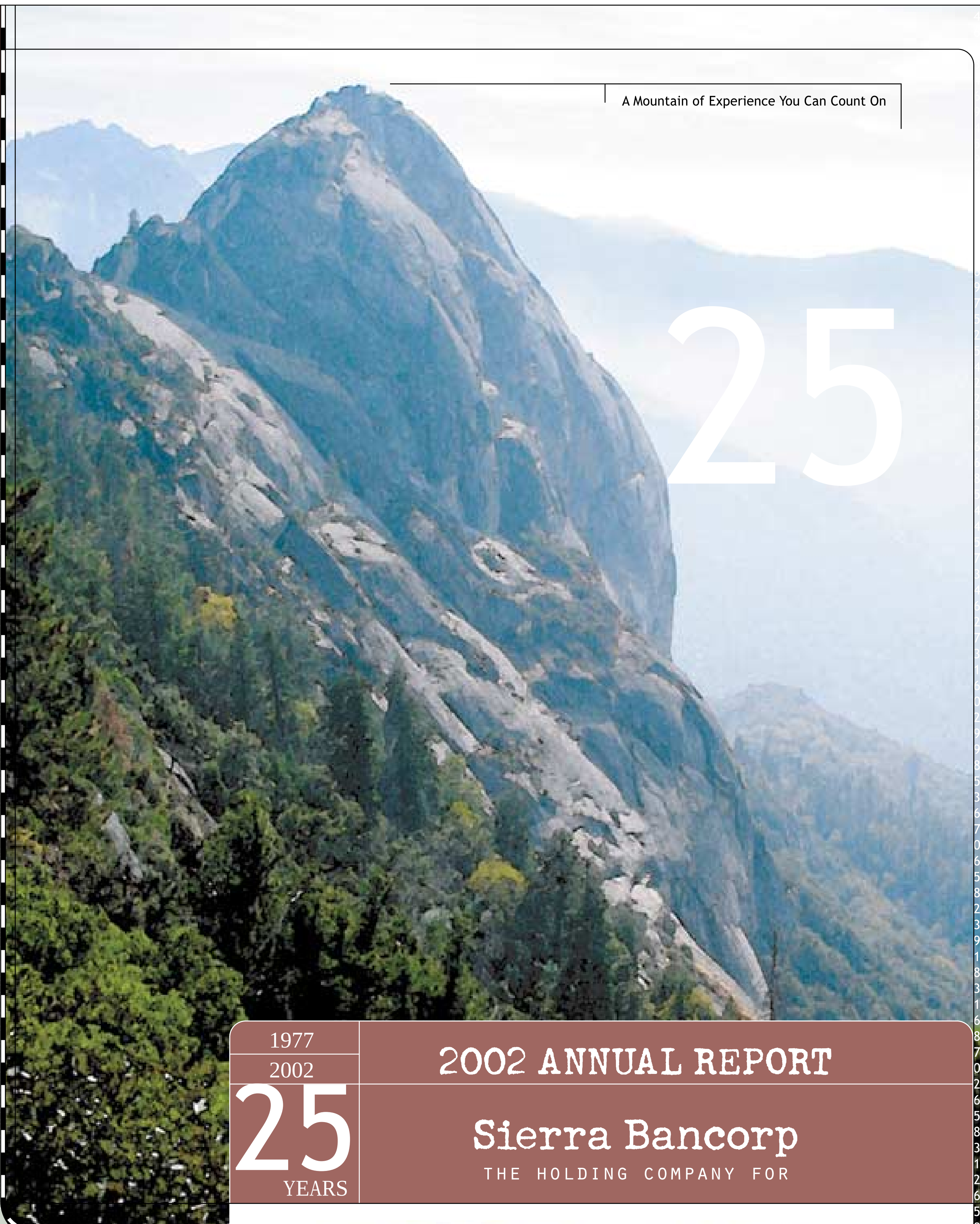
SINCE 1977

A Mountain of Experience You Can Count On



25

1977
2002
25
YEARS

2002 ANNUAL REPORT

Sierra Bancorp

THE HOLDING COMPANY FOR

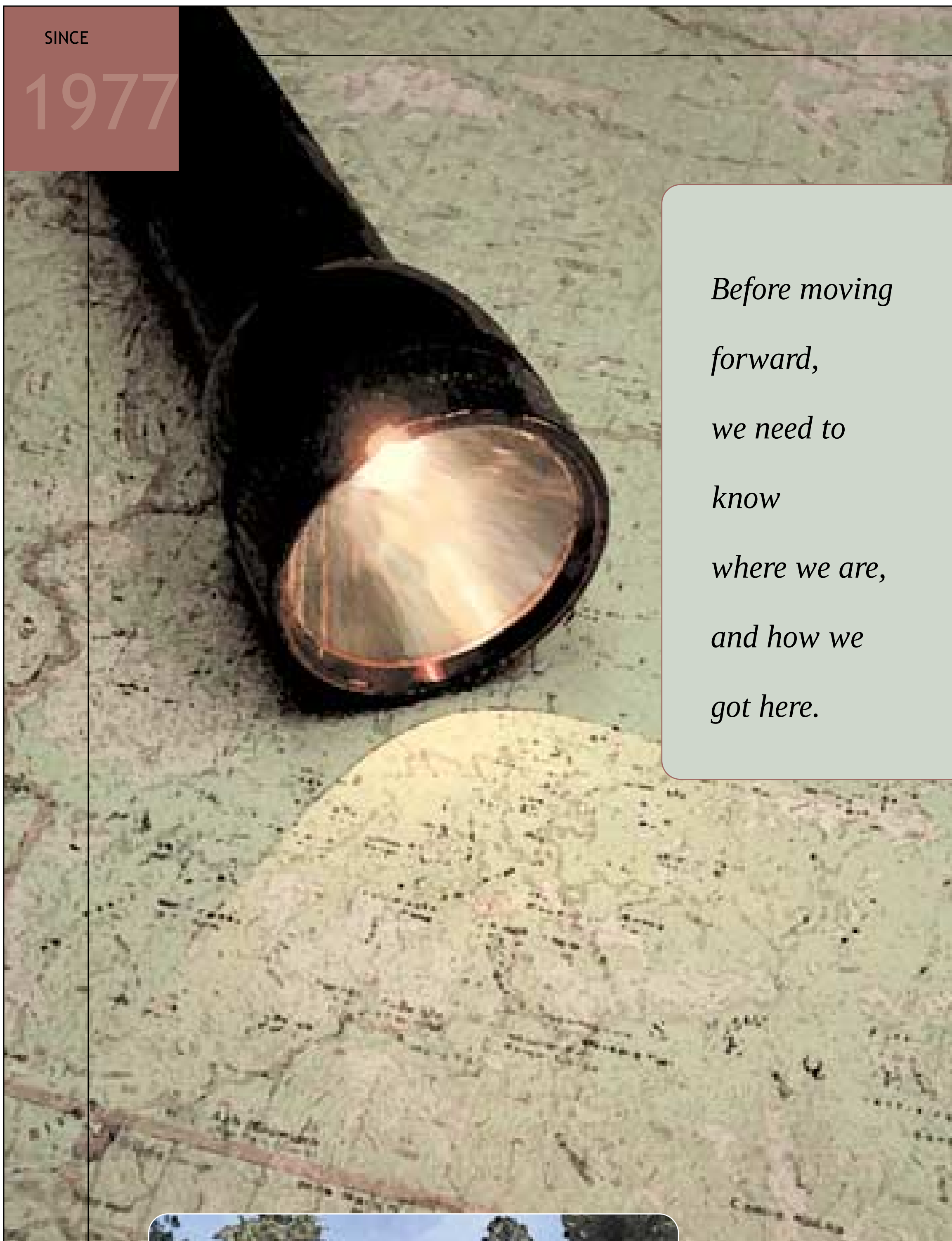
25th ANNIVERSARY ESTB. 1977

