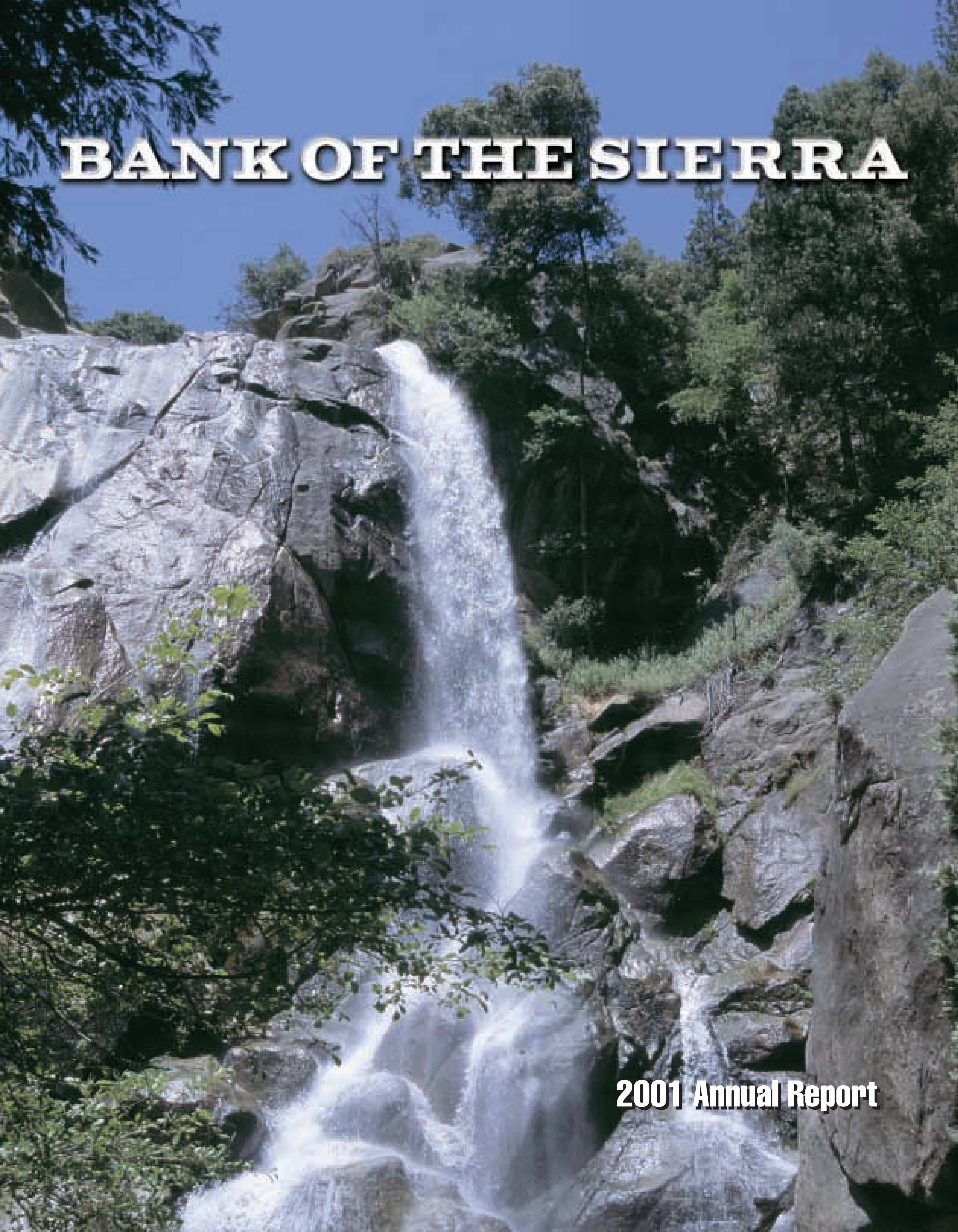
BANK OF THE SIERRA



2001 Annual Report

Mission Statement

To provide the highest return on equity to our shareholders consistent with sound banking practices.

