31, 1998.

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

At December 31, 1998, future minimum commitments under non-cancelable capital and operating leases with initial or remaining terms of one year or more are as follows:

	Capital Leases	Operating Leases
	(in thousands)	
1999	$ 86	$ 831
2000	87	556
2001	88	433
2002	89	347
2003	90	217
Thereafter	562	2,240
Future minimum lease payments	1,002	$4,624
Less amount representing interest	478	
Present value of future lease payments	$ 524	

Rent expense under operating leases was $1,066,000 in 1998, $1,059,000 in 1997, and $799,000 in 1996.

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

Note I - Dividend Restrictions

The Bank paid to the Company cash dividends in the aggregate amounts of $3,650,000, $3,000,000, and $4,800,000 in 1998, 1997 and 1996, respectively. The Bank is regulated by the Federal Deposit Insurance Corporation (FDIC) and the State of California Department of Financial Institutions. California banking laws limit the Bank's ability to pay dividends to the lesser of (1) retained earnings or (2) net income for the last three fiscal years, less cash distributions paid during such period. Under this regulation, at December 31, 1998, the Bank may pay dividends of $11,023,000.

Note J - Stock Options

In May 1995, the Company adopted the TriCo Bancshares 1995 Incentive Stock Option Plan ('95 Plan) covering key employees. Under the 1995 Plan, the option price cannot be less than the fair market value of the Common Stock at the date of grant. Options for the '95 Plan expire on the tenth anniversary of the grant date.

The Company also has outstanding options under one plan approved in 1993 and two plans approved in 1989. Options under the 1993 plan were granted at an exercise price less than the fair market value of the common stock and vest

Note J - Stock Options (continued)

over a six year period. Options under the 1989 plan vest 20% annually. Unexercised options for the 1993 and 1989 plans terminate 10 years from the date of the grant.

Stock option activity is summarized in the following table:

	Number Of Shares*	Option Price Per Share	Weighted Average Exercise Price	Weighted Average Fair value of Grants
Outstanding at December 31, 1995	778,245	$4.95 to $8.80	$5.29	
Options granted	30,000	12.25 to 12.25	12.25	$3.57
Options exercised	(134,925)	4.95 to 5.24	5.09	
Options forfeited	(34,545)	5.24 to 5.24	5.24	
Outstanding at December 31, 1996	638,775	4.95 to 12.25	5.31	
Options granted	84,000	14.17 to 18.25	17.52	$5.59
Options exercised	(33,789)	4.95 to 5.24	5.03	
Options forfeited	(18,900)	5.24 to 5.24	5.24	
Outstanding at December 31, 1997	670,086	4.95 to 18.25	5.65	
Options exercised	(60,125)	4.95 to 18.25	5.12	
Options forfeited	(1,350)	18.25 to 18.25	18.25	
Outstanding at December 31, 1998	608,611	$4.95 to $18.25	$7.37	

*Adjusted for the 5-for-4 Common Stock split effected September 22, 1995 and 3-for-2 Common Stock split effected October 30, 1998.

Of the stock options outstanding as of December 31, 1998, options on 503,526 shares were exercisable at a weighted average price of $6.43.

The Company has stock options outstanding under the four option plans described above. The Company accounts for these plans under APB Opinion No. 25, under which no compensation cost has been recognized except for the options granted under the 1993 plan. The Company recognized expense of $166,000, $188,000, and $209,000 for the 1993 Plan options in 1998, 1997 and 1996 respectively. Had compensation cost for these plans been determined in accordance SFAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1998	1997	1996
Net income			
As reported	**$8,770**	$5,869	$7,306
Pro forma	**$8,697**	$5,829	$7,285
Basic earnings per share			
As reported	**$1.25**	$0.84	$1.08
Pro forma	**$1.24**	$0.83	$1.07
Diluted earnings per share			
As reported	**$1.21**	$0.81	$1.04
Pro forma	**$1.20**	$0.81	$1.03

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1997 and 1996, respectively: risk-free interest rates of 6.06 and 6.76 percent; expected dividend yields of 2.46 and 3.48 percent; expected lives of 6 and 6 years; expected volatility of 30.49 and 30.22 percent, respectively. No options were granted in 1998.

Note K - Other Noninterest Expenses and Income

The components of other noninterest expenses were as follows:

	Years Ended December 31, **1998**	1997	1996
	(in thousands)		
Equipment and data processing	**$ 3,551**	$ 3,390	$ 2,483
Occupancy	**2,353**	2,214	1,682
Intangible amortization	**1,338**	1,342	34
Professional fees	**1,046**	998	901
Telecommunications	**976**	922	653
Advertising	**879**	753	713
Postage	**548**	535	436
Provision for premises impairment and lease loss	**—**	300	—
Net other real estate owned expense	**540**	277	261
Assessments	**174**	155	80
Other	**6,484**	6,375	4,253
Total other operating expenses	**$17,889**	$17,261	$11,496

Commissions on sales of annuities and mutual funds in the amounts of $2,013,000, $1,963,000, and $1,255,000 for the years 1998, 1997 and 1996, respectively, are included in other income.

Note L - Income Taxes

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

	Years Ended December 31, **1998**	1997	1996
	(in thousands)		
Current Tax Provision:			
Federal	**$ 5,245**	$ 3,360	$ 4,439
State	**1,888**	948	1,528
Total current	**7,133**	4,308	5,967
Deferred Tax Benefit:			
Federal	**(1,621)**	(614)	(769)
State	**(463)**	13	(161)
Total deferred	**(2,084)**	(601)	(930)
Total income taxes	**$ 5,049**	$ 3,707	$ 5,037

Note L - Income Taxes (continued)

Taxes recorded directly to shareholders' equity are not included in the preceding table. These taxes relating to changes in the unrealized gains and losses on available-for-sale investment securities amounting to $657,000 in 1998 and $736,000 in 1997, and benefits related to employee stock options of $224,000 in 1998 and $148,000 in 1997 were recorded directly to shareholders' equity.

The provisions for income taxes applicable to income before taxes for the years ended December 31, 1998, 1997, and 1996 differ from amounts computed by applying the statutory Federal income tax rates to income before taxes. The effective tax rate and the statutory federal income tax rate are reconciled as follows:

	Years Ended December 31,		
	1998	1997	1996
Federal statutory income tax rate	**34.0%**	34.0%	34.2%
State income taxes, net of federal tax benefit	**6.8**	6.4	7.4
Tax-exempt interest on municipal obligations	**(4.1)**	(1.9)	(.3)
Other	**(0.2)**	—	(.5)
Effective Tax Rate	**36.5%**	38.5%	40.8%

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

	1998	1997
	(in thousands)	
Deferred Tax Assets:		
Loan losses	**$ 3,160**	$ 2,333
Deferred compensation	**2,281**	1,960
OREO write downs	**638**	227
Loss on investment in real estate	**—**	360
Intangible amortization	**568**	291
Stock option amortization	**367**	281
Nonaccrual interest	**99**	—
Other	**491**	—
Total deferred tax assets	**7,604**	5,452
Deferred Tax Liabilities:		
Depreciation	**(724)**	(828)
Unrealized gain on securities	**(662)**	—
Securities accretion	**(338)**	(364)
Capital leases	**(97)**	(92)
Other	**—**	(36)
Total deferred tax liability	**(1,821)**	(1,320)
Net deferred tax asset	**$ 5,783**	$ 4,132

Note M - Retirement Plans

Substantially all employees with at least one year of service are covered by a discretionary employee stock ownership plan (ESOP). Contributions are made to the plan at the discretion of the Board of Directors. Contributions to the plan(s) totaling $ 640,000 in 1998, $828,000 in 1997, and $500,000 in 1996 are included in salary expense.

The Company has a supplemental retirement plan for directors and a supplemental executive retirement plan covering key executives. These plans are non-qualified defined benefit plans and are unsecured and unfunded. The Company has purchased insurance on the lives of the participants and intends to use the cash values of these policies ($6,554,000 and $5,870,000 at December 31, 1998 and 1997, respectively) to pay the retirement obligations.

The Company has an Executive Deferred Compensation Plan which allows directors and key executives designated by the Board of Directors of the Company to defer a portion of their compensation. The Company has purchased insurance on the lives of the participants and intends to use the cash values of these policies to pay the compensation obligations. At December 31, 1998 and 1997, the cash values exceeded the recorded liabilities.

The following table sets forth the plans' status:

	December 31,	
	1998	1997
	(in thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	**$(3,693)**	$(3,704)
Service cost	**(53)**	(120)
Interest cost	**(256)**	(262)
Amendments	**(6)**	—
Actuarial gain(loss)	**(69)**	249
Benefits paid	**144**	144
Benefit obligation at end of year	**$(3,933)**	$(3,693)
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ —**	$ —
Fair value of plan assets at end of year	**$ —**	$ —
Funded status	**$(3,933)**	$(3,693)
Unrecognized net obligation existing at January 1, 1986	**218**	253
Unrecognized net actuarial loss	**874**	979
Unrecognized prior service cost	**98**	103
Accrued benefit cost	**$(2,743)**	$(2,358)

Note M - Retirement Plans (continued)

	Years Ended December 31, 1998	1997	1996
	(in thousands)		
Net pension cost included the following components:			
Service cost-benefits earned during the period	**$ 53**	$120	$135
Interest cost on projected benefit obligation	**256**	262	204
Amortization of net obligation at transition	**35**	35	35
Amortization of prior service cost	**10**	10	10
Recognized net actuarial loss	**47**	68	27
Net periodic pension cost	**$401**	$495	$411

The net periodic pension cost was determined using a discount rate assumption of 7.0% for 1998, 7.0% for 1997 and 7.0% for 1996, respectively. The rates of increase in compensation used in each year were 0% to 5%.

