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TRICO BANCSHARES /
Form 8-K
October 26, 2006

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

FORM 8-K
CURRENT REPORT

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

Date of Report (Date of earliest event reported):

October 24, 2006

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

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

63 Constitution Drive, Chico, California 95973

(Address of principal executive offices) (Zip Code)

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

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

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

Item 2.02: Results of Operations and Financial Condition

On October 24, 2006 TriCo Bancshares announced its quarterly earnings for the period ended September 30, 2006. A copy of the press release is attached as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

Item 9.01: Exhibits

(c) Exhibits

99.1 Press release dated October 24, 2006

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SIGNATURES

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

TRICO BANCSHARES

Date: October 24, 2006

By: /s/ Thomas J. Reddish

Thomas J. Reddish, Executive Vice
President and Chief Financial Officer
(Principal Financial and Accounting
Officer)

INDEX TO EXHIBITS

Exhibit No.	Description
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99.1	Press release dated October 24, 2006

Exhibit No. 99.1

PRESS RELEASE
For Immediate Release

Contact: Thomas J. Reddish
EVP & CFO (530) 898-0300

TRICO BANCSHARES ANNOUNCES RECORD QUARTERLY EARNINGS CHICO, Calif. - (October 24, 2006) - TriCo Bancshares (NASDAQ: TCBK), parent company of Tri Counties Bank, today announced record quarterly earnings of \$6,820,000 for the quarter ended September 30, 2006. This represents a 14.4% increase when compared with earnings of \$5,961,000 for the quarter ended September 30, 2005. Diluted earnings per share for the quarter ended September 30, 2006 increased 13.5% to \$0.42 from \$0.37 for the quarter ended September 30, 2005. Total assets of the Company increased \$117,148,000 (6.6%) to \$1,904,004,000 at September 30, 2006 from \$1,786,856,000 at September 30, 2005. Total loans of the Company increased \$179,069,000 (13.5%) to \$1,507,159,000 at September 30, 2006 from \$1,328,090,000 at September 30, 2005. Total deposits of the Company increased \$86,875,000 (6.0%) to \$1,525,174,000 at September 30, 2006 from \$1,438,299,000 at September 30, 2005. Diluted earnings per share for the nine months ended September 30, 2006 and 2005 were \$1.22 and \$1.04, respectively, on earnings of \$19,912,000 and \$16,937,000, respectively.

The improvement in results from the year-ago quarter was due to a \$1,991,000 (9.9%) increase in fully tax-equivalent (FTE) net interest income to \$22,077,000, and a \$712,000 (75.2%) decrease in provision for loan losses. These contributing factors were partially offset by a \$1,346,000 (8.6%) increase in noninterest expense to \$17,026,000 for the quarter ended September 30, 2006.

The increase in net interest income (FTE) was due to a \$126,774,000 (8.1%) increase in average balances of interest-earning assets to \$1,701,166,000 and a

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0.09% increase in net interest margin (FTE) to 5.19%. The increase in net interest margin was mainly due to an 0.23% increase in the impact of net noninterest-bearing funds to 0.61% from 0.38% in the quarter ended September 30, 2005 that was partially offset by a 0.14% decrease in net interest spread as the average yield on interest-earning assets increased 0.93% while the average rate paid on interest-bearing liabilities increased 1.07% from the quarter ended September 30, 2005.

The Company provided \$235,000 for loan losses in the third quarter of 2006 versus \$947,000 in the third quarter of 2005. During the third quarter of 2006, the Company recorded \$135,000 of net loan charge offs versus \$43,000 of net loan charge-offs in the third quarter of 2005. The net loan charge-offs of \$135,000 during the third quarter of 2006 represented 0.04% of average loan balances on an annualized basis. At September 30, 2006, the Company's combined allowance for loan losses (\$16,993,000) and reserve for unfunded commitments (\$1,849,000) represented 417% of non-performing loans net of government agency guarantees (\$4,523,000).