Major Strategies

To anticipate and meet the changing needs of those we serve and will serve.

To provide financial products and customer service of the highest quality on a timely, competitive basis.

To provide an environment of challenge and security to our employees.

To assist the communities we serve in their economic and cultural development.

To be an institution of excellence.

ESTB. 1977

BANK OF THE SIERRA

President's Message

"The further backwards you look the further forward you are likely to see."

Winston Churchill

Looking backward to where you come from can be a positive experience providing you can build on that to help anticipate the future. We have a great history, but that does not guarantee a great future. One does lead to the other and that, I believe is what Winston Churchill is presenting in the above quote.

Year 2001 was a year where we analyzed our past, in an effort to plan our future while at the same time managing through a weak economy and the most precipitous interest rate drop in history. Our success in doing so is well documented elsewhere in this report, but in many important ways, it was our most successful year ever. Here we would simply note that we were again named a Premier Performing Bank for the 17th time in our history, a record matched by few banks in California.

In a way our identity changed this past year as we activated Sierra Bancorp and exchanged Bank of the Sierra stock on a one-for-one basis for Sierra Bancorp stock pursuant to a plan approved by stockholders in May 2001. We formed Sierra Bancorp to give us additional flexibility in adding financial services to our overall product line and to provide additional means of augmenting capital. We accomplished both.

First, within Sierra Bancorp we invested in an existing title insurance company along with ten (10) other community Banks. This equity investment will diversify our interests, yet it is a closely associated business with certain synergies. Secondly, through Sierra Bancorp we were able to augment capital through a $15.0 million Trust Preferred Securities offering. This will enable us to commence a more ambitious expansion program going forward into 2002.

But the Year 2001 began on a far less expansive mood, and indeed, we suggested in last year's annual report that "...after a decade of on going expansion, we are now viewing 2001 as a year to consolidate our gains, and to strengthen our balance sheet for the uncertain economic times ahead." Through a series of action plans much of this is now accomplished, and the foundation for a strong financial future is in place.

Having said that the economy in our primary service area, the South San Joaquin Valley, remains recessionary with some economic sectors showing modest signs of recovery. Other economic sectors, agriculture for the most part, continue to remain depressed and are apt to stay that way unless our international trade policy changes along with other structural changes. Our challenge is to prosper in a difficult economy. In some respects the economy in the South Valley is always difficult, but for twenty-four years we have prospered and we expect to continue that record.

To continue that record we spent most of Year 2001 refining, tuning and re-designing our internal processes. Consistent with the theme for the year we did not open a new office nor did we introduce a new service, or make an acquisition. We continued on as a multi-community bank with a very necessary broad array of services. This provides risk diversification that is essential to our success. These efforts resulted in a strong increase in net income, increased capital, modest growth, and most importantly we now have a strong base to build on in the years ahead.

A major event challenging all that we knew was the September 11, 2001 tragedy. While this marks Year 2001 as no year in history, it has strengthened us as a Nation and brought a sense of cohesion and unity that will restore a greater sense of purpose through out the country. We will be a part of that process both as an organization and individually.

And finally, a few comments on the most crucial element in the success we have enjoyed. That would be the human resources element starting with the Board of Directors and permeating through the Officer Staff and Support Staff. Customer service and a traditional delivery system are still critical to our success; technology can and does enable a high level of customer service, but only a high quality staff can deliver it.

Year 2001 is now concluded. This was a highly challenging year for us, for the economy, and for our Nation with the September 11 tragedy. The challenge was met and we have a strong base for continued improvement, the economy is showing some signs of recovery and our Nation is stronger than ever. Actions taken in 2001 should assist us in a stronger 2002, and years beyond.