Note N - Earnings per Share

The Company adopted SFAS No. 128, Earnings per Share (SFAS 128), during 1997. SFAS 128 replaces primary and fully diluted earnings per share with basic and diluted earnings per share calculations. Basic earnings per share is computed by dividing net income, less dividends on preferred stock, by the weighted average common shares outstanding. Diluted earnings per share is computed by dividing net income, less dividends on preferred stock, by the weighted average common shares outstanding including the dilutive effects of potential common shares (e.g. stock options). Diluted earnings per share calculations result in the same primary earnings per share previously reported by the Company. The Company's basic and diluted earnings per share are as follows (in thousands except per share data):

Year Ended December 31, 1998	Income	Weighted Average Shares	Per-Share Amount
Basic Earnings per Share Net income available to common shareholders	$8,770	7,017,306	$1.25
Common stock options outstanding	—	259,296	
Diluted Earnings per Share Net income available to common shareholders	$8,770	7,276,602	$1.21

Year Ended December 31, 1997	Income	Weighted Average Shares	Per-Share Amount
Basic Earnings per Share Net income available to common shareholders	$5,869	6,978,089	$0.84
Common stock options outstanding	—	267,922	
Diluted Earnings per Share Net income available to common shareholders	$5,869	7,246,011	$0.81

Year Ended December 31, 1996	Income	Weighted Average Shares	Per-Share Amount
Basic Earnings per Share Net income available to common shareholders	$7,306	6,769,736	$1.08
Common stock options outstanding	—	264,891	
Diluted Earnings per Share Net income available to common shareholders	$7,306	7,034,627	$1.04

Note O - Related Party Transactions

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

The following table summarizes the activity in these loans for 1998.

Balance December 31, 1997	Advances/ New Loans	Payments	Balance December 31, 1998
	(thousands)		
6,627	5,167	2,660	9,134

Note P - Financial Instruments With Off-Balance Sheet Risk

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

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

	Contractual Amount December 31,	
	1998	1997
	(in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit:		
Commercial loans	**$68,363**	$52,579
Consumer loans	**46,571**	78,785
Real estate mortgage loans	**26**	667
Real estate construction loans	**16,690**	11,985
Standby letters of credit	**3,287**	1,789

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates of one year or less or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on Management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

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

Note Q - Concentration of Credit Risk

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

Note R - Disclosure of Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value. Cash and due from banks, accrued interest receivable and payable, and short-term borrowings are considered short-term instruments. For these short-term instruments their carrying amount approximates their fair value.

Securities

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

Loans

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

Deposit Liabilities and Long-Term Debt

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

Note R - Disclosure of Fair Value of Financial Instruments (continued)

Commitments to Extend Credit and Standby Letters of Credit

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

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

	December 31, 1998	
Financial assets:	Carrying Amount	Fair Value
	(In thousands)	
Cash and short-term investments	$ 50,483	$ 50,483
Securities:		
Available-for-sale	279,676	279,676
Loans, net	524,227	529,243
Accrued interest receivable	5,821	5,821
Financial liabilities:		
Deposits	769,173	769,591
Fed Funds purchased	14,000	14,000
Accrued interest payable	3,863	3,863
Other liabilities	7,610	7,610
Long-term borrowings	37,924	37,808

	December 31, 1997	
Financial assets:	Carrying Amount	Fair Value
	(In thousands)	
Cash and short-term investments	$ 63,476	$ 63,476
Securities:		
Held-to-maturity	90,764	88,950
Available-for-sale	175,753	175,753
Loans, net	442,508	446,439
Accrued interest receivable	5,701	5,701
Financial liabilities:		
Deposits	724,094	724,188
Federal Funds purchased	15,300	15,300
Accrued interest payable	4,039	4,039
Other liabilities	6,168	6,168
Long-term borrowings	11,440	11,524

Note S - Acquisitions

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

A summary of the deposit liabilities and limited assets acquired by the Bank is shown below. These assets and liabilities were recorded in the respective captions in the Company's consolidated balance sheet on the acquisition date.

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

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

Pro forma operating results of the Company, assuming the Sutter Buttes acquisition had been made as of January 1, 1996 is as follows:

UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

(in thousands, except per share data)	Year ended December 31, 1996
Summary of Income:	
Net interest income	$ 31,503
Provision for loan losses	997
Noninterest income	6,924
Noninterest expense	25,466
Net income	7,056
Net income available to common shareholders	$ 7,056
Per Common Share:	
Basic earnings per common share	$1.03
Diluted earnings per common share	$0.99
Selected Balance Sheet Data:	
Investment securities	$170,029
Loans	439,289
Assets	694,771
Deposits	595,621
Equity	$ 60,689

Note T - TriCo Bancshares Financial Statements

TriCo Bancshares (Parent Only) Balance Sheets

	December 31,	
Assets	**1998**	1997
	(in thousands)	
Cash	**$ 104**	$ 82
Investment in Tri Counties Bank	**71,164**	64,510
Other assets	**761**	608
Total assets	**$72,029**	$65,200
Liabilities and shareholders' equity		
Total liabilities	**$ —**	$ 76
Shareholders' equity:		
Common stock, no par value:		
Authorized 20,000,000 shares; issued and outstanding 7,050,990 and 6,993,974 shares, respectively	**48,838**	48,161
Retained earnings	**22,257**	16,956
Unrealized gain on securities available-for-sale, net	**934**	7
Total shareholders' equity	**72,029**	65,124
Total liabilities and shareholders' equity	**$72,029**	$65,200

Statements of Income

	Years Ended December 31,		
	1998	1997	1996
	(in thousands)		
Interest income	$ —	$ —	$ —
Administration expense	369	321	296
Loss before equity in net income of Tri Counties Bank	(369)	(321)	(296)
Equity in net income of Tri Counties Bank:			
Distributed	3,650	3,000	4,800
Undistributed	5,338	3,031	2,654
Income tax credits	151	159	148
Net income	$8,770	$5,869	$7,306

Statements of Cash Flows

	Years ended December 31,		
	1998	1997	1996
	(in thousands)		
Operating activities:			
Net income	**$8,770**	$5,869	$7,306
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Undistributed equity in Tri Counties Bank	**(5,338)**	(3,031)	(2,654)
Deferred income taxes	**(153)**	(148)	(157)
Increase (decrease) in other operating assets and liabilities	**(76)**	(295)	279
Net cash provided by operating activities	**3,203**	2,395	4,774
Investing activities:			
Capital contributed to Tri Counties Bank	**—**	—	(4,741)
Net cash used for investing activities	**—**	—	(4,741)
Financing activities:			
Issuance of common stock	**309**	170	3,291
Repurchase of common stock	**(60)**	(30)	(295)
Cash dividends — common	**(3,430)**	(2,970)	(2,646)
Net cash provided by (used for) financing activities	**(3,181)**	(2,830)	350
Increase (decrease) in cash and cash equivalents	**22**	(435)	383
Cash and cash equivalents at beginning of year	**82**	517	134
Cash and cash equivalents at end of year	**$ 104**	$ 82	$ 517

Note U - Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. Management believes, as of December 31, 1998, that the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 1998, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the institution's category.

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 1998:						
Total Capital (to Risk Weighted Assets):						
Consolidated	$71,034	11.83%	≥ $48,016	≥8.0%	≥$60,020	≥10.0%
Tri Counties Bank	$70,159	11.69%	≥$48,012	≥8.0%	≥$60,016	≥10.0%
Tier I Capital (to Risk Weighted Assets):						
Consolidated	$63,531	10.59%	≥$24,008	≥4.0%	≥$36,012	≥ 6.0%
Tri Counties Bank	$62,666	10.44%	≥$24,006	≥4.0%	≥$36,009	≥ 6.0%
Tier I Capital (to Average Assets):						
Tri Counties Bank	$62,666	7.23%	≥$34,661	≥4.0%	≥$43,327	≥ 5.0%
As of December 31, 1997:						
Total Capital (to Risk Weighted Assets):						
Consolidated	$62,673	11.90%	≥$42,132	≥8.0%	≥$52,665	≥10.0%
Tri Counties Bank	$62,059	11.80%	≥$42,083	≥8.0%	≥$52,604	≥10.0%
Tier I Capital (to Risk Weighted Assets):						
Consolidated	$56,215	10.67%	≥$21,066	≥4.0%	≥$31,599	≥ 6.0%
Tri Counties Bank	$55,601	10.57%	≥$21,042	≥4.0%	≥$31,563	≥ 6.0%
Tier I Capital (to Average Assets):						
Tri Counties Bank	$55,601	6.94%	≥$21,042	≥4.0%	≥$26,302	≥ 5.0%

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

The following table sets forth the results of operations for the four quarters of 1998 and 1997, and is unaudited; however, in the opinion of management, it reflects all adjustments (which include only normal recurring adjustments) necessary to present fairly the summarized results for such periods.

	1998 Quarters Ended			
	December 31,	September 30,	June 30,	March 31,
	(Dollars in thousands, except per share data)			
Interest income	$16,999	$17,190	$16,504	$15,394
Interest expense	6,116	6,742	6,500	5,938
Net interest income	10,883	10,448	10,004	9,456
Provision for loan losses	1,220	920	1,235	825
Net interest income after provision for loan losses	9,663	9,528	8,769	8,631
Noninterest income	3,146	2,762	3,955	3,006
Noninterest expense	8,738	8,459	9,108	8,387
Income before income taxes	4,071	3,831	3,616	3,250
Taxable-equivalent adjustment	319	278	223	129
Income tax expense	1,337	1,269	1,252	1,191
Net income	$ 2,415	$ 2,284	$ 2,141	$ 1,930
Per common share:				
Net income (diluted)*	$ 0.33	$ 0.31	$ 0.29	$ 0.27
Dividends	$ 0.16	$ 0.11	$ 0.11	$ 0.11

	1997 Quarters Ended			
	December 31,	September 30,	June 30,	March 31,
	(Dollars in thousands, except per share data)			
Interest income	$15,742	$15,597	$14,873	$13,993
Interest expense	6,101	6,127	6,099	5,608
Net interest income	9,641	9,470	8,774	8,385
Provision for loan losses	800	1,000	600	600
Net interest income after provision for loan losses	8,841	8,470	8,174	7,785
Noninterest income	2,584	2,477	2,408	2,097
Noninterest expense	8,620	8,200	8,820	7,292
Income before income taxes	2,805	2,747	1,762	2,590
Taxable-equivalent adjustment	100	98	95	35
Income tax expense	1,093	1,035	588	991
Net income	$ 1,612	$ 1,614	$ 1,079	$ 1,564
Per common share:				
Net income (diluted)*	$ 0.22	$ 0.22	$ 0.15	$ 0.21
Dividends	$ 0.11	$ 0.11	$ 0.11	$ 0.11

*Adjusted to reflect the 3-for-2 common stock split effected October 30, 1998.

