SIERRA BANCORP
Form S-4
March 25, 2016

As filed with the Securities and Exchange Commission on March 25, 2016

Registration No. [________]

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

SIERRA BANCORP
(Exact Name of Registrant as Specified in its Charter)

California	**6021**	**33-0937517**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

86 North Main Street
Porterville, CA 93257
(559) 782-4900

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Kevin J. McPhaill

President And Chief Executive Officer

Sierra Bancorp

86 North Main Street
Porterville, CA 93257
559-782-4900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Nikki Wolontis	**Kenneth E. Moore**
Eileen Lyon	**Stuart | Moore**
King, Holmes, Paterno & Soriano, LLP	641 Higuera Street
1900 Avenue of the Stars, 25th Floor	San Luis Obispo, CA 93401
Los Angeles, CA 90067	805-545-8590
818-631-2224	

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effective date of this Registration Statement and the satisfaction or waiver of all other conditions to the transaction described in the proxy statement/prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. *(Check one):*

Large Accelerated Filer ¨	Accelerated Filer: x	Non-accelerated Filer: ¨ (Do not check if a smaller reporting company)	Smaller Reporting Company: ¨

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be registered [1]**	Proposed maximum offering price per unit	**Proposed maximum aggregate offering price [2]**	**Amount of registration fee[3]**
Common Stock, no par value	628,318	N/A	$ 11,897,201.33	$ 1,198.05

[1] Represents the estimated maximum number of shares of Sierra Bancorp common stock that could be issued in connection with the merger pursuant to the Agreement and Plan of Reorganization and Merger, dated January 4, 2016, by and among Sierra Bancorp and Coast Bancorp described in the accompanying proxy statement/prospectus.

[2] Pursuant to Rule 457(f)(1) under the Securities Act of 1933, as amended, and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is based on 628,318 shares of Sierra Bancorp common stock issuable in the merger for the 5,646,881 shares of Coast Bancorp common stock outstanding and 452,000 Coast Bancorp stock options, multiplied by the average of the high and low prices of Sierra Bancorp common stock reported on the NASDAQ Global Select Market on March 21, 2016.

[3] Calculated pursuant to Section 6(b) of the Securities Act of 1933, as amended, by multiplying $0.0001007 by the proposed maximum aggregate offering price.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this

Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement becomes effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this proxy statement/prospectus is not complete and may be changed. Sierra Bancorp may not sell these securities until the registration statement filed with the Securities and Exchange Commission of which this document is a part, is declared effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY - SUBJECT TO COMPLETION - DATED [·], 2016

PROXY STATEMENT/PROSPECTUS
MERGER PROPOSED - YOUR VOTE IS VERY IMPORTANT

The board of directors of Coast Bancorp, which we sometimes refer to as Coast, has agreed to a merger of Coast Bancorp with and into Sierra Bancorp, which we sometimes refer to as Sierra. The details of the merger are set forth in the Agreement and Plan of Reorganization and Merger, dated as of January 4, 2016, between Sierra Bancorp and Coast Bancorp, which we refer to as the merger agreement. Immediately after the merger, Coast Bancorp's bank subsidiary, Coast National Bank, will be merged with and into Sierra Bancorp's bank subsidiary, Bank of the Sierra. We refer to the second merger as the bank merger.

If the merger is completed, each shareholder of Coast Bancorp will receive, subject to their stock and cash election and proration, their proportional share of the total merger consideration, which consists of (1) approximately 581,753 shares of Sierra common stock; and (2) $3,176,371 in cash (subject to downward adjustment in certain circumstances as specified in the merger agreement). The total number of shares issued and cash paid may be increased if outstanding stock options are exercised prior to the effective time of the merger. This will not result in any change to the per share merger consideration payable to current shareholders.

The precise amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until shortly before the closing of the merger. However, by way of example only, if the per share merger consideration were calculated based on the closing price for shares of Sierra Bancorp common stock on the Nasdaq Global Select Market on [LATEST PRACTICABLE DATE] of $______ per share, each share of Coast Bancorp common stock converted into cash would have received $_______ in cash, and each share converted into stock would have been converted into _________ shares of Sierra Bancorp common stock. The actual merger consideration will be calculated five business days before the closing of the merger based on a formula in the merger agreement, and the resulting per share merger consideration may be more or less than in the above example. In addition, because there is a maximum number of shares of Sierra Bancorp common stock and a maximum amount of cash that will be issued as merger consideration, and it is impossible to predict what elections different shareholders will make, there is no assurance that any given shareholder will receive the form of consideration he or she elects.