"Never confuse motion with action."
Ernest Hemingway

Respectfully submitted,

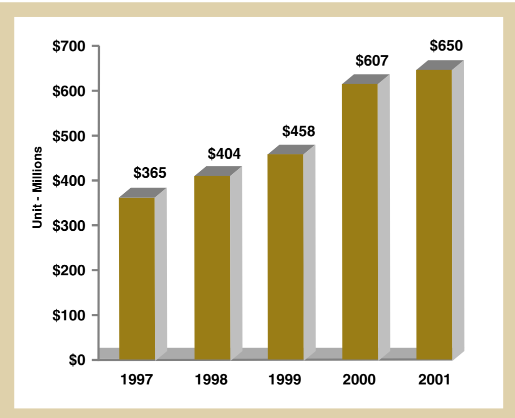
James C Holly

James C. Holly

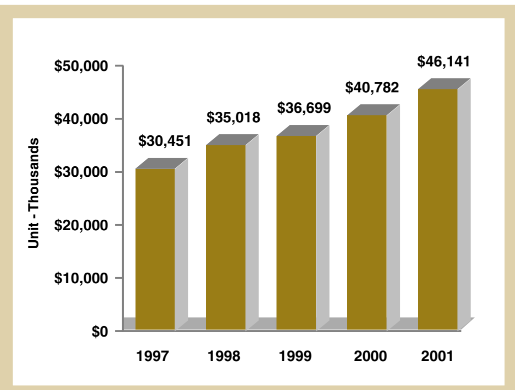
About Sierra Bancorp

Incorporated in November 2000, Sierra Bancorp is the Porterville-based bank holding company that acquired all of the outstanding shares of Bank of the Sierra in August 2001. The Company's principal subsidiary is the Bank, and its purpose is primarily to hold the stock of the Bank and any other subsidiaries that it may acquire or establish. As of December 31, 2001, the Company had consolidated assets of $650.4 million, deposits of $521.3 million and shareholders' equity of $46.1 million.

Total Assets



Total Shareholders' Equity



The Company's consolidated net income in 2001 was $6.9 million, resulting in a return on average assets of 1.15% and a return on average equity of 15.94%. From this point on, any reference to the "Company" will include both the Company and the Bank, unless the context indicates otherwise.

About the Bank

Bank of the Sierra was incorporated on September 14, 1977, and began operating as a California state-chartered commercial bank on January 19, 1978. Bank of the Sierra offers a full range of banking services to individuals and businesses in the communities we serve. The Bank is insured under the Federal Deposit Insurance Act up to the maximum limits, and is not a member of the Federal Reserve System. At December 31, 2001, the Bank had approximately $649.0 million in assets, $486.1 million in loans and $521.3 million in deposits. The Bank achieved a record $7.2 million in net income in 2001.

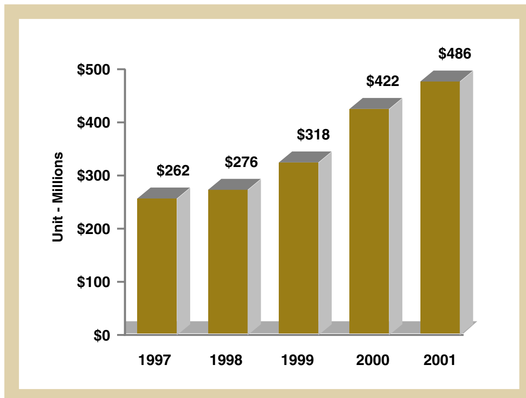
The Bank operates 16 full-service branch offices, primarily in the southern and central sections of California's San Joaquin Valley. Prior to 1997, Bank of the Sierra had grown exclusively by establishing its own full-service branch offices and credit centers. In February 1997, the Bank made its first branch purchase, acquiring the Dinuba Office of Wells Fargo Bank. Between the purchase and September 1999, the Bank opened additional offices in Tulare, Hanford, and Fresno. In May 2000 four new branches were added through the acquisition of Sierra National Bank. These branches stretch from California City to Bakersfield.