Note W – Business Segments

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information, (SFAS 131). This Statement establishes standards for the reporting and display of information about operating segments and related disclosures.

The Company is principally engaged in traditional community banking activities provided through its twenty-six branches and seven in-store branches located throughout Northern California. Community banking activities include the Bank's commercial and retail lending, deposit gathering and investment and liquidity management activities. In addition to its community banking services, the Bank offers investment brokerage and leasing services. The Company held investments in real estate through its wholly-owned subsidiary, TCB Real Estate. These activities are monitored and reported by Bank management as separate operating segments.

The accounting policies of the segments are the same as those described in Note A. The Company evaluates segment performance based on net interest income, or profit or loss from operations, before income taxes not including nonrecurring gains and losses.

As permitted under the Statement, the results of the separate branches have been aggregated into a single reportable segment, Community Banking. The Company's leasing, investment brokerage and real estate segments do not meet the prescribed aggregation or materiality criteria and therefore are reported as "Other" in the following table.

Summarized financial information for the years ended December 31, 1998, 1997, and 1996 concerning the Bank's reportable segments is as follows:

	Community Banking	Other	Total
1998			
Net interest income	$ 39,789	$ 53	$ 39,842
Noninterest income	10,777	2,092	12,869
Noninterest expense	33,416	1,276	34,692
Net income	8,203	567	8,770
Assets	$901,580	$3,019	$904,599
1997			
Net interest income	$ 35,942	$ —	$ 35,942
Noninterest income	7,551	2,015	9,566
Noninterest expense	32,932	597	32,932
Net income	4,977	892	5,869
Assets	$825,229	$ 936	$826,165
1996			
Net interest income	$ 29,969	$ —	$ 29,969
Noninterest income	5,314	1,322	6,636
Noninterest expense	22,918	567	23,485
Net income	6,852	454	7,306
Assets	$693,484	$1,375	$694,859

REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

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

We have audited the accompanying consolidated balance sheets of TriCo Bancshares (a California corporation) and Subsidiary as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TriCo Bancshares and Subsidiary as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

Arthur Andersen LLP

San Francisco, California
January 22, 1999

Market Information

The Common Stock of the Company trades on the NASDAQ National Market under the symbol "TCBK." The shares were first listed in the NASDAQ Stock Market in April 1993.

The following table summarizes the Common Stock high and low trading prices and volume of shares traded by quarter as reported by NASDAQ.

	Prices of the Company's Common Stock		Approximate Trading Volume
Quarter Ended:[1,2]	High	Low	(in shares)
March 31, 1997	$ 18.00	$ 14.17	485,400
June 30, 1997	19.17	14.76	517,300
September 30, 1997	19.50	16.17	335,800
December 31, 1997	22.67	17.09	338,900
March 31, 1998	22.67	20.00	293,600
June 30, 1998	22.58	18.33	398,300
September 30, 1998	19.83	15.33	394,600
December 31, 1998	18.50	14.08	330,800

[1]Quarterly trading activity has been compiled from NASDAQ trading reports.
[2]Stock prices and trading volumes adjusted to reflect 3-for-2 stock split effected October 30, 1998.

Holders

As of December 31, 1998, there were approximately 1,889 holders of record of the Company's Common Stock.

Dividends

The Company has paid quarterly dividends since March 1990. The Company paid quarterly dividends of $0.16 per share in the fourth quarter of 1998 and $0.11 per share in each of the previous seven quarters. The holders of Common Stock of the Company are entitled to receive cash dividends when and as declared by the Board of Directors, out of funds legally available therefor, subject to the restrictions set forth in the California General Corporation Law (the "Corporation Law"). The Corporation Law provides that a corporation may make a distribution to its shareholders if the corporation's retained earnings equal at least the amount of the proposed distribution.

The Company, as sole shareholder of the Bank, is entitled to receive dividends when and as declared by the Bank's Board of Directors, out of funds legally available therefor, subject to the powers of the FDIC and the restrictions set forth in the California Financial Code (the "Financial Code"). The Financial Code provides that a bank may not make any distributions in excess of the lessor of: (i) the bank's retained earnings, or (ii) the bank's net income for the last three fiscal years, less the amount of any distributions made by the bank to its shareholders during such period. However, a bank may, with the prior approval of the California Superintendent of Banks (the "Superintendent"), make a distribution to its shareholders of up to the greater of (A) the bank's retained earnings, (B) the bank's net income for its last fiscal year, or (C) the bank's net income for its current fiscal year. If the Superintendent determines that the shareholders' equity of a bank is inadequate or that a distribution by the bank to its shareholders would be unsafe or unsound, the Superintendent may order a bank to refrain from making a proposed distribution. The FDIC may also order a bank to refrain from making a proposed distribution when, in its opinion, the payment of such would be an unsafe or unsound practice. The Bank paid dividends totaling $3,650,000 to the Company in 1998. As of December 31, 1998 and subject to the limitations and restrictions under applicable law, the Bank had funds available for dividends in the amount of $11,023,000.

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

As TriCo Bancshares (the "Company") has not commenced any business operations independent of Tri Counties Bank (the "Bank"), the following discussion pertains primarily to the Bank. Average balances, including such balances used in calculating certain financial ratios, are generally comprised of average daily balances for the Company. Interest income and net interest income are presented on a tax equivalent basis.

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

Overview

1998 was a defining year for Trico Bancshares and Tri Counties Bank. During the year the Company began to realize the potential of nine branches acquired from Wells Fargo Bank, N.A. (sometimes referred to as "Wells") in February 1997 and its Sacramento and Bakersfield loan production offices which were transformed into full service branches in November 1998. The Bank continued to refine its ability to identify and grow profitable business segments, while enhancing or divesting unprofitable segments. One example of these efforts was a gain of $897,000 on the sale of the Bank's $14,365,000 credit card portfolio in May of 1998. Also in 1998, the Bank adopted an employee incentive program that tied each employee's compensation to the financial performance of the employee's business unit, the business units they support, and the overall Bank. The combination of growth potential and increased internal cooperation resulted in a 49% increase in net income during 1998. Management believes the Bank is positioned to realize continued growth in earnings and returns for shareholders in 1999.

The Company had earnings of $8,770,000 for the year ended December 31, 1998 versus $5,869,000 for 1997. Diluted earnings per share for the same years were $1.21 and $0.81, respectively.

Net interest income for 1998 was $40,791,000 which was an increase of $4,521,000 (12.5%) over 1997. The interest income component of net interest income was up 9.8% or $5,882,000. Interest and fees on loans were up $3,603,000 (8.0%) to $48,506,000 as average loans outstanding increased $39,481,000 (8.8%) to $487,598,000. Interest income on investment securities and Federal Funds sold increased $2,279,000 (14.9%) to $17,581,000 mostly due to higher average balances. Interest expense was up $1,361,000 (5.7%) to $25,296,000. This increase was due to higher average balances of interest bearing liabilities, which increased $45,955,000 (7.6%) to $650,022,000, as the average rate paid on them declined 7 basis points. The net interest margin was 5.28% in 1998 versus 5.16% in 1997.

The Bank provided $4,200,000 to the allowance for loan losses in 1998 compared to $3,000,000 in 1997. Net loan charge-offs in 1998 were $2,453,000 compared to $2,638,000 in 1997. At year end 1998 and 1997 the allowance for loan losses as a percentage of gross loans was 1.54% and 1.44%, respectively.

Noninterest income is comprised of "service charges and fees" and "other income". Service charge and fee income increased $642,000 (9.5%) to $7,387,000 in 1998 versus year ago results. Both higher account volumes and higher fee rates contributed to the increase in this category. Other income was up $2,661,000 (94.3%) to $5,482,000 from $2,821,000 in 1997. Items contributing to the increase in other income included; a gain on sale of the credit card portfolio of $897,000, gain on the sale of investments of $316,000 in 1998 compared to $18,000 in 1997, and gain on sale of loans of $497,000 in 1998 versus $260,000 in 1997. Overall, noninterest income increased $3,303,000 (34.5%) for the year to $12,869,000.

Noninterest expenses increased $1,760,000 (5.3%) to $34,692,000 in 1998. Approximately $360,000 of the increase was due to 1998 having a full year of expenses related to the nine branches purchased from Wells, while 1997 had only ten and one half months of related expenses.

Salary and benefit expenses increased 7.2% to $16,803,000, and accounted for $1,132,000 of the $1,760,000 increase in noninterest expenses in 1998. Approximately $219,000 of the increase in salaries and benefits was due to a full twelve months of salary expenses from the Wells branches in 1998. Incentive and commission related salary expenses increased $632,000 (72.6%) to $1,502,000 in 1998. Base salaries and benefits increased $281,000 (1.8%) in 1998. The relatively small increase in base salaries was mainly due to a 0.5% increase in average full time equivalent employees (FTE's) from 374 during 1997 to 376 during 1998, and an average annual base salary increase of 1.3% during 1998. The large increase in incentive and commission related salary expense was more than offset by revenue growth. These results are consistent with the Bank's strategy of working more efficiently with fewer employees who are compensated in part based on their division's performance. Other expenses increased $628,000 (3.6%) to $17,889,000 in 1998. Approximately $141,000 of this increase was due to a full twelve months of other expenses from the Wells branches in 1998. $261,000 of the increase in other expenses was due to increased equipment and data processing expenses which increased to $3,551,000 in 1998.

Assets of the Company totaled $904,599,000 at December 31, 1998 which was an increase of $78,434,000 (9.5%) from 1997 ending balances.

For 1998, the Company realized a return on assets of 1.03% and a return on shareholders' equity of 12.80% versus 0.75% and 9.34%, respectively, in 1997. The Company ended 1998 with a Tier 1 capital ratio of 10.59% and a total risk-based capital ratio of 11.83%.