BANK OF THE SIERRA SM

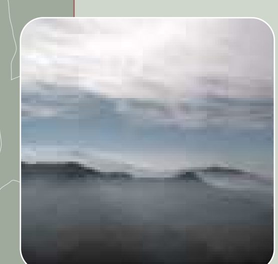
A Mountain of Experience You Can Count On

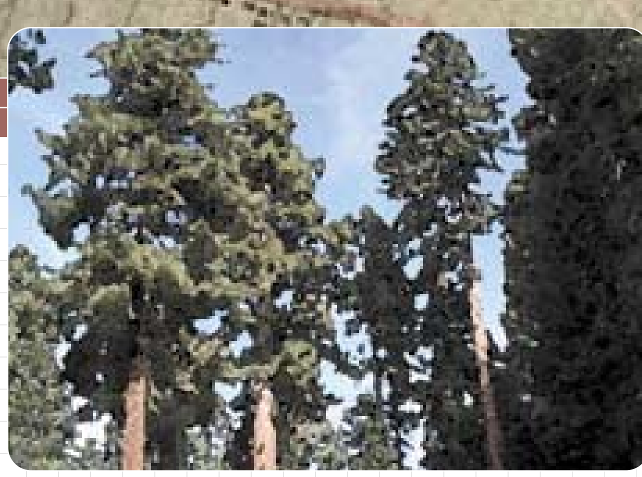
SINCE

1977



Before moving forward, we need to know where we are, and how we got here.