With a strong focus on personal service, Bank of the Sierra has positioned itself as a multi-community, independent bank serving the financial needs of individuals and businesses, including agricultural and real estate customers in Tulare and other surrounding counties. The Bank is currently the largest independent bank headquartered in Tulare County. There are three main elements that compose the Bank's retail business: agricultural lending, credit card loans, and commercial real estate financing (both construction and long term).

The Agricultural Credit Centers located in Fresno, Porterville, and Bakersfield provide a complete line of credit services in support of the agricultural activities which are key to these communities economic development. "Ag lending" clients include a full range of individual farming customers, small business farming organizations and major corporate farming operations.

The Bank Card Center, headquartered in Porterville, provides a range of credit, debit and ATM card services.

Total Loans



In addition, we staff our offices with real estate lending specialists. These officers are responsible for a complete line of land acquisition and development loans, construction loans for residential and commercial development, and multifamily credit facilities. Secondary market services are provided through the Bank's affiliations with Freddie Mac, Fannie Mae and various non-governmental programs. In addition, in early 2002 the Bank entered into an agreement with Moneyline Lending Services, Inc. ("Sierra Moneyline"), for the underwriting of single family mortgage loans for qualifying Bank customers.

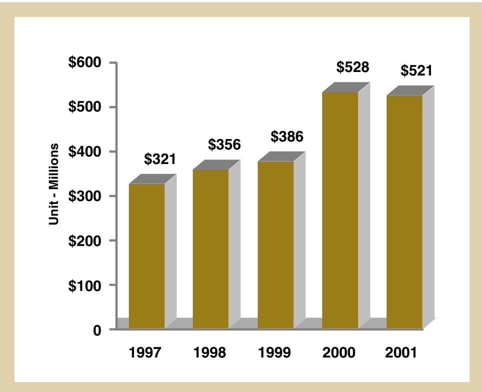
We also engage in Small Business Administration lending and have been designated as a Preferred Lender since 1999. The Bank's SBA program generated approximately $13 million in loans during the past year. It is anticipated that loans under this program will be an increasing segment of our loan portfolio over the next few years.

Business of the Bank

(continued)

In addition to the lending activities noted previously, we offer a wide range of deposit products for the retail banking market including checking, interest bearing transaction accounts, savings, time certificates of deposit and retirement accounts, as well as telephone banking and internet banking with bill pay options. As of December 31, 2001, we had 47,661 deposit accounts with balances totaling approximately $521.3 million. Bank of the Sierra attracts deposits through its customer-oriented product mix, competitive pricing, convenient locations, extended hours and drive-up banking, all provided with the highest commitment to customer service.

Total Deposits

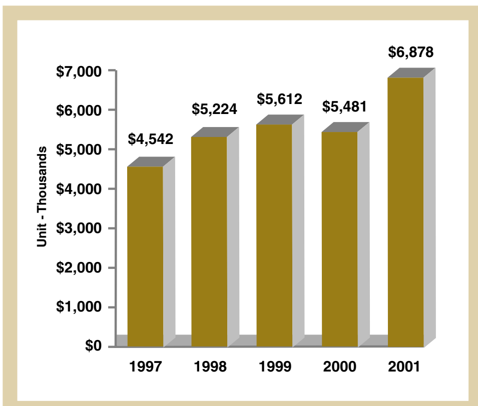


We also offer other products and services to our customers that complement the lending and deposit services previously reviewed. These include telephone banking, internet banking with bill pay options, installment note collection, cashier's checks, traveler's checks, bank-by-mail, ATM, night depository, safe deposit boxes, direct deposit, automated payroll services and other customary banking services. Shared ATM and Point of Sale (POS) networks allow customers convenient access to the national and international funds transfer networks. In 1997, as part of our continuing efforts to meet the needs of our various communities, we added a Spanish language option to our network of ATMs throughout our service area. During the past three years we have substantially enhanced our ATM locations to include off-site areas not previously served by cash or deposit facilities. We now have a total of nine ATM's at eight remote locations, including a hospital, county offices, a college campus, a grocery store, and a restaurant parking lot. These locations facilitate cash advances and deposits which would not otherwise be available to consumers at non-branch locations. For fairs, exhibitions, and various other community functions within our market area we also have a mobile ATM unit. In addition to these conveniences, we provide wire transfer capabilities and a customer service group to answer questions and assure a high level of customer satisfaction.