Holders of in-the-money Coast Bancorp stock options who do not exercise their options prior to the merger effective time will receive $2.25 minus the exercise price per share with respect to the corresponding Coast stock option. Outstanding warrants to purchase approximately 123,181 shares of Coast common stock at $5.50 per share shall be cancelled and become null and void unless exercised prior to the effective time of the merger.

Shares of Sierra Bancorp common stock are traded on the Nasdaq Global Select Market under the symbol “BSRR.” On January 4, 2016, immediately prior to the first public announcement of the merger, the price per share of Sierra Bancorp common stock was $17.51, and on [LATEST PRACTICABLE DATE], the latest practicable trading date before the printing of this proxy statement/prospectus, the closing share price of Sierra Bancorp common stock was $[__].

Shares of Coast Bancorp common stock are traded on the OTC-PINK under the symbol “CTBP.” On January 4, 2016, immediately prior to the first public announcement of the merger, the closing share price of Coast Bancorp common stock was $1.75, and on [LATEST PRACTICABLE DATE], the latest practicable trading date before the printing of this proxy statement/prospectus, the closing share price of Coast Bancorp common stock was $[__].

Shareholders of Coast Bancorp will be asked to vote to approve the merger agreement and the merger at the special meeting of shareholders. We cannot complete the merger unless we obtain the required approval of the shareholders of Coast Bancorp. The merger agreement must be approved by the affirmative vote of at least a majority of the shares of Coast Bancorp common stock outstanding as of the record date for the special meeting.

We urge you to read this proxy statement/prospectus and all appendices carefully, including the “RISK FACTORS” discussion beginning on page [__] of this proxy statement/prospectus.

Neither the Securities and Exchange Commission nor any bank regulatory agency, nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense. The securities offered through this proxy statement/prospectus are not savings accounts, deposits or other obligations of a bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any government agency.

This proxy statement/prospectus is dated [___________ __, 2016] and is first being mailed to the shareholders of Coast Bancorp on or about [MAILING DATE].

500 Marsh Street

San Luis Obispo, California 93401

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD [COAST MEETING DATE] – [COAST MEETING TIME]

To: The Shareholders of Coast Bancorp (“Coast Bancorp”),

A special meeting of shareholders of Coast Bancorp will be held at the office of Coast Bancorp located at 500 Marsh Street, San Luis Obispo, California 93401, on [COAST MEETING DATE], at [COAST MEETING TIME] (local time), for the purpose of considering and voting upon the following matters:

1. **Approval of the Merger Agreement and Merger**. To approve the Agreement and Plan of Reorganization and Merger, dated January 4, 2016, by which Coast Bancorp will be merged with and into Sierra Bancorp and Coast Bancorp’s bank subsidiary, Coast National Bank will be merged with and into Sierra Bancorp’s bank subsidiary, Bank of the Sierra, as more fully described in the accompanying proxy statement/prospectus.

2. **Adjournment**. To approve any adjournment or postponement of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose.

Only shareholders of record at the close of business on [COAST RECORD DATE], are entitled to notice of, and to vote at, the special meeting.

Shareholders are entitled to assert dissenters’ rights with respect to the proposal to approve the merger agreement and the merger. Your dissenters’ rights are conditioned on your strict compliance with the requirements of Chapter 13 of the California General Corporation Law, which we refer to as the CGCL. A copy of the applicable sections of Chapter

13 of the CGCL is attached as **Appendix B** to this proxy statement/prospectus.

The board of directors of Coast Bancorp has determined that the merger is advisable and in the best interests of Coast Bancorp shareholders based upon its analysis, investigation and deliberation and recommends that shareholders of Coast Bancorp vote "**FOR**" approval of the merger agreement and the merger.