2002 ANNUAL REPORT

Sierra Bancorp

THE HOLDING COMPANY FOR

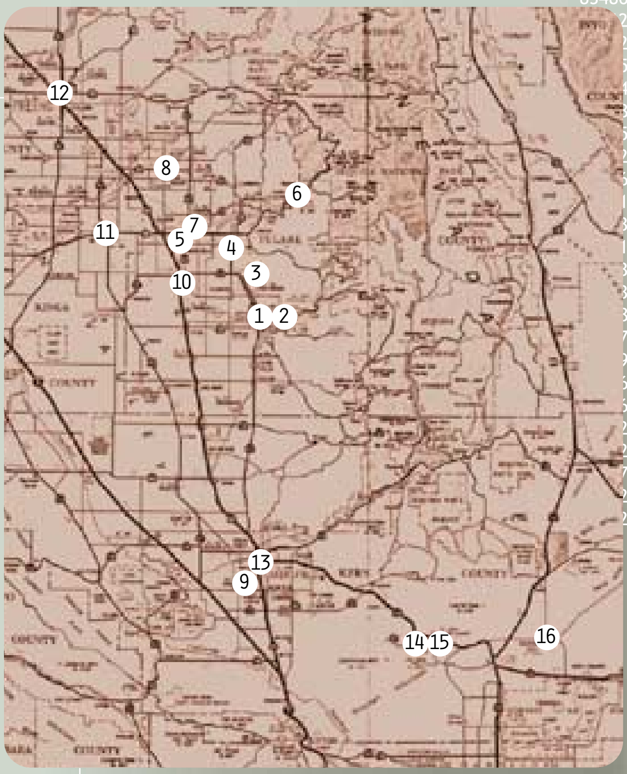
BANK OF THE SIERRA[SM]

A Mountain of Experience You Can Count On

1978	1	N. Main St., Porterville Branch
1981	2	West Olive, Porterville Branch
1981	3	Lindsay Branch
1988	4	Exeter Branch
1991	5	Mooney Blvd, Visalia Branch
1994	6	Three Rivers Branch
1995	7	Main St., Visalia Branch
1997	8	Dinuba Branch
1997	9	California Ave., Bakersfield Branch
1998	10	Tulare Branch
1998	11	Hanford Branch
1999	12	Fresno Branch
2000	13	Ming Ave., Bakersfield Branch
2000	14	Main St., Tehachapi Branch
2000	15	Old Town, Tehachapi Branch
2000	16	California City Branch

19° 07' LONG

36° 07' LAT



MISSION STATEMENT 1977 2002

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

MAJOR STRATEGIES 1977 2002

- 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.

Porterville Branch and Sierra Bancorp Corporate Headquarters

SINCE 1977

"Make the most of yourself, for this is all there is of you."

Ralph Waldo Emerson

President's Message

As we celebrate our 25th Anniversary of opening for business, we look back and reflect on the above quote. Over the past 25 years, "making the most of ourselves" has required changing our vision of what the Bank could be. Our initial vision, of a small independent bank in limited locations in southeastern Tulare County, has expanded to a vision of becoming the dominant independent bank in multiple communities throughout the South San Joaquin Valley. We are not there yet, but it is a worthwhile destination.

We see this as a worthy destination because with a multi-community approach we can diversify our risks, and with dominant market share comes the advertising and marketing efficiencies necessary in today's competitive financial services markets. As we move ever-closer to this destination, we continually monitor primary progress to ensure that it advances the mission of Sierra Bancorp, which is to enhance long-term shareholder wealth.

We recited several goals in last year's annual report that provided strategic direction for 2002. Initially, we indicated that we would improve our financial performance in 2002 compared to a very good 2001. We did so with a Return on Average Equity of 17.59% in 2002 compared to 15.94% in 2001, and with net income of $8.8 million in 2002 compared to $6.9 million in 2001. This financial performance was among the strongest for independent banks in California.

Other goals for 2002 included loan growth in specific categories, improved cost controls, and a revitalized internal marketing effort to stimulate growth from existing customers through better service and better marketing. All of these goals were marshaled together and met by year-end to enable a highly successful year.

The goals achieved in 2002 will have benefits well into the future. For example, our new in-house item processing operation is already generating significant cost savings in the proof area. It also enabled the deployment of other technologies that will further reduce costs going forward and, of more consequence, enable better customer service. The improved marketing effort initiated in 2002 will continue on into 2003 and beyond, and should create increased business internally as well as generating new customer relationships externally.

During the course of 2002 we did not open any new branches, but did commence construction of a new branch in Fresno that should open in the second quarter of 2003. We are also close to announcing a new location in Clovis. These new branches will augment the existing flagship branch in Fresno, and should assist in better penetration of this dynamic market. Furthermore, we have developed a new methodology that will facilitate the selection of future branch sites, and are now in position to launch a more aggressive branch expansion program.

There certainly were challenges in 2002, including the continued decline in interest rates, a lethargic economy and, for the South San Joaquin Valley, a pervasively depressed agricultural sector. Attracting and retaining qualified and motivated staff is another challenge. Our retention level has been very good, but this requires constant attention. Another challenge is increased competition, as other banks begin to see the San Joaquin Valley as the last under-developed area in California with potential. We have, of course, known this for years.

While there are challenges, there are also opportunities and we are well positioned to realize them. Our strategy is to stay within our present footprint, which basically extends from Bakersfield to Fresno. In that area there are no likely acquisitions, and further growth will be from new branches within existing markets and entry into new markets. We have been here for nearly twenty-five years. We believe that we have a service delivery system uniquely suited to this area, a remarkable reputation to build on, and an even more remarkable management team in place to make it all happen, not just now, but in the years ahead.

And so another President's message concludes, but the Bank moves on. Year 2002 was a great year, but more importantly, a year in which we again advanced the fortunes of the Bank and Sierra Bancorp and provided a basis for that to be perpetuated going forward.