For non-deposit services, Bank of the Sierra has a strategic alliance with Investment Centers of America, Inc. of Bismarck, North Dakota. Through this arrangement, registered and licensed representatives of Investment Centers of America provide Bank customers with convenient access to annuities, insurance products, mutual funds, and a full range of investment products. They conduct business from offices located in our Porterville, Visalia, Tulare and Tehachapi branches and are available at other branch locations by appointment.

The officers and employees of the Bank are actively involved in the evaluation and development of new products and services, enabling the Bank to retain and improve its competitive position in its service area. Our decision to introduce "Sierra Access" internet banking in October of 1999 was the result of such evaluation. This product includes electronic bill paying capabilities for enhanced customer value. Another example is "Sierra Loan Access", a consumer loan application process made available through the Bank's internet site during the year 2001. This function allows a consumer to request any number of consumer loans, including auto, personal revolving lines, credit card, or home equity/home improvement loans and receive an answer within fifteen to thirty minutes. The initiation of our partnership with Moneyline has enabled similar improvements in the consumer mortgage lending process. We also rolled out "Sierra Web Cash Manager" in 2001, a commercial checking account cash management system which functions through the Bank's internet web site. During 2001, the Bank further expanded its off-site ATM locations by installing an ATM at the Town & Country market in Porterville. This facility is an in-store ATM, and has substantially enhanced convenience for Bank customers who patronize the market. All of these developments are meant to increase public convenience in the Bank's service area and enhance public access to the electronic payments system.

Net Income



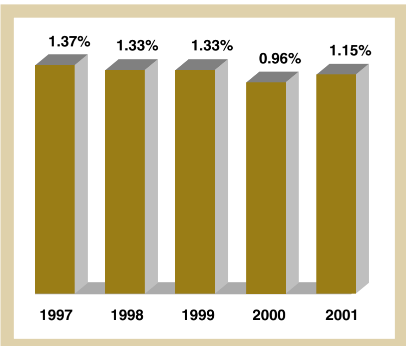
2001 Performance Summary

After a slight dip in earnings in 2000, the Company regained its footing in 2001 and increased net earnings by more than 25% despite only a 4.7% increase in average earning assets and a slight decline in the Company's net interest margin. Net income in 2000 declined primarily due to increased operating costs associated with the May 2000 acquisition of Sierra National Bank ("SNB"), a Tehachapi-based, four branch financial institution with approximately $87 million in total assets. The purchase of SNB was a strategic decision meant to improve the Company's long-term potential.

The increase in net earnings in 2001 was achieved through gains on the sale of investment securities, increased net interest income, gains from the sale of loans and loan servicing, a reduction in the loan loss provision, and the implementation of expense controls during the course of the year. For 2001, net income was $6.9 million, compared to the $5.5 million earned in 2000 and net income of $5.6 million in 1999. Net income per share was $0.75 for 2001, as compared to $0.60 during 2000 and $0.61 in 1999. The Company's Return on Average Assets ("ROA") was 1.15% and Return on Average Equity ("ROE") was 15.94% in 2001, as compared to .96% and 14.30%, respectively in 2000, and 1.33% and 16.24%, respectively for 1999.