The board of directors of Coast Bancorp also recommends that shareholders vote "**FOR**" adjournment of the special meeting to a later date or dates if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose.

Whether or not you plan to attend the special meeting, please sign, date and return the enclosed proxy card in the postage-paid envelope provided, so that as many shares as possible may be represented. The vote of every shareholder is important and we will appreciate your cooperation in returning your executed proxy promptly. Each proxy is revocable and will not affect your right to vote in person if you attend the special meeting. If you hold your shares in certificate form and attend the special meeting, you may simply revoke your previously submitted proxy and vote your shares at that time. If your shares are held by a broker or otherwise not registered in your name, you will need additional documentation from your record holder to vote your shares personally at the special meeting. If you hold your shares in certificate form, please indicate on the proxy card whether or not you expect to attend.

We appreciate your continuing support and look forward to seeing you at the special meeting.

DATED: [MAILING DATE]

By Order of the Board of Directors

Anita M. Robinson

President and Chief Executive Officer

Robb Evans
Chairman of the Board

Please do not send in your stock certificates at this time. If the merger is approved, you will be sent instructions regarding your election as to the type of consideration you would prefer to receive in the merger. If the merger is completed, you will be sent instructions regarding the surrender of your stock certificates.

Important notice regarding the availability of proxy materials for the special meeting to be held on [COAST MEETING DATE]: This proxy statement/prospectus is available at http://viewproxy.com/xxxxxxxx/2016specialmeeting.

ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Sierra Bancorp from other documents filed with the U.S. Securities and Exchange Commission, or SEC, that are not included in or delivered with this proxy statement/prospectus. For a listing of documents incorporated by reference into this proxy statement/prospectus, please see "WHERE YOU CAN FIND MORE INFORMATION" beginning on page [ ] of this proxy statement/prospectus. You can obtain any of these documents at no cost from the SEC's website at http://www.sec.gov or Sierra Bancorp's website at www.sierrabancorp.com by clicking on "Investor Relations" and then "SEC Filings". You may also request copies of these documents, including documents incorporated by reference in this proxy statement/prospectus, at no cost by contacting Sierra Bancorp at the following address:

Sierra Bancorp

86 Main Street

Porterville, CA 93257

559-782-4900

Attention: Diane L. Renois

You will not be charged for any of these documents that you request. If you would like to request documents, please do so by [insert date no later than 5 business days before the special meeting date], in order to receive them before the special meeting.

In addition, if you have questions about the merger or the special meeting, need additional copies of this proxy statement/prospectus, or need to obtain proxy cards or other information related to the proxy solicitation, you may also contact Anita M. Robinson, President, Coast Bancorp, 500 Marsh Street, San Luis Obispo, California 93401; (805) 541-0400 or (805) 547-6135 - Direct Line.

Coast Bancorp does not have a class of securities registered under Section 12 of the Exchange Act, is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, and, accordingly, does not file documents or reports with the SEC.

TABLE OF CONTENTS

APPENDICES

Appendix A	Agreement and Plan of Reorganization and Merger, dated January 4, 2016 by and among Sierra Bancorp and Coast Bancorp, with the form of Director Voting, Non-Competition and Non-Solicitation Agreement applicable to Coast Bancorp directors attached as Exhibit A, the form of Executive Voting and Nonsolicitation Agreement applicable to Coast Bancorp executive officers attached as Exhibit B, the form of Merger Agreement attached as Exhibit C-1, the form of Bank Merger Agreement attached as Exhibit C-2 and the form of Option Holder Agreement attached as Exhibit D.
Appendix B	Selected sections of Chapter 13 of the California Corporations Code (Dissenters' Rights)
Appendix C	Fairness Opinion of Vining Sparks IBG, L.P.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

This question and answer summary highlights selected information contained in other sections of this proxy statement/prospectus and is intended to answer questions that you, as a shareholder of Coast Bancorp, may have regarding the special meeting and the merger. Sierra Bancorp and Coast Bancorp urge you to carefully read this entire proxy statement/prospectus, including all appendices and all other information incorporated by reference in this proxy statement/prospectus.

Questions and Answers about the Special Meeting

Q: Why have you sent me this document?