Noninterest income for the third quarter of 2006 increased \$17,000 (0.3%) from the third quarter of 2005, mainly due to a \$50,000 (1.4%) increase in service charges on deposit accounts to \$3,703,000, a \$105,000 (12.8%) increase in ATM fees and interchange to \$927,000, and a \$66,000 (35.9%) decrease in amortization (or change in value) of mortgage servicing rights, that were partially offset by a \$88,000 (16.4%) decrease in commissions on sale of nondeposit investment products to \$447,000, and a \$210,000 (44.3%) decrease in gain on sale of loans to \$264,000. The increase in service charges on deposit accounts was primarily due to growth in the number of customers. The increase in ATM fees and interchange was due to growth in the number of customers and expansion of ATM network as part of new branch openings. The decrease in amortization (or change in value) of mortgage servicing rights was due primarily to a slowdown in residential mortgage refinance activity which generally increases the value of mortgage servicing rights. The shift from amortization of mortgage servicing rights to change in value of mortgage servicing rights was due to the adoption of market value accounting for mortgage servicing rights effective January 1, 2006 and the related change in market value from July 1, 2006 to September 30, 2006. The decrease in gain on sale of loans was due to a slowdown in residential mortgage refinance activity.

Noninterest expense for the third quarter of 2006 increased \$1,346,000 (8.6%) compared to the third quarter of 2005. Salaries and benefits expense increased \$692,000 (8.1%) to \$9,276,000. The increase in salaries and benefits expense was mainly due to annual salary increases, and new employees at the Company's recently opened branches in Roseville-Pleasant Grove (November 2005), Yuba City-Marketplace (January 2006), Folsom-Empire Ranch (March 2006), Natomas-Arena Blvd (April 2006), Antelope (May 2006), Anderson (June 2006), and Elk Grove (August 2006). Other categories of noninterest expense, including occupancy and ATM network charges, also increased, in part, due to these newly-opened branches. Advertising and marketing expense increased \$76,000 (13.1%) to \$655,000. Professional fees increased \$88,000 (30.7%) to \$375,000 due to increased audit fees.

As of September 30, 2006, the Company had repurchased 374,371 shares of its common stock under its stock repurchase plan announced on July 31, 2003 and amended on April 9, 2004, which left 125,629 shares available for repurchase under the plan.

Richard Smith, President and Chief Executive Officer commented, "We are encouraged by the record results our team members were able to generate for our Company during this most recent quarter even as we opened our sixth branch in 2006 to bring our total number of branches to fifty-four. We achieved another

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quarter of strong loan growth, continued excellent credit quality of our loan portfolio and a steady increase in service charge and fee revenue. We believe these results reflect our ability to deliver, and our market's acceptance of, our values of service and convenience. We believe this strategy will allow us to continue to grow our Company in a profitable manner despite the current environment of a flat yield curve, increased competition for deposits and a slowdown in mortgage refinance activity."

In addition to the historical information contained herein, this press release contains certain forward-looking statements. The reader of this press release should understand that all such forward-looking statements are subject to various uncertainties and risks that could affect their outcome. The Company's actual results could differ materially from those suggested by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, variances in the actual versus 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 press release should be read to put such forward-looking statements in context and to gain a more complete understanding of the uncertainties and risks involved in the Company's business.

TriCo Bancshares and Tri Counties Bank are headquartered in Chico, California. Tri Counties Bank has a 30-year history in the banking industry. Tri Counties Bank operates 32 traditional branch locations and 22 in-store branch locations in 22 California counties. Tri Counties Bank offers financial services and provides a diversified line of products and services to consumers and businesses, which include demand, savings and time deposits, consumer finance, online banking, mortgage lending, and commercial banking throughout its market area. It operates a network of 60 ATMs and a 24-hour, seven days a week telephone customer service center. Brokerage services are provided at the Bank's offices by the Bank's association with Raymond James Financial, Inc. For further information please visit the Tri Counties Bank web-site at <http://www.tricountiesbank.com>.