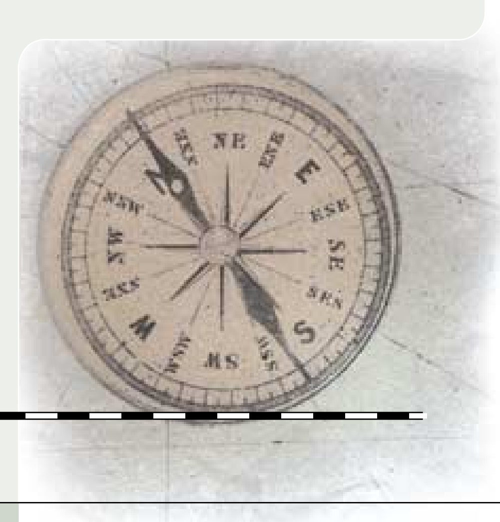
A good part of that comes from sensing change, identifying challenges and then setting goals to move to a defined destination. Successful organizations can do this and prosper in the most difficult circumstances. We are one of those!

"Life is like an ever-shifting kaleidoscope, a slight change and all patterns change." —Sharon Salzberg.

Sincerely,

James C. Holly

James C. Holly



About Sierra Bancorp

Sierra Bancorp (the "Company") is a California corporation registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and is headquartered in Porterville, California. The Company was incorporated in November 2000 and acquired all of the outstanding shares of Bank of the Sierra (the "Bank") in August 2001. The Company's principal subsidiary is the Bank, and the Company exists primarily for the purpose of holding the stock of the Bank and of such other subsidiaries it may acquire or establish. At the present time, the Company's only other direct subsidiary is Sierra Capital Trust I, which was formed in November 2001 solely to facilitate the issuance of capital trust pass-through securities.

At December 31, 2002, the Company had consolidated assets of $701 million, loans of $512 million, deposits of $606 million and shareholders' equity of $53 million.* The Company's liabilities include $15 million in capital trust pass-through securities issued by Sierra Capital Trust I in November 2001.

Sierra Bancorp's common stock has been listed on the Nasdaq National Market since August 10, 2001 (the effective date of the holding company reorganization), and the Bank's common stock was previously listed on the Nasdaq National Market since June 10, 1999. The Company's common stock trades under the symbol BSRR.

References herein to the "Company" include the Company and its consolidated subsidiaries, unless the context indicates otherwise.

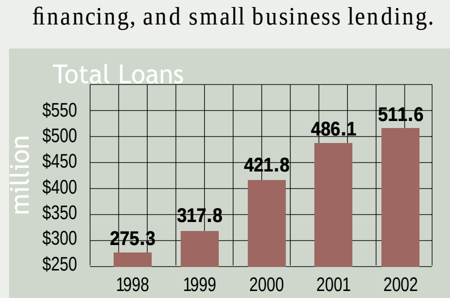
About Bank of the Sierra

Bank of the Sierra is a California state-chartered bank that was incorporated in September 1977 and opened for business in January 1978, and is currently the largest independent bank headquartered in Tulare County. The Bank is a multi-

Bank of the Sierra's seventeenth branch in North Fresno is expected to commence operations in the second quarter of 2003.

community independent bank that offers a full range of banking services to individuals and businesses primarily in the central and southern sections of California's San Joaquin Valley. The Bank operates sixteen full service branch offices throughout this geographic footprint, and has received regulatory approval for a seventeenth branch in North Fresno in the vicinity of Herndon and Ingram. That branch is expected to commence operations in the second quarter of 2003.

The Bank's principal retail lending services include home equity lines, consumer loans, and credit card loans. There are three other significant dimensions to the Bank's lending activities: agricultural lending, real estate financing, and small business lending.



The Agricultural Credit Centers located in Fresno and Porterville provide a complete line of credit services in support of the agricultural activities which are key to the continued economic development of the communities we serve. "Ag lending" clients include a full range of individual farming customers, small business farming organizations and major corporate farming units. The Bank Card Center, headquartered in Porterville, provides credit, debit, and ATM card services to all qualified Bank customers.

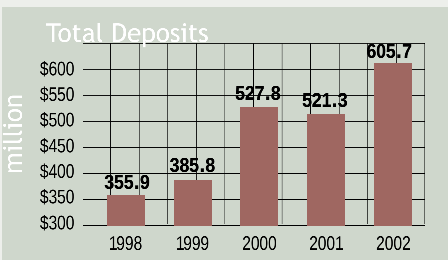
In addition, we staff our Fresno, Visalia, Porterville, and Bakersfield offices with real estate lending specialists. These officers are responsible for a complete line of land acquisition and development loans, construction loans for residential and commercial development, and multifamily credit facilities. Secondary market services are provided though the Bank's affiliations with Freddie Mac, Fannie Mae and various non-governmental programs. In addition, we have an arrangement with Moneyline Lending Services, Inc. ("Moneyline"), whereby Moneyline underwrites single family mortgage loans for qualifying Bank customers referred to them via Bank-branded delivery channels (i.e., Bank branches, the Bank's internet site, and a dedicated telephone line).