A: This document is being delivered to you because it is serving as both a proxy statement for Coast Bancorp and a prospectus of Sierra Bancorp. It is a proxy statement because it is being used by the Coast Bancorp board of directors to solicit the proxies of its shareholders in connection with the special meeting of shareholders. It is a prospectus because Sierra Bancorp is offering shares of its common stock in exchange for shares of Coast Bancorp in the merger as described below.

This proxy statement/prospectus contains important information regarding the proposed merger, as well as information about Sierra Bancorp and Coast Bancorp. It also contains important information about what Coast's board of directors and management considered when evaluating this proposed merger. We urge you to read this proxy statement/prospectus carefully, including the merger agreement which is attached to this proxy statement/prospectus as **Appendix A** and is incorporated herein by reference, and the other appendices.

Q: When and where will the special meeting be held?

A: The special meeting will be held at the office of Coast Bancorp located at 500 Marsh Street, San Luis Obispo, California 93401, on [COAST MEETING DATE], at [COAST MEETING TIME] (local time).

Q: Who is entitled to vote at the special meeting?

A: Shareholders of record as of the close of business on [COAST RECORD DATE] will be entitled to vote at the special meeting.

Q: What am I being asked to vote on at the special meeting?

A: Coast Bancorp is holding the special meeting to ask its shareholders to consider and vote to:

- approve the merger agreement (and the plan of merger contemplated therein); and
- approve any adjournment or postponement of the special meeting if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose.

Q: How does the Coast Bancorp board of directors recommend that I vote on each proposal?

A: The Coast Bancorp board of directors recommends that you vote **"FOR"** the approval of the following:

- the merger agreement and the merger; and
- the adjournment or postponement of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose.

1

Q: How many votes do I have and how do I vote at the special meeting?

A: You are entitled to one vote for each share that you owned as of the record date for the special meeting. You may vote "**FOR**," "**AGAINST**" or "**ABSTAIN**" with respect to any of the proposals presented at the special meeting. Whether or not you plan to attend the special meeting, we urge you to vote by proxy to ensure your vote is counted. If you hold your shares in certificate form, you may still attend the special meeting and vote in person even if you have already voted by proxy.

- To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card before the special meeting, your shares will be voted as you direct.
- You may also vote utilizing the Internet or telephone as set forth on the enclosed proxy card.
- If you hold your shares in certificate form and wish to vote in person, simply attend the special meeting and you will be given a ballot when you arrive. If you hold your shares in street name, you will need to obtain a legal proxy from your broker to enable you to vote in person at the meeting.

Q: What if my shares are held in street name by my broker or other nominee?

A: If you hold your shares in "street name" through a broker or other nominee, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Coast Bancorp. **Your broker or nominee cannot vote your shares unless you provide instructions on how to vote them.** To vote your shares, follow the voting instructions your broker or nominee provides when forwarding these proxy materials to you and complete and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker or nominee. To vote in person at the special meeting, you must obtain a valid proxy from your broker or nominee. **If you do not provide voting instructions to your broker, bank or agent, this will have the same effect as a vote "AGAINST" the merger agreement.** Your abstention or non-vote will have no effect on the outcome of the proposal to adjourn and reconvene the special meeting. See "THE SPECIAL MEETING – Abstentions and Broker Non-Votes" beginning on page [__].

Q: May I revoke or change my vote after I have provided proxy instructions?

A: Yes. If you hold shares in certificate form, you may revoke or change your proxy at any time before the time your proxy is voted at the special meeting by: (i) filing with Coast Bancorp's Corporate Secretary an instrument revoking it or a duly executed proxy bearing a later date; (ii) appearing and voting in person at the special meeting or (iii) if you have voted your shares by Internet or telephone, recording a different vote, or by signing and returning a proxy card dated as of a date that is later than your last Internet or telephone vote. Your attendance alone at the special meeting will not revoke your proxy. If you have instructed a broker or other nominee to vote your shares, you must follow directions received from your broker or other nominee in order to change those instructions.

Q: What happens if I don't vote?

A: If you do not vote by either returning your proxy card, voting by phone or Internet, or attending the special meeting and voting in person, it will have the same effect as voting your shares **"AGAINST"** the merger agreement and the merger.