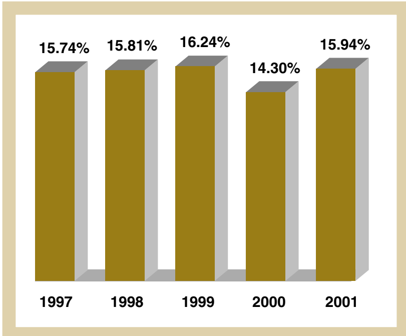
Perhaps the most significant single factor impacting the Company's performance in 2001 was the Federal Reserve Board's record reduction in the target overnight fed funds rate and discount rate, although this negative factor was more than offset by a combination of positive factors. The Federal Reserve Board's rate reductions injected liquidity into the banking system, which forced other market interest rates to decline in response. As is typical in many other community banks, the Company's net interest margin was negatively impacted as market rates fell. The rate-related decline in net interest income, however, was mitigated by the increased income generated by a higher level of average earning assets and favorable changes in the Company's deposit mix, and net interest income increased by $595,000 from 2000 to 2001. Moreover, the decline in market rates boosted the Company's volume of mortgage loans, some of which we were able to sell at a substantial gain, and increased the value of the Bank's investment portfolio, a portion of which was also sold with realized gains.

Return on Average Assets



The Company's lower loan loss provision is, on the surface, inconsistent with the increase in non-performing assets and higher aggregate loan balances, and the Company's allowance for loan losses fell as a percentage of loans and as a percentage of non-performing loans. Actual loan losses, however, declined in 2001, and management's detailed analysis of the adequacy of the allowance provides justification for the amounts added to the allowance by means of the loan loss provision during the year.

Return on Average Equity



Due in part to an increase in operating expenses associated with the Sierra National Bank acquisition, the Company undertook a thorough review of its major expenses in early 2001. As a result of this effort, certain cost-cutting measures were implemented during the year, including a staff reduction program. The Company also decided to sell its mortgage servicing to reduce associated expenses and realize non-recurring gains. It is anticipated that these expense controls will continue to enhance the Company's profitability in future years.

For the complete 2001 Financials please see the Company 10K which is included in this packet.

Recent Developments

Sierra Bancorp was incorporated as a bank holding company for the purpose of acquiring the Bank in a one bank holding company reorganization. The Plan of Reorganization and Agreement of Merger provided for the exchange of shares of the Bank for shares of Sierra Bancorp on a share-for-share basis. The reorganization was approved by the Company's shareholders on May 23, 2001, and all required regulatory approvals or non-disapproval's with respect to the reorganization were obtained. The reorganization was consummated on August 10, 2001, after which the Bank continued its operations, but as a wholly-owned subsidiary of Sierra Bancorp. The new corporate structure is intended to give Sierra Bancorp and the Bank greater flexibility in terms of operation, expansion and diversification.

On November 28, 2001, Sierra Capital Trust I, a newly formed Delaware statutory business trust and a wholly-owned subsidiary of the Company, issued an aggregate of $15,000,000 of principal amount of Floating Rate TRUPS (Capital Trust Pass-through Securities of the Trust). Salomon Smith Barney, Inc. acted as placement agent in connection with the offering of the trust securities. The securities issued by the Trust are fully guaranteed by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. The entire proceeds to the Trust from the sale of the Trust Preferred Securities were used by the Trust in order to purchase $15,000,000 in principal amount of the Fixed Rate Junior Subordinated Deferrable Interest Debentures due 2031 issued by the Company. Subject to a maximum of 25% of Tier 1 capital for all cumulative preferred stock, the Trust Preferred Securities are included as Tier 1 capital for purposes of calculating the Company's regulatory capital ratios under the Prompt Corrective Action guidelines issued by the Board of Governors of the Federal Reserve System. The Company used $10 million of the proceeds it ultimately received to increase its equity investment in the Bank. A portion of the proceeds was also used to retire debt incurred during 2001 to pay for the formation of the holding company, and the remainder has been placed in a demand deposit account at the Bank. On a consolidated basis, the Company should be able to leverage its increased regulatory capital to generate additional loan growth.