We also engage in Small Business Administration lending and have been designated as an SBA Preferred Lender since 1999. For the SBA's fiscal year ended September 30, 2002 the Bank produced 52 loans totaling $13.5 million. This placed the Bank as the leader in the SBA's Fresno California District for the dollar volume of SBA loans, and second for the number of SBA loans. Additionally, according to the Fresno District Office, the Bank was the only financial institution to be among the top five SBA lenders for the last four years.

In addition to the lending activities noted previously, we make available to our customers a wide range of deposit products including checking, interest bearing transaction, savings, time deposit and retirement accounts, as well as telephone banking and internet banking with bill-pay options. We attract deposits through our customer-oriented product mix, competitive pricing, convenient locations, extended hours and drive-up banking, all provided with the highest level of customer service. As of December 31, 2002, we had 47,772 deposit accounts.

*Complete financial information is contained in the Company's Form 10k included herewith.

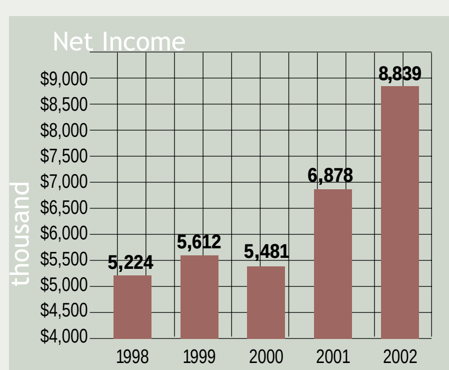
Business of the Company

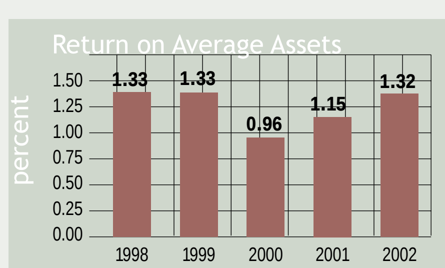


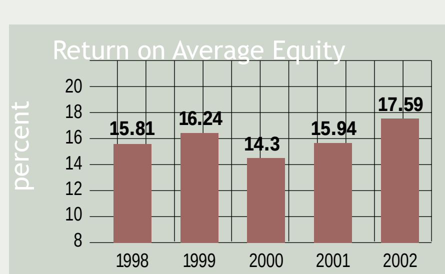
We offer a multitude of other products and services to our customers to complement the lending and deposit services previously reviewed. These include installment note collection, cashier's checks, traveler's checks, bank-by-mail, ATM, night depository, safe deposit boxes, direct deposit, automated payroll services, electronic funds transfers, on-line banking, and other customary banking services. During the past few years we have substantially enhanced our ATM locations to include off-site areas that facilitate cash advances and deposit capabilities not otherwise available at non-branch locations, thereby increasing consumer convenience. Moreover, we utilize a mobile ATM unit at fairs, exhibitions, and various other community functions within our market area. We also have a Spanish language option on our own network of ATMs, and shared ATM and Point of Sale (POS) networks allow our customers access to national and international funds transfer networks. In addition, we have established a convenient customer service group accessible by toll-free telephone to answer questions and assure a high level of customer satisfaction.

In order to provide non-deposit investment options we have developed a strategic alliance with Investment Centers of America, Inc. of Bismarck, North Dakota ("ICA"). Through this arrangement, registered and licensed representatives of ICA provide our 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.

Our officers and employees are continually engaged in the evaluation and development of new products and services. These activities are aimed at increasing public convenience in our service area, enhancing public access to the electronic payments system, and enabling us to improve our competitive position. During 2002, mortgage lending was outsourced; the item processing function was brought in-house to reduce recurring expenses and enable us to produce imaged statements for our customers; the customer service function was reorganized to increase training, ensure consistency and improve our customers' overall in-branch experiences, and marketing resources were enhanced. Currently, alternatives for future electronic banking delivery are being examined in an effort to keep pace with evolving technology and continue to provide superior customer service.







Results of Operations

The strong improvement in earnings that was realized in 2001 provided momentum for another record year in 2002, with the Company again achieving its highest net income ever.* In fact, net income has increased in 18 of the last 19 years. Net income in 2002 was $8.8 million, an increase of nearly $2.0 million, or 28.5%, over net earnings of $6.9 million recognized in 2001. Net income per share was $0.96 for 2002, as compared to $0.75 during 2001. The Company's Return on Average Assets ("ROA") was 1.32% and Return on Average Equity ("ROE") was 17.59% in 2002, as compared to 1.15% and 15.94%, respectively in 2001.

The Company earns income from two primary sources. The first is net interest income brought about by income from the successful deployment of earning assets less the costs of interest-bearing liabilities. The second is non-interest income, which generally comes from customer service charges and fees, but can also result from non-customer sources such as gains on loan sales and gains on sales from the Company's investment portfolio. The majority of the Company's non-interest expenses are operating costs that relate to providing a full range of banking services to our customers.