Q: What happens if I sign and return my proxy card without indicating how I wish to vote?

A: If you sign and return your proxy card without indicating how to vote on any particular proposal, your proxy will be voted "**FOR**" the merger and the adjournment proposal, as recommended by Coast's board of directors.

2

Questions and Answers About the Merger Agreement and the Merger

Q: What will Coast Bancorp shareholders receive in the merger?

A: If the merger is completed, each shareholder of Coast Bancorp will receive, subject to their stock and cash election and proration, their proportional share of the total merger consideration, which consists of (1) approximately 581,753 shares of Sierra common stock (plus additional shares if outstanding Coast Bancorp options are exercised); and (2) $3,176,371 (subject to downward adjustment in certain circumstances as specified in the merger agreement).

Q: What will each Coast Bancorp shareholder receive in the merger?

A: A Coast Bancorp shareholder may elect to receive (i) all cash, (ii) all Sierra common stock, or (iii) a mix of cash and Sierra common stock. All elections are subject to the election, proration and allocation procedures described in this proxy statement/prospectus. If too many shareholders elect one form of consideration over the other, any given shareholder may not receive the form of merger consideration he or she elected. For a detailed description of these allocation procedures, please see "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER — Allocation Calculation."

Q: What is the amount of cash and/or the number of shares of Sierra common stock that each Coast Bancorp shareholder will receive for his or her shares of Coast Bancorp common stock?

A: Subject to adjustment as described in the merger agreement, shares of Coast common stock converted into the right to receive cash will receive the sum of (i) $0.56 per share, and (ii) an amount equal to 0.10302 multiplied by the volume-weighted trading price for shares of Sierra common stock for the twenty trading days ending immediately prior to the fifth day preceding the effective time of the merger. Shares converted into Sierra common stock shall be determined by dividing the per share amount paid to Coast Bancorp shares converted into cash by the same volume-weighted average trading price. By way of example only, if the per share merger consideration were calculated based on the closing price for shares of Sierra common stock on the Nasdaq Global Select Market on [LATEST PRACTICABLE DATE] of $______ per share, each share of Coast Bancorp common stock converted into cash would have received $_______ in cash, and each share converted into stock would have been converted into _________ shares of Sierra Bancorp common stock. The actual merger consideration will be calculated five business days before the closing of the merger based on the volume-weighted trading price as described in the first sentence of this paragraph, and the resulting per share merger consideration may be more or less than in the above example.

Q: Is the value of the per share consideration that a Coast Bancorp shareholder receives expected to be substantially equivalent regardless of which election he or she makes?

A: The formula that was used to calculate the per share consideration substantially equalized the value of the consideration to be received for each share of Coast Bancorp common stock that is exchanged in the merger, as measured during the 20 trading day period prior to the closing of the merger, regardless of whether a shareholder elects to receive cash, stock or a mix of cash and stock. As the value of Sierra common stock will likely fluctuate with its trading price during the time period between the signing of the merger agreement and the closing of the merger, however, the value of the per share stock consideration Coast shareholders receive may be more or less than the value of the per share cash consideration.

Q: Will the value of the merger consideration change between the special meeting and the time the merger is completed?

A: Yes, in all likelihood the value of the merger consideration will fluctuate between the special meeting and the completion of the merger based upon the market value of Sierra common stock. Any fluctuation in the market price of Sierra common stock after the special meeting will change the value of the per share merger consideration that you will receive.

Q: Will the shares of Sierra common stock received by Coast Bancorp shareholders in the merger be listed on Nasdaq upon the completion of the merger?

A: Yes. The shares of Sierra common stock to be issued in connection with the merger have been registered under the Securities Act, and will be listed on The Nasdaq Global Select Market under the symbol "BSRR."

Q: How do I elect the form of consideration I prefer to receive?