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

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

(A) Results of Operations

	1998	1997	1996	1995	1994
	Years Ended December 31, (in thousands, except earnings per share amounts)				
Interest income:					
Interest and fees on loans	$ 48,506	$ 44,903	$ 38,227	$ 33,776	$ 30,641
Interest on investment securities—taxable	14,622	13,791	10,409	11,706	12,247
Interest on investment securities—tax exempt[1]	2,809	958	207	272	401
Interest on federal funds sold	150	553	392	371	123
Total interest income	66,087	60,205	49,235	46,125	43,412
Interest expense:					
Interest on deposits	22,865	22,682	17,201	16,231	13,902
Interest on short-term borrowing	816	537	359	526	719
Interest on long-term debt	1,615	716	1,619	1,231	1,059
Total interest expense	25,296	23,935	19,179	17,988	15,680
Net interest income	40,791	36,270	30,056	28,137	27,732
Provision for loan losses	4,200	3,000	777	335	316
Net interest income after provision for loan losses	36,591	33,270	29,279	27,802	27,416
Noninterest income:					
Service charges, fees and other	12,553	9,548	6,636	5,943	5,048
Investment securities gains (losses), net	316	18	—	(10)	(23)
Total noninterest income	12,869	9,566	6,636	5,933	5,025
Noninterest expenses:					
Salaries and employee benefits	16,803	15,671	11,989	10,787	10,550
Other, net	17,889	17,261	11,496	10,874	11,508
Total noninterest expenses	34,692	32,932	23,485	21,661	22,058
Net income before income taxes	14,768	9,904	12,430	12,074	10,383
Income taxes	5,049	3,707	5,037	4,915	4,350
Tax equivalent adjustment[2]	949	328	87	114	172
Net income	$ 8,770	$ 5,869	$ 7,306	$ 7,045	$ 5,861
Basic earnings per common share[2]	$ 1.25	$ 0.84	$ 1.08	$ 1.03	$ 0.83
Diluted earnings per common share[2]	$ 1.21	$ 0.81	$ 1.04	$ 0.97	$ 0.78
Selected Balance Sheet Information					
Total Assets	$904,599	$826,165	$694,859	$603,554	$593,834
Long-term Debt	37,924	11,440	24,281	26,292	18,499
Preferred Stock	—	—	—	—	3,899

[1] Interest on tax-free securities is reported on a tax equivalent basis of 1.51 for 1998, 1.52 for 1997, 1.72 for 1996, 1.72 for 1995, and 1.75 for 1994.

[2] Restated on a historical basis to reflect the 5-for-4 stock split effected September 22, 1995, and the 3-for-2 stock split effected October 30, 1998.

Net Interest Income/Net Interest Margin

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

Net interest income for 1998 totaled $40,791,000 which was up 12.5% ($4,521,000) over the prior year. Average outstanding loan balances of $487,598,000 for 1998 reflected a 8.8% increase over 1997 balances. This increase contributed an additional $3,956,000 to interest income and was the major factor in the improvement in net interest income. The average yield received on loans fell 7 basis points to 9.95% which reduced interest income by $353,000. This decrease resulted from reductions in market interest rates throughout 1998. Increases in loan fees of $900,000 (43.7%) in 1998 added 18 basis points to the average loan yield. Average balances of investment securities increased $37,342,000 (15.3%) to $282,047,000. The higher volume of securities resulted in an increase in interest income of $2,251,000. An increase of 15 basis points in the average tax effective yield on investments added $431,000 to interest income. The Bank increased average tax effective yield of its combined investment portfolio by increasing the percentage of nontaxable investments to total investments. The effect of the increase in nontaxable investments outweighed the negative impact of lower market interest rates in 1998.

Interest expense increased $1,361,000 (5.7%) to $25,296,000 in 1998. Higher volumes in all interest bearing deposit categories accounted for $775,000 of the increase, while decreases in rates paid on all deposit categories offset interest expense by $592,000. Higher volumes of short and long term borrowings added $1,252,000 to interest expense in 1998. Net interest margin for 1998 was 5.28% versus 5.16% in 1997.

Net interest income for 1997 totaled $36,270,000 which was up 20.7% ($6,214,000) over the prior year. Average outstanding loan balances of $448,117,000 for 1997 reflected a 21.6% increase over 1996 balances. This increase contributed an additional $8,253,000 to interest income and was the major factor in the improvement in net interest income. The average yield received on loans fell 35 basis points to 10.02% which offset interest income by $1,577,000. The reduction of the loan yields was due to increased market competition and also in part to the acquisition of Sutter Buttes Savings Bank in October of 1996. A high percentage of Sutter Buttes' loans were mortgage loans with fixed interest rates averaging less than 8%. Average balances of investment securities increased $61,483,000 (33.6%) due primarily to the investment of net proceeds received in the Wells branch acquisition. The higher volume of securities resulted in an increase in interest income of $3,800,000.

Interest expense increased $4,756,000 (24.8%) in 1997 over 1996. Higher volumes in all interest bearing deposit categories as a result of the purchase of certain deposits from Wells Fargo Bank accounted for the increase. Interest expense on time deposits was up $3,424,000 due to an increase in average balances of $64,519,000 in 1997. Average rates paid on interest bearing liabilities in 1997 were down 9 basis point to 3.96% which had a small favorable effect on interest expense. Net interest margin for 1997 was 5.16% versus 5.37% in 1996.

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

Team TriCo

"You made a choice to go outside yourself.
It's not what you did, but what you overcame–
that was the accomplishment."

(A) Results of Operations (continued)

Table One: Analysis of Net Interest Margin on Earning Assets

Assets	1998 Average Balance[1]	1998 Income	1998 Yield/ Rate	1997 Average Balance[1]	1997 Income	1997 Yield/ Rate	1996 Average Balance[1]	1996 Income	1996 Yield/ Rate
				(dollars in thousands)					
Earning assets:									
Loans[2,3]	$487,598	$48,506	9.95 %	$448,117	$44,903	10.02 %	$368,550	$38,227	10.37 %
Securities - taxable	245,499	14,622	5.96 %	233,389	13,791	5.91 %	180,836	10,409	5.76 %
Securities - nontaxable[4]	36,548	2,809	7.69 %	11,316	958	8.47 %	2,386	207	8.68 %
Federal funds sold	2,663	150	5.63 %	9,956	553	5.55 %	7,405	392	5.29 %
Total earning assets	772,308	66,087	8.56 %	702,778	60,205	8.57 %	559,177	49,235	8.80 %
Cash and due from banks	33,819			36,671			31,867		
Premises and equipment	17,448			16,838			14,068		
Other assets, net	32,921			33,413			23,046		
Less: Unrealized gain (loss) on securities	355			(1,203)			(1,841)		
Less: Allowance for loan losses	(7,270)			(6,185)			(5,597)		
Total assets	$849,581			$782,312			$620,720		
Liabilities and shareholders' equity									
Interest-bearing demand deposits	$137,001	2,932	2.14 %	$122,390	2,781	2.27 %	$ 89,278	2,226	2.49 %
Savings deposits	212,291	6,473	3.05 %	208,232	6,400	3.07 %	163,637	5,032	3.08 %
Time deposits	257,805	13,460	5.22 %	251,874	13,501	5.36 %	187,355	9,943	5.31 %
Federal funds purchased	8,025	446	5.56 %	4,144	235	5.67 %	6,485	359	5.54 %
Repurchase agreements	6,474	370	5.72 %	5,331	302	5.66 %	9,828	603	6.14 %
Long-term debt	28,426	1,615	5.68 %	12,096	716	5.92 %	17,434	1,016	5.83 %
Total interest-bearing liabilities	650,022	25,296	3.89 %	604,067	23,935	3.96 %	474,017	19,179	4.05 %
Noninterest-bearing deposits	119,929			105,198			79,843		
Other liabilities	11,109			10,204			10,776		
Shareholders' equity	68,521			62,843			56,084		
Total liabilities and shareholders' equity	$849,581			$782,312			$620,720		
Net interest rate spread[5]			4.67 %			4.61 %			4.75 %
Net interest income/net interest margin[6]		$40,791	5.28 %		$36,270	5.16 %		$30,056	5.37 %

[1] Average balances are computed principally on the basis of daily balances .
[2] Nonaccrual loans are included.
[3] Interest income on loans includes fees on loans of $2,958,000 in 1998, $2,058,000 in 1997, and $1,926,000 in 1996.
[4] Interest income is stated on a tax equivalent basis of 1.52 in 1998, 1.52 in 1997, and 1.70 in 1996.
[5] Net interest rate spread represents the average yield earned on interest-earning assets less the average rate paid on interest-bearing liabilities.
[6] Net interest margin is computed by dividing net interest income by total average earning assets.

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

	1998 over 1997			1997 over 1996		
	Volume	Yield/ Rate [4]	Total	Volume	Yield/ Rate [4]	Total
	(dollars in thousands)					
Increase (decrease) in interest income:						
Loans[1,2]	$ 3,956	(353)	3,603	$ 8,253	$ (1,577)	$ 6,676
Investment securities[3]	2,251	431	2,682	3,800	333	4,133
Federal funds sold	(405)	2	(403)	135	26	161
Total	5,802	80	5,882	12,188	(1,218)	10,970
Increase (decrease) in interest expense:						
Demand deposits (interest-bearing)	332	(181)	151	826	(271)	555
Savings deposits	125	(52)	73	1,371	(3)	1,368
Time deposits	318	(359)	(41)	3,424	134	3,558
Federal funds purchased	220	(9)	211	(130)	6	(124)
Repurchase agreements	65	3	68	(276)	(25)	(301)
Long-term borrowings	967	(68)	899	(311)	11	(300)
Total	2,027	(666)	1,361	4,904	(148)	4,756
Increase (decrease) in net interest income	$ 3,775	$ 746	$ 4,521	$ 7,284	$ (1,070)	$ 6,214

Nonaccrual loans are included.

[2] Interest income on loans includes fees on loans of $2,958,000 in 1998, $2,058,000 in 1997, and $1,926,000 in 1996.

[3] Interest income is stated on a tax equivalent basis of 1.52 in 1998, 1.52 in 1997, and 1.70 in 1996.

[4] The rate/volume variance has been included in the rate variance.

Provision for Loan Losses

In 1998, the Bank provided $4,200,000 for loan losses compared to $3,000,000 in 1997. Net loan charge-offs decreased $185,000 (7.0%) to $2,453,000 during 1998. Net charge-offs of consumer installment loans decreased $862,000 mainly due to the sale of the Bank's credit card portfolio in May 1998. Net charge-offs of commercial, financial and agricultural loans increased $497,000, while net charge-offs of real estate mortgage loans increased $180,000. The 1998 charge-offs represented 0.50% of average loans outstanding versus 0.59% the prior year. Nonperforming loans were 0.31% of total loans at year end versus 1.17% in 1997. The allowance for loan losses to nonperforming loans was 493% versus 123% at the end of 1997. (See balance sheet analysis "Allowance for Loan Losses" for further discussion.)