As is typical in many community banks, the Company's interest-earning assets mature or reprice more quickly than its interest-bearing liabilities, in aggregate, and a record drop in interest rates during 2001 had a negative impact on the Company's net interest margin that year. Net income still increased in 2001, however, primarily due to gains on the sale of investment securities, gains on the sale of loan servicing, a lower loan loss provision, and the implementation of more stringent expense controls. In 2002 the largest gain was in net interest income, which increased not only because of $62 million growth in average earning assets but also as the result of a 40 basis point improvement in the Company's net interest margin. The net interest margin increased mainly because of a rela-

*Complete financial information is contained in the Company's Form 10k included herewith.

tively stable interest rate environment during most of 2002 that allowed the Company to keep its cost of funds at record low levels. Other core income components also showed healthy improvement in 2002, although total non-interest income was lower due to the non-recurring gains realized in 2001.

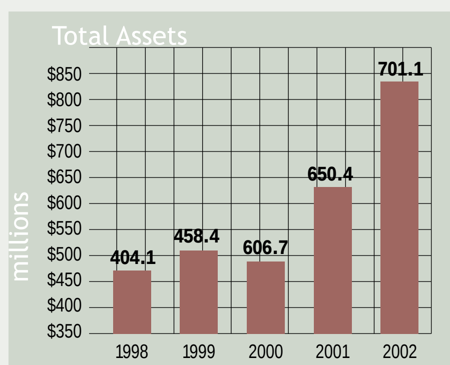
Non-interest expenses were held to a 3.7% increase in 2002 despite the additional expenses associated with a conversion to in-house item processing and the relocation of the Company's MIS group. The item processing function was converted in September 2002, although overlapping payments due under outsourcing contracts obscured any savings in that area during 2002. The annual savings from this conversion commencing in 2003 are projected to be substantial, however, even after factoring in the personnel and occupancy costs, equipment depreciation, and software amortization associated with the in-house operation. Additionally, the new item processing solution has enabled the Company to produce imaged statements for customers, and should ultimately provide customers with the ability to access imaged statements and checks through the online banking system.

The Company's provision for loan losses increased by $2.1 million in 2002 relative to 2001, largely as a result of growth in the Company's loan portfolio but also due to a higher level of charge-offs, higher average non-accrual balances, and weakness in agricultural sectors of the local economy.

Despite a $1.4 million increase in pre-tax income from 2001 to 2002, the Company's provision for income taxes was $542,000 lower in 2002 than in 2001. Enterprise zone interest deductions and low-income housing investment tax credits have had an impact, but the substantial reduction in the tax provision in 2002 was mainly due to the tax benefit derived from the Company's real estate investment trust.

Financial Condition

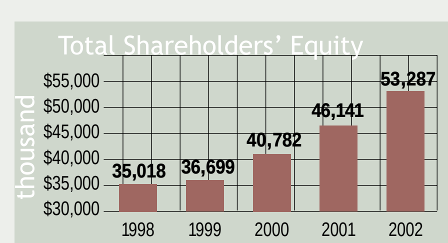
The Company's total assets grew by $51 million, or 7.8%, from $650 million at the end of 2001 to $701 million at the end of 2002. Actual loan balances



showed a modest increase of $25 million from the end of 2001 to the end of 2002, although average loan balances for 2002 increased by $73 million relative to 2001 due to significant growth in the last quarter of 2001. Cash and due from banks was up by nearly $16 million at December 31, 2002 relative to December 31, 2001, although this was a temporary condition created by delayed credit in our Federal Reserve Bank account for cash items presented for collection. Another important shift in the composition of the Company's balance sheet was a $15 million increase in other assets, which jumped to 4.4% of total assets at December 31, 2002 from 2.6% at the end of 2001. This increase was due to a $3 million investment in low-income housing tax credit funds in May 2002, and a $13 million investment in bank-owned life insurance in September 2002, both of which enhance profitability and neither of which is classified as an interest-earning asset.

The most notable change in deposits since December 31, 2001 was a $40 million increase in time deposits over $100,000. This mainly represents the addition of brokered deposits to replace overnight borrowings from the Federal Home Loan Bank, which declined by $38 million. This is considered by management to be an interim measure to take advantage of relatively low rates in the wholesale deposit market and improve the Company's shorter-term liquidity. In the longer term, the Company anticipates replacing these brokered deposits with deposits generated in its branches. Core deposits, which include all customer deposits except time deposits with balances over $100,000, increased by $44 million, or 9.9%, from the end of 2001 to the end of 2002. Furthermore, there was a significant shift among core deposit balances from time deposits under $100,000, which declined by $16 million, into money market accounts and non-interest bearing transaction accounts, which increased by $29 million and $22 million, respectively. It is management's sentiment that the increase in core deposits was due in large part to volatility in equity markets, and that continued uncertainty presents further opportunity to encourage migration into the Company's relatively stable deposit products.

Another funding source is represented by securities sold under agreement to repurchase (Repo's), which is the investment vehicle for customer "sweep account" arrangements. Repo balances declined by almost $8 million from the end of 2001 to the end of 2002, as some balances were transferred to slightly higher-yielding money market deposit accounts.



Due primarily to the retention of earnings, the Company's total shareholders' equity increased from $46 million at December 31, 2001 to $53 million at December 31, 2002. This is an increase of $7 million, or about 15.5%.