Branch Locations

Area/Branch/Center Managers

Porterville Service Area	
Arthur T. Cardell	Sr. Vice President, Area Manager Porterville Main, West Olive Offices
George D. Davis	Vice President, Manager Lindsay Office/SBA Loans
Visalia Service Area	
Richard Wehmueller	Vice President, Area Manager Visalia Downtown, Visalia Mooney & Dinuba Offices
Exeter Service Area	
Arthur W. Zschau	Vice President, Area Manager Exeter & Three Rivers Office
Bakersfield Service Area	
Mark Olague	Vice President, Area Manager Bakersfield Ming & Bakersfield California Avenue Offices
Tehachapi Service Area	
Bruce Hamlin	Vice President, Area Manager Tehachapi Main, Tehachapi Old Town & California City
Tulare Service Area	
John Thomas	Branch Manager
Hanford Service Area	
Kevin McPhaill	Branch Manager
Fresno Service Area	
J. Frank Oliver	Branch Manager
Ag Credit Centers	
Ronald H. Patternoster	Vice President, Manager
Bank Card Center	
Randy P. Mahre	Vice President, Manager

Branch Offices

Porterville	90 N. Main, (559) 782-4300 1498 W. Olive, (559) 782-4500
Bakersfield	5060 California Ave., (661) 325-0101 1621 Mill Rock Way, (661) 663-3400
California City	8031 California City Blvd., (760) 373-8602
Dinuba	401 E. Tulare St., (559) 591-6921
Exeter	1103 W. Visalia Rd., (559) 592-4134
Fresno	636 E. Shaw Ave., (559) 248-0112
Hanford	427 W. Lacey Blvd., (559) 585-6700
Lindsay	142 S. Mirage, (559) 562-6311
Tehachapi	224 West F Street, (661) 822-6801 21000 Mission Street, (661) 822-9191
Three Rivers	40884 Sierra Drive, (559) 561-5910
Tulare	246 E. Tulare Ave., (559) 686-4900
Visalia	2515 S. Mooney Blvd., (559) 636-0100 128 E. Main Street, (559) 740-4200

Ag Credit Centers

Porterville	82 N. Main, (559) 782-4432
Fresno	636 E. Shaw Ave., (559) 248-2580

Bank Card Center

Porterville	80 N. Main, (559) 782-4450

Corporate Office

Porterville	86 N. Main, (559) 782-4900
E-mail address	info@bankofthesierra.com
Website	www.bankofthesierra.com

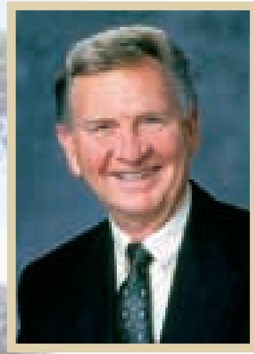
James C. Holly, *President & Chief Executive Officer*, Kenneth E. Goodwin, *Executive Vice President & Chief Operating Officer*, Kenneth R. Taylor, *Senior Vice President & Chief Financial Officer*, Charlie C. Glenn, *Senior Vice President & Chief Credit Officer*

Administrative Officers

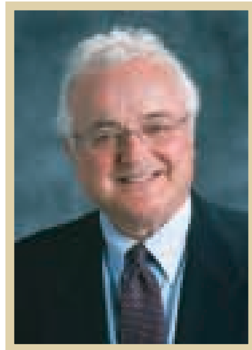
James C. Holly	President & Chief Executive Officer
Kenneth E. Goodwin	Executive V.P. & Chief Operating Officer
Kenneth R. Taylor	Senior V.P. & Chief Financial Officer
Charlie C. Glenn	Senior V.P. & Chief Credit Officer