The 1997 provision for loan losses of $3,000,000 was a significant increase over the 1996 provision of $777,000. Net loan charge-offs for 1997 increased to $2,638,000 from $883,000 in 1996. Consumer installment loans which include credit cards accounted for $591,000 of the increase while commercial, financial and agricultural loans accounted for $1,166,000 of the increase. Early in 1997 the bank adopted a more aggressive grading procedure for loans. This process resulted in a higher number of loans being classified and charged off. There also was an increase in bankruptcy filings which adversely affected the consumer loan and credit card portfolios. The 1997 charge-offs represented 0.59% of average loans outstanding versus 0.24% the prior year. Nonperforming loans were 1.17% of total loans at year end versus 2.06% in 1996. The allowance for loan losses to nonperforming loans was 123% versus 67% at the end of 1996.

Service Charges and Fees and Other Income

For 1998, service charge and fee income increased $642,000 (9.5%) to $7,387,000. Both higher account volumes and higher fee rates contributed to the increase in this category. Other income was up $2,661,000 (94.3%) to $5,482,000 from $2,821,000 in 1997. Items contributing to the increase in other income included; a gain on sale of the credit card portfolio of $897,000, gain on the sale of investments of $316,000 in 1998 compared to $18,000 in 1997, and gain on sale of loans of $497,000 in 1998 versus $260,000 in 1997. Overall, noninterest income increased $3,303,000 (34.5%) for the year to $12,869,000.

For 1997 service charge and fee income was up 37.0% to $6,745,000 over 1996 results. The growth came from higher account volumes primarily due to the purchase of certain Wells deposit accounts and some selective fee increases. Other income was up 64.8% to $2,821,000 over 1996 results. Within this category commissions on the sale of annuities and mutual funds increased $708,000 or 56.4%, and gain on sale of loans increased to $260,000 versus a loss of $3,000 in 1996.

(A) Results of Operations (continued)

Securities Transactions

During 1998 the Bank realized net gains of $316,000 on the sale of securities with market values of $87,094,000. The Bank purchased $199,335,000 of securities with proceeds from the sale of securities noted above, proceeds from maturities of securities totaling $100,737,000, and cash received through deposit and borrowing growth that was not used to fund loan growth.

For 1997 the Bank realized net gains of $18,000 on the sale of securities with market values of $29,033,000. The Bank purchased $173,327,000 of securities with proceeds from the sale of securities noted above, proceeds from maturities of securities totaling $49,720,000, and cash received in conjunction with the purchase of certain Wells deposits.

Salaries and Benefits

Salary and benefit expenses increased 7.2% to $16,803,000, and accounted for $1,132,000 of the $1,760,000 increase in noninterest expenses in 1998. Approximately $219,000 of the increase in salaries and benefits was due to a full twelve months of salary expenses from the Wells branches in 1998. Incentive and commission related salary expenses increased $632,000 (72.6%) to $1,502,000 in 1998. Base salaries and benefits increased $281,000 (1.8%) in 1998. The relatively small increase in base salaries was mainly due to a 0.5% increase in average full time equivalent employees (FTE's) from 374 during 1997 to 376 during 1998, and an average annual base salary increase of 1.3% during 1998. The large increase in incentive and commission related salary expense was more than offset by revenue growth. These results are consistent with the Bank's strategy of working more efficiently with fewer employees who are compensated in part based on their division's performance.

Salary and benefit expenses increased 30.7% or $3,682,000 in 1997. Base salaries increased $3,208,000 (40.5%) primarily due to the purchase of nine Wells branches and their associated staff. Other components of salaries and benefits which increased significantly included; overtime, $174,000; retirement plans, $275,000; and payroll taxes, $250,000. Management and employee incentive expense decreased $281,000. Approximately 50% of the total salary increase was directly related to the conversion and ongoing operations of the purchased branches. There was additional staffing in loan production offices and support functions plus normal salary increases which also contributed to the increased costs.

Other Expenses

Other expenses increased $628,000 (3.6%) to $17,889,000 in 1998. Approximately $141,000 of the increase in 1998 was due to a full twelve months of other expenses from the nine branches acquired in February of 1997. $261,000 of the increase in other expenses was due to increased equipment and data processing expenses which increased to $3,551,000 in 1998.

Other expenses increased $5,765,000 (50.1%) in 1997. Of this amount $1,240,000 (21.5%) was directly related to the ongoing operations and $1,308,000 (22.7%) was for amortization of goodwill for the acquired branches. Another $326,000 (5.7%) were one time conversion costs for the nine branches. The following analysis excludes costs directly incurred by the new branches. Much of the cost was incurred to support the new branches. Occupancy and equipment costs increased $713,000 (19.5%), most of which was related to depreciation of equipment. Charges for ATM network and transactions increased $194,000 (77.0%) as a result of more terminals and increased volumes. Courier services were up $218,000 (76.0%) as the new branches are located in a large geographic area. Telecommunications increased $199,000 (30.5%). Loan origination fees waived for home equity loans increased $150,000 (220.6%) as a result of increased volume. The Bank also expensed $300,000 for declines in the value of certain bank premises which were vacated in connection with the Bank's decision to move its administrative offices and one branch office to new facilities.

Provision for Taxes

The effective tax rate on income was 36.5%, 38.5%, and 40.8% in 1998, 1997, and 1996, respectively. The effective tax rate was greater than the federal statutory tax rate due to state tax expense of $1,425,000, $961,000, and $1,367,000 in these years. Tax-free income of $1,860,000, $630,000, and $120,000 from investment securities in these years helped to reduce the effective tax rate.

Return on Average Assets and Equity

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

	1998	1997	1996
Return on total assets	**1.03%**	0.75%	1.18%
Return on shareholders' equity	**12.80%**	9.34%	13.03%
Shareholders' equity to total assets	**8.07%**	8.04%	9.03%
Common shareholders' dividend payout ratio	**39.11%**	50.61%	36.22%

During 1998, return on assets increased to 1.03%. The increase in ROA was due to increased productivity and the Bank's progress in making loans in the new market areas of the nine branches acquired in 1997, and the Sacramento and Bakersfield offices. The Company's efficiency ratio (noninterest expense divided by net interest income plus noninterest income) decreased to 64.7% in 1998 from 71.9% in 1997. Return on assets decreased in 1997 to 0.75% from the 1.18% achieved in 1996.

In 1998, return on shareholders' equity increased to 12.80% from 9.34% in 1997. The higher ROE in 1998 was due to a 49.4% increase in net income while average shareholders'

equity increased only 9.0%. Return on shareholders' equity fell to 9.34% in 1997 from 13.03% in 1996. The lower ROE in 1997 resulted from average capital increasing 12.1% while net income decreased 19.7%.

The shareholders' average equity to average assets ratio for 1998 increased to 8.07% from 8.04% for 1997. In 1997, the average shareholders' equity to average asset ratio decreased to 8.04% from 9.03%. The 1997 change reflected the increase in assets as a result of the Wells branch acquisition which outweighed the increase in shareholders' equity.

In 1998, dividends paid to common shareholders totaled $3,430,000 compared to $2,970,000 in 1997. The resulting common shareholders' dividend payout ratio of 39.1% in 1998 compared to 50.6% in 1997. The dividend payout ratio increased to 50.6% in 1997 from 36.2% ($2,646,000) in 1996.

(B) Balance Sheet Analysis

Loans

The Bank concentrates its lending activities in four principal areas: commercial loans (including agricultural loans); consumer loans; real estate mortgage loans (residential and commercial loans and mortgage loans originated for sale); and real estate construction loans. At December 31, 1998, these four categories accounted for approximately 40%, 13%, 40%, and 7% of the Bank's loan portfolio, respectively, as compared to 37%, 20%, 36% and 7%, at December 31, 1997. The shift in the percentages was primarily due to the sale of the Bank's $14,365,000 credit card portfolio in May 1998. The interest rates charged for the loans made by the Bank vary with the degree of risk, the size and maturity of the loans, the borrower's relationship with the Bank and prevailing money market rates indicative of the Bank's cost of funds.

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

At December 31, 1998, loans totaled $532,433,000 which was an 18.6% ($83,466,000) increase over the balances at the end of 1997. The regions serviced by the nine branches acquired in 1997 and the Sacramento and Bakersfield branches accounted for $43,350,000 of the increase in loans during 1998. Loan demand continued to improve in 1998 as economic conditions and trends in interest rates were favorable for borrowers. The average loan to deposit ratio in 1998 was 67.2% as compared to 65.2% in 1997.

At December 31, 1997 loans totaled $448,967,000 which was a 2.20% increase over the balances at the end of 1996. Demand for real estate construction and home equity loans continued to improve in 1997 as economic conditions remained favorable. Additions to the loan staff and improved calling programs also helped generate new customers. The average loan to deposit ratio in 1997 was 65.2% as compared to 70.8% in 1996, due primarily to the Wells branch acquisition.

Loan Portfolio Composite

	December 31,				
	1998	1997	1996	1995	1994
	(dollars in thousands)				
Commercial, financial and agricultural	**$211,773**	$165,813	$176,868	$152,173	$153,957
Consumer installment	**72,512**	87,950	75,498	64,445	58,471
Real estate mortgage	**211,072**	160,954	160,575	81,888	76,673
Real estate construction	**37,076**	34,250	26,348	20,260	18,002
Total loans	**$532,433**	$448,967	$439,289	$318,766	$307,103

Nonaccrual, Past Due and Restructured Loans

During 1998, nonperforming assets decreased $4,402,000 (58.9%) to a total of $3,077,000. Nonperforming loans decreased $3,584,000 (68.3%) to $1,665,000, and other real estate owned (OREO) decreased $818,000 (36.7%) to $1,412,000 during 1998. The decrease in nonperforming loans was due in part to favorable economic conditions and two years of operation under an enhanced system which focuses on early identification of problem loans followed by prompt action to ensure performance or charge-off of the loan. The ratio of nonperforming loans to total loans at December 31, 1998 was 0.31% versus 1.17% at the end of 1997. Classifications of nonperforming loans as a percent of the total at the end of 1998 were as follows: secured by real estate, 75%; loans to farmers, 12%; commercial loans, 10%; and consumer loans, 3%.