SINCE

1977

Directory of Offices

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 Offices

Bakersfield Service Area
Mark Olague, Vice President, Area Manager • Bakersfield Ming & Bakersfield California Ave. Offices

Tehachapi Service Area
Bruce Hamlin, Vice President, Area Manager • Tehachapi Main, Tehachapi Old Town & California City Offices

Tulare Service Area
John Thomas, Vice President, Branch Manager

Hanford Service Area
Kevin McPhaill, Vice President, Branch Manager

Fresno Service Area
J. Frank Oliver, Vice President, Branch Manager

Ag Credit Centers
Ronald H. Paternoster, 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 ▪ 8500 Ming Ave.• 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 W. F St. • 661/822-6801 ▪ 21000 Mission St. • 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 • 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
Websites www.bankofthesierra.com • www.sierrabancorp.com

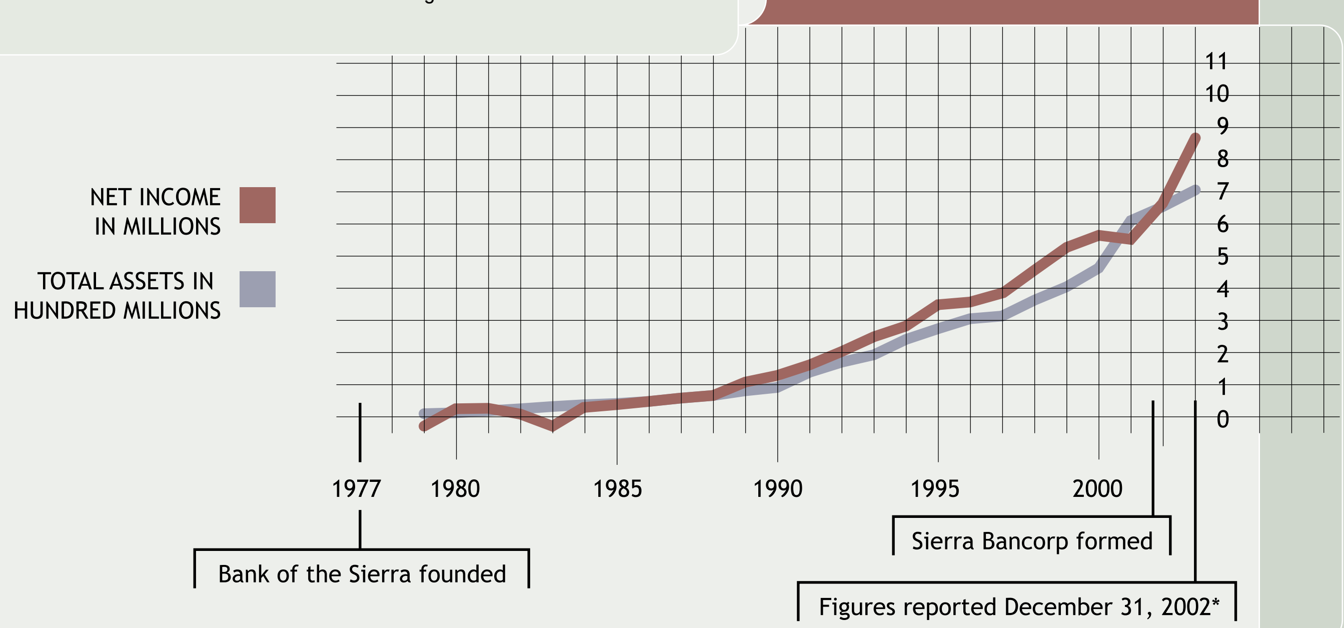
Administrative Officers

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
Thomas J. McDermott, Jr.	V.P./Sr. Mortgage Underwriter
Larry J. Mueller	V.P./General Credit Administrator
Anthony Mungary	V.P./Ag Loan Officer
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
Thomas Y. Yamaguchi	V.P./Treasurer
Dale L. Zeller	V.P./Director of Management Information Services