Hope Attenhofer	V.P. / Director of Marketing
Mona M. Carr	V.P. Branch/Central Operations Administrator
William Donohoe	V.P. / Ag Loan Officer
Robert D. Elledge	V.P. / Ag Loan Officer
Jeri L. Eubanks	V.P. / General Credit Administrator
Cindy L. Herron	V.P. / Controller
Linda S. Hudspeth	V.P. / Director of Loan Operations
Randy P. Mahre	V.P. / Manager
Thomas J. McDermott, Jr.	V.P. / Sr. Mortgage Underwriter
Larry J. Mueller	V.P. / General Credit Administrator
Anthony Mungary	V.P. / Ag Loan Officer
Ronald H. Patternoster	V.P. / Manager
Joe L. Ruiz, Jr.	V.P. / Support Operations Administrator
Richard H. Schmid	V.P. / Chief Appraiser
Donald L. Sowers	V.P. / Director of Human Resources
Frank W. Wittich, Jr.	V.P. / Special Assets Manager
Anne K. Wood	V.P. / Director of Compliance
Thomas Y. Yamaguchi	V.P. / Treasurer
Dale L. Zeller	V.P. / Director Management Information Services

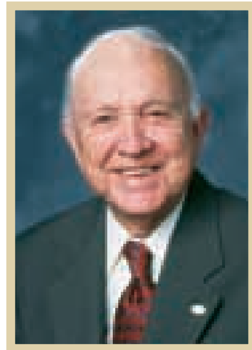
Board of Directors



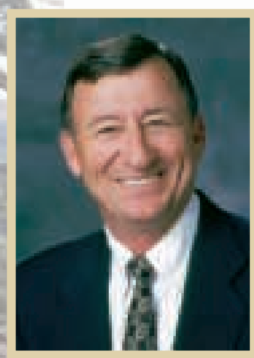
Morris A. Tharp
Chairman
President & Owner, E.M. Tharp, Inc.



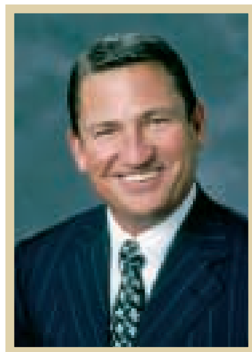
James C. Holly
President
President, Bank of the Sierra



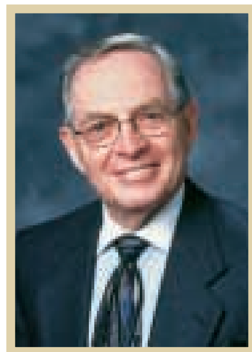
Robert H. Tienken
Secretary
Retired (formerly Realtor/Farmer)



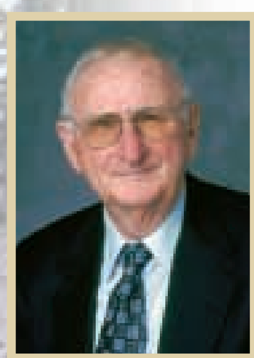
Albert L. Berra
Director
Orthodontist/Rancher



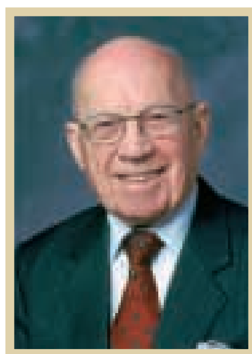
Gregory A. Childress
Director
Rancher



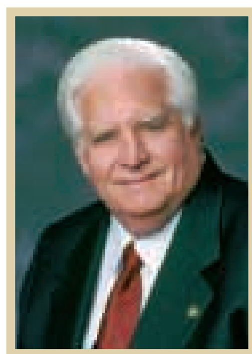
Robert L. Fields
Director
Retired Investor



Vince L. Jurkovich
Director
President, Porterville Concrete Pipe Company



Howard H. Smith
Director
Retired/Investor



Gordon T. Woods
Director
Owner, G.T. Woods Construction

The Bank will provide free of charge to any shareholder, upon written request to Senior Vice President and Chief Financial Officer of the Bank, at Post Office Box 1930, Porterville, California 93258, a copy of the Bank's 2001 Annual Report on Form 10-K including financial statements (but without exhibits) filed with the Federal Deposit Insurance Corporation. If a shareholder desires copies of the exhibits to the report, they will be provided upon payment by the shareholder of the cost of furnishing the exhibits.

Quarterly financial reports and other news releases may also be obtained from this individual.