Nonperforming assets at December 31, 1997 totaled $7,479,000 which was a 28.5% decrease from year end 1996. The OREO component increased from $1,389,000 at year end 1996 to $2,230,000 at year end 1997. However, this increase was offset by a substantial decrease in nonperforming loans from $9,064,000 at year end 1996 to $5,249,000 at year end 1997. The decrease in nonperforming loans was due in part to the improved financial condition of certain borrowers and the impact of new monitoring procedures put into place at the end of 1996 in an effort to improve the timeliness of payments and collections and actively manage the level of nonperforming loans. The nonperforming loans at December 31, 1997 consisted of numerous loans including 12 loans over $100,000. The largest nonperforming loan balance to any one borrower was approximately $600,000. At December 31, 1997, the ratio of nonperforming loans to total loans was 1.17% as compared to 2.06% for year end 1996. Classifications of nonperforming loans as a percent of the total at the end of 1997 were as follows: secured by real estate, 79%; loans to farmers, 9%; commercial loans, 6%; and consumer loans, 6%.

(B) Balance Sheet Analysis (continued)

Commercial, real estate and consumer loans are reviewed on an individual basis for reclassification to nonaccrual status when any one of the following occurs: the loan becomes 90 days past due as to interest or principal, the full and timely collection of additional interest or principal becomes uncertain, the loan is classified as doubtful by internal credit review or bank regulatory agencies, a portion of the principal balance has been charged off, or the Bank takes possession of the collateral. The reclassification of loans as nonaccrual does not necessarily reflect Management's judgment as to whether they are collectible.

Interest income is not accrued on loans where Management has determined that the borrowers will be unable to meet contractual principal and/or interest obligations, unless the loan is well secured and in process of collection. When a loan is placed on nonaccrual, any previously accrued but unpaid interest is reversed. Income on such loans is then recognized only to the extent that cash is received and where the future collection on principal is probable. Interest accruals are resumed on such loans only when they are brought fully current with respect to interest and principal and when, in the judgment of Management, the loans are estimated to be fully collectible as to both principal and interest.

Interest income on nonaccrual loans which would have been recognized during the year ended December 31, 1998, if all such loans had been current in accordance with their original terms, totaled $324,000. Interest income actually recognized on these loans in 1998 was $104,000.

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

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

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

	December 31,				
	1998	1997	1996	1995	1994
	(dollars in thousands)				
Nonaccrual loans	**$ 1,045**	$ 4,721	$ 9,044	$ 2,213	$ 1,122
Accruing loans past due 90 days or more	**620**	528	20	220	24
Total nonperforming loans	**1,665**	5,249	9,064	2,433	1,146
Other real estate owned	**1,412**	2,230	1,389	631	2,124
Total nonperforming assets	**3,077**	7,479	$10,453	$ 3,064	$ 3,270
Nonincome producing investments in real estate held by Bank's real estate development subsidiary	**$ —**	$ 856	$ 1,173	$ 1,173	$ 1,173
Nonperforming loans to total loans	**0.31%**	1.17%	2.06%	0.76%	0.37%
Allowance for loan losses to nonperforming loans	**493%**	123%	67%	229%	489%
Nonperforming assets to total assets	**0.34%**	0.91%	1.50%	0.51%	0.55%
Allowance for loan losses to nonperforming assets	**267%**	86%	58%	182%	171%

Team TriCo

"It meant a lot knowing you were committed to taking care of me."

Allowance for Loan Losses Activity

In determining the adequacy of the allowance for loan losses, Management relies primarily on its review of the loan portfolio both to ascertain whether there are probable losses to be recorded and to assess the loan portfolio in the aggregate. Problem loans are examined on an individual basis to determine estimated probable loss. In addition, Management considers current and projected loan mix and loan volumes, historical net loan loss experience for each loan category and current and anticipated economic conditions affecting each loan category. The allowance for loan losses to total loans at December 31, 1998 was 1.54% versus 1.44% at the end of 1997. This increase was the net effect of many factors. Factors which caused the Bank to increase its reserve percentage included increases in historical net loan losses in 1998 and 1997 for commercial, financial, agriculture and real estate mortgage loans, and anticipated economic and operating conditions that are expected to adversely impact certain classes of borrowers. Offsetting these factors, which increased the reserve percentage, was the sale of the Bank's credit card portfolio in May 1998. The credit card portfolio had a reserve percentage of about 6% of outstanding credit card balances. Had the credit card portfolio not been sold, the overall loss reserve target would have been approximately 1.66% of loans at December 31, 1998. At December 31, 1997, the allowance for loan losses to total loans was 1.44% versus 1.39% at the end of 1996.

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

Based on the current conditions of the loan portfolio, Management believes that the $8,206,000 allowance for loan losses at December 31, 1998 is adequate to absorb probable losses inherent in the Bank's loan portfolio. No assurance can be given, however, that adverse economic conditions or other circumstances will not result in increased losses in the portfolio.

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

	December 31,				
	1998	1997	1996	1995	1994
	(dollars in thousands)				
Balance, beginning of year	$ 6,459	$ 6,097	$ 5,580	$ 5,608	$ 5,973
Provision charged to operations	4,200	3,000	777	335	316
Loans charged off:					
Commercial, financial and agricultural	(1,865)	(1,289)	(283)	(149)	(338)
Consumer installment	(702)	(1,551)	(909)	(432)	(712)
Real estate mortgage	(188)	—	—	—	—
Total loans charged-off	(2,755)	(2,840)	(1,192)	(581)	(1,050)
Recoveries:					
Commercial, financial and agricultural	164	85	243	98	205
Consumer installment	130	117	66	120	164
Real estate mortgage	8	—	—	—	—
Total recoveries	302	202	309	218	369
Net loans charged-off	(2,453)	(2,638)	(883)	(363)	(681)
Balance added through acquisition	—	—	623	—	—
Balance, year end	$ 8,206	$ 6,459	$ 6,097	$ 5,580	$ 5,608
Average total loans	$487,598	$448,117	$368,550	$308,473	$303,497
Ratios:					
Net charge-offs during period to average loans outstanding during period	0.50%	0.59%	0.24%	0.12%	0.22%
Provision for loan losses to average loans outstanding	0.86%	0.67%	0.21%	0.11%	0.10%
Allowance to loans at year end	1.54%	1.44%	1.39%	1.75%	1.83%

(B) Balance Sheet Analysis (continued)

As part of its loan review process, Management has allocated the overall allowance based on specific identified problem loans and historical loss data. The following tables summarize the allocation of the allowance for loan losses at December 31, 1998 and 1997.

	December 31, 1998 (dollars in thousands)	
Balance at End of Period Applicable to:	Amount	Percent of loans in each category to total loans
Commercial, financial and agricultural	$3,345	39.8%
Consumer installment	1,154	13.6%
Real estate mortgage	3,153	39.6%
Real estate construction	554	7.0%
	$8,206	100.0%

	December 31, 1997 (dollars in thousands)	
Balance at End of Period Applicable to:	Amount	Percent of loans in each category to total loans
Commercial, financial and agricultural	$2,157	36.9%
Consumer installment	1,977	19.6%
Real estate mortgage	2,266	35.9%
Real estate construction	59	7.6%
	$6,459	100.0%

Investment in Real Estate Properties

At December 31, 1997, property held by a subsidiary of the Bank for the purposes of development was $856,000. During 1998, the subsidiary divested all investment properties pursuant to an agreement between the Bank and the FDIC.

Other Real Estate Owned

The December 31, 1998 balance of Other Real Estate Owned (OREO) was $ 1,412,000 versus $2,230,000 in 1997. Properties foreclosed in 1998 and remaining in the Bank's possession at year end were valued at $432,000 net of a valuation allowance of $62,000. Properties transferred from fixed assets in 1998 and remaining in the Bank's possession at year end were valued at $575,000 net of a valuation allowance of $622,000. The Bank disposed of properties with a value of $1,680,000 in 1998. OREO properties consist of a mixture of land, single family residences and commercial buildings. OREO balances at December 31, 1996 were $1,389,000.

Intangible Assets

At December 31, 1998 and 1997, the Bank had intangible assets totaling $7,564,000 and $8,902,000, respectively. During 1997 the Bank recorded additions of $9,066,000 and $142,000 related to the Wells and Sutter Buttes acquisitions, respectively. Amortization of intangible assets amounting to $1,338,000 and $1,342,000 was recorded in 1998 and 1997, respectively. In 1996, the Bank recorded an intangible asset related to the Sutter Buttes acquisition in the amount of $1,070,000.

Deposits

Total deposits at December 31, 1998 increased $45,079,000 (6.2%) to $769,173,000 over the 1997 year end balances. All categories of deposits except CD's under $100,000 increased in 1998. Certificates of deposit with balances over $100,000 increased $16,047,000 to $64,857,000. State of California CD's, which increased to $40,000,000 as of December 31, 1998, accounted for $15,000,000 of the increase in CD's over $100,000. Deposits at the branches acquired from Wells Fargo Bank in 1997 increased $3,517,000 (2.4%) in 1998 for a total of $150,312,000 at December 31, 1998. The change in CD's balances and the use of State of California CD's is part of the Bank's overall deposit pricing strategy, and is closely monitored by the Bank.

Deposits at December 31, 1997 were up $128,473,000 (21.6%) to $724,094,000 over the 1996 year end balances. Deposits at the branches acquired from Wells Fargo Bank totaled $146,795,000 at year end. These balances reflected a net runoff at these branches of 6.85% from the date of acquisition. During 1997, time certificates of deposit not related to the Wells branches decreased $18,937,000 or 8.4%. It is believed that competitive pressures from alternative products such as mutual funds and annuities contributed to this decline.

Long-Term Debt

In 1998, the Bank made principal payments of $5,016,000 on long-term debt obligations, and added $31,500,000 under long-term debt agreements. During 1997, the Bank retired $12,841,000 of long-term debt and did not add any long-term debt.

Equity

See Note U in the financial statements for a discussion of regulatory capital requirements. Management believes that the Company's capital is adequate to support anticipated growth, meet the cash dividend requirements of the Company and meet the future risk-based capital requirements of the Bank and the Company.