Left to Right:
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

Growth Timeline



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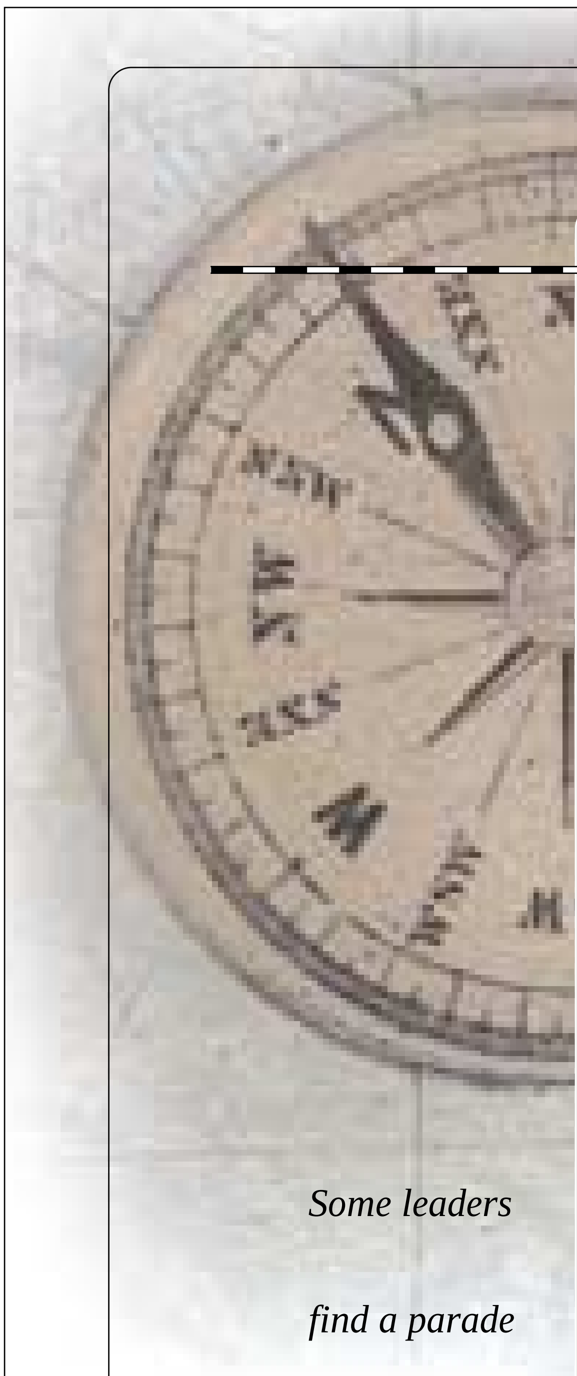
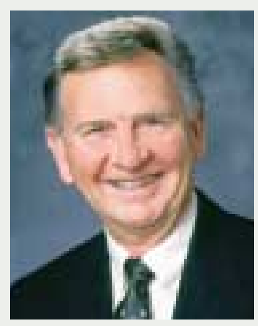
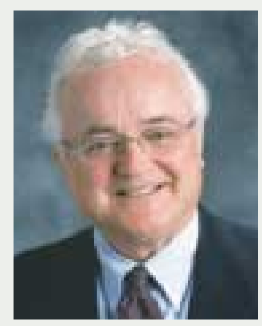


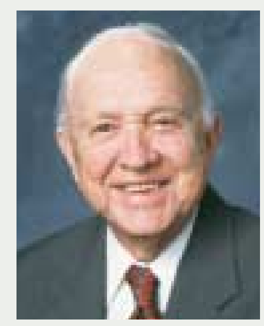
Board of Directors



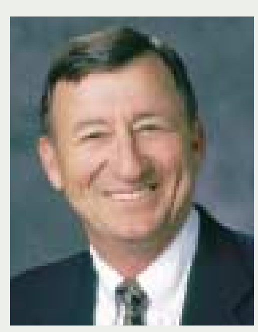
Morris A. Tharp
Chairman
President & Owner, E.M. Tharp, Inc.



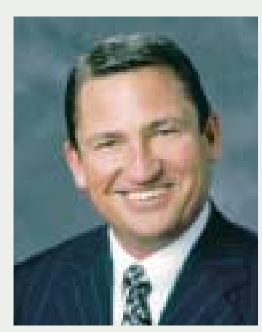
James C. Holly
President
President, Bank of the Sierra



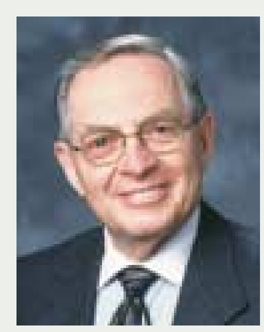
Robert H. Tienken
Director
Retired (formerly Realtor/Farmer)



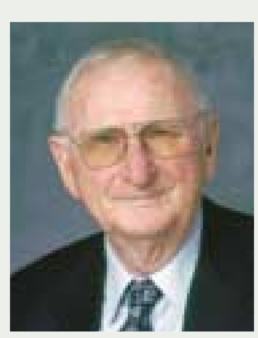
Albert L. Berra
Director
Orthodontist/Rancher



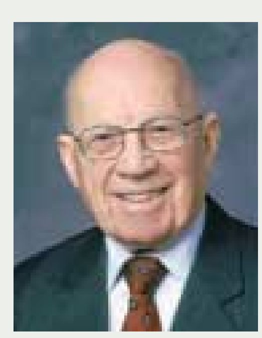
Gregory A. Childress
Director
Rancher, CPG Ranch



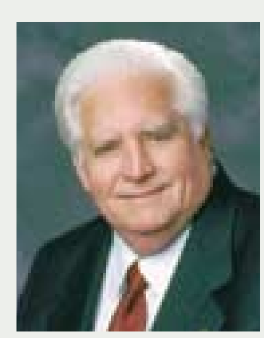
Robert L. Fields
Director
Retired Investor



Vince L. Jurkovich
Director
President, Porterville Concrete Pipe Company



Howard H. Smith
Director
General Partner
Smith's Enterprises



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

Some leaders find a parade and get in front of it. True leaders start the parade.

25 YEARS

A copy of the Holding Company's 2002 Annual Report Form 10K, including financial statements but without exhibits filed with the Securities and Exchange Commission, is enclosed herewith. Quarterly financial reports and other news releases may also be obtained by visiting www.sierrabancorp.com.

A Mountain of Experience You Can Count On