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

	September 30, 2006	June 30, 2006	March 31, 2006	
Statement of Income Data				
Interest income	\$31,421	\$29,379	\$27,978	
Interest expense	9,576	8,275	6,773	
Net interest income	21,845	21,104	21,205	
Provision for loan losses	235	554	500	
Noninterest income:				
Service charges and fees	5,056	4,956	4,857	

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Other income	1,593	1,575	1,591	
Total noninterest income	6,649	6,531	6,448	
Noninterest expense:				
Salaries and benefits	9,276	8,618	9,156	
Intangible amortization	350	350	346	
Provision for losses - unfunded commitments	-	36	-	
Other expense	7,400	7,272	6,920	
Total noninterest expense	17,026	16,276	16,422	
Income before taxes	11,233	10,805	10,731	
Net income	\$6,820	\$6,557	\$6,535	
Share Data				
Basic earnings per share	\$0.43	\$0.42	\$0.42	
Diluted earnings per share	0.42	0.40	0.40	
Book value per common share	10.41	9.96	9.68	
Tangible book value per common share	\$9.22	\$8.75	\$8.44	
Shares outstanding	15,857,107	15,855,107	15,778,090	15
Weighted average shares	15,855,933	15,798,565	15,736,544	15
Weighted average diluted shares	16,365,858	16,388,855	16,379,595	16
Credit Quality				
Non-performing loans, net of government agency guarantees	\$4,523	\$3,913	\$4,048	
Other real estate owned	-	-	-	
Loans charged-off	368	564	357	
Loans recovered	\$233	\$259	\$275	
Allowance for losses to total loans(1)	1.25%	1.29%	1.32%	
Allowance for losses to NPLs(1)	417%	479%	456%	
Allowance for losses to NPAs(1)	417%	479%	456%	
Selected Financial Ratios				
Return on average total assets	1.45%	1.42%	1.43%	
Return on average equity	16.64%	16.68%	16.93%	
Average yield on loans	7.82%	7.44%	7.24%	
Average yield on interest-earning assets	7.44%	7.07%	6.86%	
Average rate on interest-bearing liabilities	2.86%	2.50%	2.11%	
Net interest margin (fully tax-equivalent)	5.19%	5.10%	5.21%	
Total risk based capital ratio	11.1%	11.1%	11.1%	
Tier 1 Capital ratio	10.1%	10.1%	10.0%	

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

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

	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Balance Sheet Data				
Cash and due from banks	\$78,281	\$84,663	\$78,742	\$90,000
Federal funds sold	1,387	526	-	2,000
Securities, available-for-sale	209,886	221,828	244,441	260,000
Federal Home Loan Bank Stock	8,206	8,103	7,691	7,000
Loans				
Commercial loans	153,705	146,952	134,049	143,000

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Consumer loans	527,185	517,588	510,809	508,
Real estate mortgage loans	661,962	642,422	630,821	623,
Real estate construction loans	164,307	149,046	124,429	110,
Total loans, gross	1,507,159	1,456,008	1,400,108	1,385,
Allowance for loan losses	(16,993)	(16,893)	(16,644)	(16,
Premises and equipment	21,556	21,597	21,068	21,
Cash value of life insurance	42,991	42,571	42,168	41,
Goodwill	15,519	15,519	15,519	15,
Intangible assets	3,361	3,711	4,061	4,
Other assets	32,651	33,523	32,372	28,
Total assets	1,904,004	1,871,156	1,829,526	1,841,
Deposits				
Noninterest-bearing demand deposits	357,754	354,576	354,514	368,
Interest-bearing demand deposits	229,143	235,100	249,064	244,
Savings deposits	369,933	388,847	432,087	438,
Time certificates	568,344	535,917	491,726	446,
Total deposits	1,525,174	1,514,440	1,527,391	1,496,
Federal funds purchased	106,500	96,700	45,800	96,
Reserve for unfunded commitments	1,849	1,849	1,813	1,
Other liabilities	28,254	24,964	29,046	23,
Other borrowings	35,848	33,971	31,441	31,
Junior subordinated debt	41,238	41,238	41,238	41,
Total liabilities	1,738,863	1,713,162	1,676,729	1,691,
Total shareholders' equity	165,141	157,994	152,797	149,
Accumulated other				
comprehensive loss	(3,607)	(5,629)	(5,330)	(3,
Average loans	1,477,551	1,427,735	1,384,541	1,344,
Average interest-earning assets	1,701,166	1,676,705	1,646,777	1,615,
Average total assets	1,880,029	1,850,487	1,822,441	1,784,
Average deposits	1,501,630	1,497,571	1,498,825	1,473,
Average total equity	\$163,919	\$157,232	\$154,410	\$149,