Market Risk Management

Overview. The goal for managing the assets and liabilities of the Bank is to maximize shareholder value and earnings while maintaining a high quality balance sheet without exposing the Bank to undue interest rate risk. The Board of Directors has overall responsibility for the Company's interest rate risk management policies. The Bank has an Asset and Liability Management Committee (ALCO) which establishes and monitors guidelines to control the sensitivity of earnings to changes in interest rates.

Asset/Liability Management. Activities involved in asset/liability management include but are not limited to lending, accepting and placing deposits, investing in securities and issuing debt. Interest rate risk is the primary market risk associated with asset/liability management. Sensitivity of earnings to interest rate changes arises when yields on assets change in a different time period or in a different amount from that of interest costs on liabilities. To mitigate interest rate risk, the structure of the balance sheet is managed with the goal that movements of interest rates on assets and liabilities are correlated and contribute to earnings even in periods of volatile interest rates. The asset/liability management policy sets limits on the acceptable amount of variance in net interest margin and market value of equity under changing interest environments. The Bank uses simulation models to forecast earnings, net interest margin and market value of equity.

Simulation of earnings is the primary tool used to measure the sensitivity of earnings to interest rate changes. Using computer modeling techniques the Bank is able to estimate the potential impact of changing interest rates on earnings. A balance sheet forecast is prepared using inputs of actual loan, securities and interest bearing liability (i.e. deposits/borrowings) positions as the beginning base. The forecast balance sheet is processed against four interest rate scenarios which are provided by an independent economic forecasting company. The scenarios include a most likely rate forecast, a rising rate forecast, a flat rate forecast and a falling rate forecast. The Bank's 1999 earnings forecast is determined by utilizing a forecast balance sheet projected from year end 1998 balances. (The Bank does not hold any assets in trading accounts.)

The following assumptions were used in the modeling activity:

- Total asset growth of 4.1% based on ending balances
- Loan growth of 14.3% based on average balances
- Investment decrease of 3.1% based on ending balances
- Deposit growth of 3.1% based on average balances
- Balance sheet target balances were the same for all rate scenarios
- Ending prime rate of interest for most likely rates 7.75%, for rising rates 10.50%, for flat rates 7.75% and for falling rates 6.0%

The following table summarizes the effect on earnings before taxes of changing interest rates as measured against a flat rate (no change) scenario.

Interest Rate Risk Simulation of Income Before Income Taxes as of December 31, 1998

	Estimated Impact on 1998 Income Before Income Taxes (in thousands)
Variation from flat rate scenario	
Most likely rates	$ 72
Rising rates	$141
Falling rates	$ (55)

The simulations of earnings do not incorporate any management actions which might moderate the negative consequences of interest rate deviations. Therefore, they do not reflect likely actual results, but serve as conservative estimates of interest rate risk.

The Bank also uses a second simulation model which rate shocks the balance sheet with an immediate parallel shift in interest rates of (100 basis points (bp). This simulation model provides estimates of the future market value of equity (MVE) and net interest margins (NIM). MVE measures the impact on equity due to the changes in the market values of assets and liabilities as a result of a change in interest rates. NIM is described above under the heading "Net Interest Income/Net Interest Margin". The Bank measures the volatility of these benchmarks using a twelve month time horizon. Using the December 31, 1998 balance sheet as the base for the simulation, the following table summarizes the effect on NIM and net interest income of a (100 basis point change in interest rates:

Interest Rate Risk Simulation of NIM as of December 31, 1998

	% Change in NIM from Current 12 Mo. Horizon	Change in Net Interest Margin 12 Month Horizon (in thousands)
-100bp	0 .69 %	$275
0bp	0 .10 %	$ 41
+100bp	0 .14 %	$ 54

These results indicate that the balance sheet is asset sensitive since earnings increase when interest rates rise. The magnitude of the NIM change is within the Bank's policy guidelines. The asset liability management policy limits aggregate market risk, as measured in this fashion, to an acceptable level within the context of risk-return trade-offs.

Gap analysis provides another measure of interest rate risk. The Bank does not actively use gap analysis in managing interest rate risk. It is presented here for comparative purposes. Interest rate sensitivity is a function of the repricing characteristics of the Bank's portfolio of assets and liabilities. These repricing characteristics are the time frames within which the interest-bearing assets and liabilities are subject to change in interest rates either at replacement, repricing or maturity. Interest rate sensitivity management focuses on the maturity of assets and liabilities and their repricing during periods of changes in market interest rates. Interest rate sensitivity is measured as the difference between the volumes of assets and liabilities in the Bank's current portfolio that are subject to repricing at various time horizons. The differences are known as interest sensitivity gaps.

As reflected in the following repricing table at December 31, 1998, the Bank is liability sensitive in the short term (less than 6 months) and slightly asset sensitive within one year. This gap position would indicate that as interest rates rise, the

(B) Balance Sheet Analysis (continued)

Bank's earnings should be adversely impacted and conversely, as interest rates fall, earnings should be favorably impacted. Because the Bank may reprice its transaction deposits at will, transaction deposits may or may not reprice immediately with changes in interest rates. In recent years of moderate interest rate changes the Bank's earnings have reacted as though the gap position is slightly asset sensitive.

Interest Rate Sensitivity - December 31, 1998

	Repricing within:				
	3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years
	(dollars in thousands)				
Interest-earning assets:					
Securities	$ 51,568	$ 10,663	$17,281	$79,668	$120,495
Loans	241,777	29,153	39,999	91,776	129,728
Total interest-earning assets	$293,345	$39,816	$57,280	$171,444	$250,223
Interest-bearing liabilities					
Transaction deposits	$370,508	$ —	$ —	$ —	$ —
Time	130,976	57,996	47,610	13,097	146
Short-term borrowings	14,000	—	—	—	—
Long-term borrowings	3,406	6	15	12,717	21,780
Total interest-bearing liabilities	$518,891	$58,002	$47,625	$ 25,814	$ 21,926
Interest sensitivity gap	$(225,546)	$(18,186)	$ 9,656	$145,631	$228,297
Cumulative sensitivity gap	(225,546)	(243,731)	(234,075)	(88,445)	139,852
As a percentage of earning assets:					
Interest sensitivity gap	(27.77%)	(2.24%)	1.19%	17.93%	28.11%
Cumulative sensitivity gap	(27.77%)	(30.01%)	(28.82%)	(10.89%)	17.22%

Liquidity

Liquidity refers to the Bank's ability to provide funds at an acceptable cost to meet loan demand and deposit withdrawals, as well as contingency plans to meet unanticipated funding needs or loss of funding sources. These objectives can be met from either the asset or liability side of the balance sheet. Asset liquidity sources consist of the repayments and maturities of loans, selling of loans, short-term money market investments, maturities of securities and sales of securities from the available-for-sale portfolio. With the transfer of investments categorized as held-to-maturity to the available-for-sale classification on October 1, 1998, the bank has increased the amount of securities that it can sell to meet funding requirements. These activities are generally summarized as investing activities in the Consolidated Statement of Cash Flows. Net cash used by investing activities totaled approximately $95,420,000 in 1998, which means that assets were not generally used for liquidity purposes. Increased loan balances were responsible for the major use of funds in this category.

Liquidity is generated from liabilities through deposit growth and short-term borrowings. These activities are included under financing activities in the Consolidated Statement of Cash Flows. In 1998, funds totaling $67,081,000 were provided by financing activities. Internal deposit growth and additional long-term borrowings provided funds amounting to $45,079,000 and $31,500,000, respectively, although the funds generated through long-term borrowings were not used for liquidity purposes. The Bank also had available correspondent banking lines of credit totaling $51,000,000 at year end. While these sources are expected to continue to provide significant amounts of funds in the future, their mix, as well as the possible use of other sources, will depend on future economic and market conditions.

Liquidity is also provided or used through the results of operating activities. In 1998, operating activities provided cash of $15,346,000.

Since the adoption of SFAS 115 on January 1, 1994 and prior to 1997, Management targeted the available-for-sale portfolio (AFS) to be maintained at 35-40% of the total securities holdings. During 1997, the Board of Directors approved Management's recommendation that up to 100% of the future securities purchases be placed in the available-for-sale category. When SFAS 115 was implemented, it was believed that the unrealized losses which might be incurred in the AFS portfolio would be used in the determination of capital for regulatory reporting purposes. Subsequently, the FDIC issued a directive that eliminates using the unrealized losses in determining regulatory capital. Consequently, classifying securities in the AFS portfolio provides management more flexibility in managing the investment portfolio as securities may be sold as the Bank's needs dictate. In connection with the adoption of SFAS 133 on October 1, 1998, the Bank reclassified its entire portfolio of held-to-maturity investment securities, with a carrying value of $78,901,000, to the available-for-sale classification. The AFS securities plus cash in excess of reserve requirements totaled $329,659,000 at December 31, 1998, which was 36.4% of total assets at that time. This was up from $223,753,000 and 27.1% at the end of 1997.

The overall liquidity of the Bank is enhanced by the sizable core deposits which provide a relatively stable funding base. The maturity distribution of certificates of deposit in denominations of $100,000 or more is set forth in the following table. These deposits are generally more rate sensitive than other deposits and, therefore, are more likely to be withdrawn to obtain higher yields elsewhere if available. The Bank participates in a program wherein the State of California places time deposits with the Bank at the Bank's option. At December 31, 1998 and 1997, the Bank had $40,000,000 and $25,000,000 respectively, of these State deposits.

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

	Amounts as of December 31,		
	1998	1997	1996
	(in thousands)		
Time remaining until maturity:			
Less than 3 months	$47,957	$31,029	$ 19,443
3 months to 6 months	7,208	8,312	3,396
6 months to 12 months	3,812	7,572	7,480
More than 12 months	5,880	1,994	2,570
Total	$64,857	$48,907	$ 32,889

Loan demand also affects the Bank's liquidity position. The following table present the maturities of loans at December 31, 1998.

Loan Maturities - December 31, 1998

	Within One Year	After One But Within 5 Years	After 5 Years	Total
	(in thousands)			
Loans with predetermined interest rates:				
Commercial, financial and agricultural	$21,838	$32,357	$15,926	$70,121
Consumer installment	6,227	14,082	28,470	48,779
Real estate mortgage	4,581	25,476	82,073	112,130
Real estate construction	7,959	119	12	8,090
	$40,605	$72,034	$126,481	$239,120
Loans with floating interest rates:				
Commercial, financial and agricultural	$86,406	$25,788	$29,458	$141,652
Consumer installment	1,409	2,744	19,580	23,733
Real estate mortgage	10,705	21,148	67,089	98,942
Real estate construction	28,986	—	—	28,986
	$127,506	$49,680	$116,127	$293,313
Total loans	$168,111	$121,714	$242,608	$532,433

The maturity distribution and yields of the available-for-sale investment portfolio is presented in the following tables. At December 31, 1998, the Bank had no held-to-maturity securities.

Securities Maturities and Weighted Average Tax Equivalent Yields - December 31, 1998

	Within One Year		After One Year but Through Five Years		After Five Years but Through Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities Available-for-Sale	(dollars in thousands)									
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$21,037	5.81%	$5,122	6.28%	$13,624	6.22%	$ —		$39,783	6.01%
Obligations of states and political subdivisions	572	7.53%	684	7.34%	606	6.54%	50,164	7.66%	52,026	7.65%
Mortgage-backed securities	—		1,908	6.07%	38,224	5.64%	126,514	6.31%	166,646	6.15%
Corporate bonds	—		—		—		16,281	6.30%	16,281	6.30%
Other securities	—		—		—		4,940		4,940	
Total securities available-for-sale	$21,609	5.86%	$7,714	6.32%	$52,454	5.80%	$197,899	6.50%	$279,676	6.42%
Total all securities	$21,609	5.86%	$7,714	6.32%	$52,454	5.80%	$197,899	6.50%	$279,676	6.42%

(B) Balance Sheet Analysis (continued)

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

Off-Balance Sheet Items

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

As of December 31, 1998 commitments to extend credit were the Bank's only financial instruments with off-balance sheet risk. The Bank has not entered into any contracts for financial derivative instruments such as futures, swaps, options, etc. Loan commitments decreased to $134,937,000 from $145,805,000 at December 31, 1997. Much of the decrease was a result of the sale of the Bank's credit card portfolio. The commitments represent 25.3% of the total loans outstanding at year end 1998 versus 32.5% a year ago.

Disclosure of Fair Value

The Financial Accounting Standards Board (FASB), SFAS 107, Disclosures about Fair Value of Financial Statements, requires the disclosure of fair value of most financial instruments, whether recognized or not recognized in the financial statements.The intent of presenting the fair values of financial instruments is to depict the market's assessment of the present value of net future cash flows discounted to reflect both current interest rates and the market's assessment of the risk that the cash flows will not occur.

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

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

At 1998 year end, the fair values calculated on the Bank's assets are 0.58% above the carrying values versus 0.26% above the carrying values at year end 1997. The change in the calculated fair value percentage relates to the securities and loan categories and is the result of changes in interest rates in 1998. (See Note R of the financial statements)

Year 2000 Project

The Company utilizes software and related information technologies that will be affected by the date change in the year 2000. Additionally, the Company relies on certain noninformation technology systems such as communications and building operations systems which have embedded microprocessors that could also be affected by the date change.The failure of these noninformation technology systems could interrupt or shutdown business operations for some period of time. Based on ongoing assessments and testing, the Company has determined that it will be required to modify or replace portions of its software so that its computer systems will properly utilize dates beyond December 31, 1999. The Company presently believes that with modifications to existing software and conversions to new software, the adverse effects of the Year 2000 issue can be mitigated. However, if such modifications and conversions are not made, or are not completed in a timely manner, the Year 2000 issue could have a material impact on the operations and financial condition of the Company and could lead to enforcement actions by regulatory agencies.

The Company is committed to attaining Year 2000 compliance, ensuring that its information systems accurately process dates and times, including calculating, comparing and sequencing data from, into and between the 20th and 21st centuries. Non-information technology systems that may use embedded technologies are included in the process.

The Year 2000 Project Plan underway at the Company covers five phases; awareness and planning, assessment, renovation, validation/testing and implementation. Within this project, the Company has focused on the identification and prioritization of in-house systems, reliance on vendor supplied systems and software, the exchange/transmission of data with external parties, corporate borrower compliance efforts and ongoing customer awareness/communication. In addition, the Company is addressing contingency planning at the system, department and bank levels, with focus on mission critical systems and Company functions. The awareness and planning, and assessment phases are complete and the Company is completing tasks concurrently within the renovation, validation/testing and implementation phases. The target date to complete all testing and implementations is June 30, 1999.
For all phases, the Company budgeted $175,000 for programming changes and testing of internally developed systems and software licensed from third parties. Most of the $175,000 budgeted will be incurred and expensed in 1999. The esti-

mated costs of and time frames related to these projects are based on estimates of the Company's management and there can be no assurance that actual costs will not differ materially from the current expectations or that the proposed time frames can be maintained. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer code, the ability to formulate and implement contingency plans, if required, and similar uncertainties. The Company relies on various third party systems or services to conduct its business, including regional and national telecommunications and data processing services providers. The failure of any of these entities to satisfactorily address the year 2000 issue could have a material adverse affect on the Company's operations and financial condition. The Company is presently monitoring the progress of these and other entities' year 2000 compliance.

Team TriCo

"At my branch, I feel far away, not always part of the big picture. It's nice feeling like I belong to a group."

TriCo Bancshares—Executive Officers

Robert H. Steveson ..... **President & Chief Executive Officer**
Richard P. Smith .... **Executive Vice President**
Thomas J. Reddish...... **Vice President & Controller**
Douglas F. Hignell ...... **Secretary**

Tri Counties Bank—Executive Officers

Robert H. Steveson ..... **Chief Executive Officer**
Richard P. Smith .... **President & Chief Operating Officer**
Richard O'Sullivan...... **Executive Vice President Sales & Service**
Thomas J. Reddish...... **Vice President & Controller**
Craig Carney .... **Senior Vice President Senior Credit Officer**

TriCo Bancshares Headquarters

63 Constitution Drive
Chico, California 95973
Telephone (530) 898-0300

Notice of Annual Meeting

Tuesday May 11, 1999 at 6:00 P.M.
63 Constitution Drive
Chico, California 95973

Shareholder Relations

Suzanne Youngs
63 Constitution Drive
Chico, California 95973
(530) 898-0300

Transfer Agent

ChaseMellon Shareholder Services, L.L.C.
Overpeck Centre
85 Challanger Road
Ridgefield Park, NJ 07660

Internet Address: www.chasemellon.com

Stock Listing

NASDAQ Stock Exchange
Symbol: "TCBK"

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, 1998, 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, 63 Constitution Drive, Chico, CA 95973.**

Tri Counties Bank Traditional Branch Locations

Pillsbury Branch
2171 Pillsbury Road
P.O. Box 1130
Chico, CA 95927
(530) 898-0470

Park Plaza Branch
780 Mangrove Ave.
P.O. Box 2207
Chico, CA 95927
(530) 898-0400

Durham Branch
9411 Midway
P.O. Box 190
Durham, CA 95938
(530) 898-0430

Orland Branch
100 East Walker Street
P.O. Box 188
Orland, CA 95963
(530) 865-5524

Willows Branch
210 North Tehama Street
P.O. Box 1158
Willows, CA 95988
(530) 934-2191

Cottonwood Branch
3349 Main Street
P.O. Box 410
Cottonwood, CA 96022
(530) 347-3751

Palo Cedro Branch
9125 Deschutes Road
P.O. Box 144
Palo Cedro, CA 96073
(530) 547-4494

Burney Branch
37093 Main Street
Burney, CA 96013
(530) 335-2215

Fall River Mills Branch
43308 State Highway 299E
P.O. Box 758
Fall River Mills, CA 96028
(530) 336-6291

Redding Branch
1845 California Street
P.O. Box 994788
Redding, CA 96099
(530) 244-4700

Bieber Branch
Bridge & Market Streets
P.O. Box 217
Bieber, CA 96009
(530) 294-5211

Yreka Branch
165 S. Broadway
P.O. Box 98
Yreka, CA 96097
(530) 842-2761

Yuba City Branch
1441 Colusa Avenue
P.O. Box 1501
Yuba City, CA 95992
(530) 671-5563

Hilltop Branch
1250 Hilltop Drive
P.O. Box 494549
Redding, CA 96049
(530) 223-3307

Marysville Branch
729 E Street
Marysville, CA 95901
(530) 749-1639

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

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

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

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

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

Mt. Shasta Branch
204 Chestnut Street
Mt. Shasta, CA 96067
(530) 926-2653

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

Susanville Branch
1605 Main Street
Susanville, CA 96130
(530) 257-4151

Weed Branch
303 Main Street
Weed, CA 96094
(530) 938-4401

Sacramento Branch
1760 Challenge Way
Suite 100,
Sacramento, CA 95815
(916) 648-9370

Bakersfield Branch
5201 California Avenue,
Suite 102
Bakersfield, California
93309

Tri Counties Bank In-Store Branch Locations

At Raley's
700 Onstott Road
Yuba City, CA 95991
(530) 751-8415

At Raley's
727 South Main Street
Red Bluff, CA 96080
(530) 529-7080

At Raley's
201 Lake Boulevard
Redding, CA 96003
(530) 245- 4650

At Raley's
110 Hartnell Avenue
Redding, CA 96002
(530) 224-3430

At Albertsons
146 W. East Avenue
Chico, CA 95973
(530) 898-0380

At Albertsons
12054 Nevada City Hwy
Grass Valley, CA 95949
(530) 477-9740

Chico Mall Branch
1950 E. 20th St.-Suite 725
Chico, CA 95928
(530) 898-0370

Financial Services Center

At Raley's
211 W. East Avenue
Chico, CA 95973

Tri Counties Bank Administration Office

63 Constitution Drive
Chico, CA 95973
(530) 898-0300
Fax: (530) 898-0310

communication, opportunity

trust, respect, integrity

Tri Counties Bank thanks Bobette Hetts, Training Manager, and Jonathan Murphy, InnerAct Consulting, for their leadership and encouragement at Camp Team TriCo.

TRICO
BANCSHARES
63 Constitution Drive
Chico, California 95973
(530) 898-0300
Fax: (530) 898-0310
http://www.tcbk.com