A: Each Coast Bancorp shareholder will be sent an election form and transmittal materials containing instructions for use in effecting the surrender of shares of Coast Bancorp common stock in exchange for the merger consideration, which will be mailed to Coast Bancorp shareholders no less than thirty-five (35) days prior to the anticipated effective time of the merger or on such other date as the Coast Bancorp and Sierra mutually agree, which we refer to as the "mailing date." The election form allows a Coast Bancorp shareholder to indicate the number of his or her shares of Coast Bancorp such shareholder elects to convert into Sierra common stock and the number of shares such shareholder elects to convert into cash, or to indicate that the shareholder makes no election. To make a valid election, a Coast Bancorp shareholder must submit a properly completed and signed election form and transmittal materials so that it is actually received by Computershare, Sierra Bancorp's exchange agent, on or prior to the election deadline in accordance with the instructions on the election form. See "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER — Election Procedure."

Q: May I submit an election form if I vote against the merger?

A: Yes. You may submit an election form even if you vote against the merger. However, if you are a dissenting shareholder, your election will have no effect and you will instead receive the fair market value for your shares.

Q: May I change my election once it has been submitted?

A: Yes. You may revoke your election with respect to all or a portion of your shares of Coast Bancorp common stock by delivering written notice of your revocation to the exchange agent by the election deadline. If an election is properly revoked with respect to shares of Coast Bancorp common stock, the holder will be deemed to have made no election with respect to such shares unless and until a new election form is submitted, which must be received by the exchange agent by the election deadline. You will not be entitled to revoke or change your election after the election deadline.

Q: What happens if I do not make an election prior to the deadline?

A: If you fail to submit a valid election form to the exchange agent prior to the election deadline, then you will be deemed to have made no election and will receive either shares of Sierra Bancorp common stock, cash or a combination of shares of Sierra Bancorp common stock and cash for your shares, depending on the elections made by other shareholders.

Q: Will I receive the form of merger consideration that I elect?

A: Not necessarily. This will depend on elections made by other shareholders. Because there is a maximum number of shares of Sierra common stock and a maximum amount of cash that will be issued as merger consideration, and no way to predict what elections different shareholders will make, there is no assurance that any given shareholder will receive the form of consideration he or she elects. A maximum of 581,753 Sierra Bancorp shares will be issued in the merger. The amount of cash to be paid will equal $3,176,171, subject to reduction in the event Coast Bancorp's total adjusted shareholders equity is less than $5.2 million as of the end of the month preceding the closing or certain transaction expenses of Coast Bancorp exceed $2.4 million. See “PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER – Adjustments to the Merger Consideration.” The aggregate shares and cash are also subject to increase if any Coast Bancorp stock options are exercised prior to the effective time of the merger. If Coast Bancorp shareholders elect to receive more of one form of consideration than is available, we will allocate the available amount among the Coast Bancorp shareholders electing to receive that form of consideration, and those Coast Bancorp shareholders will receive the other form of consideration for the balance of their Coast Bancorp shares. For a detailed description of these allocation procedures, please see “PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER — Allocation Calculation.”

Q: What will holders of outstanding stock options and warrants receive in the merger?

A: Holders of outstanding stock options under the Coast Bancorp 2014 Equity Compensation Plan shall be entitled to exercise such options in connection with the merger. Any option holder electing to exercise outstanding stock options will receive the same merger consideration as any other Coast Bancorp shareholder. The exercise price of all outstanding options is $1.43 per share. The total number of shares issued and cash paid may be increased if outstanding stock options are exercised prior to the effective time of the merger. Any unexercised stock options shall be automatically converted into the right to receive the difference between $2.25 per share minus the exercise price, or $0.82 per share under the merger agreement.

Coast Bancorp has outstanding warrants to purchase 123,181 shares of Cost Bancorp common stock at an exercise price of $5.50 per share. Given the high exercise price in relation to the per share merger consideration, it appears unlikely that any of the warrants will be exercised. The warrants expire if not exercised prior to completion of the merger.

Q: Will I receive any fractional shares of Sierra Bancorp common stock as part of the merger consideration?

A: No. Sierra Bancorp will not issue fractional shares in the merger. As a result, the total number of shares of Sierra Bancorp common stock that you will receive in the merger will be rounded down to the nearest whole number. You will receive a cash payment for the value of any remaining fraction of a share of Sierra Bancorp common stock that you would otherwise have been entitled to receive.

Q: Do Coast Bancorp shareholders have dissenters' rights with respect to approval of the merger agreement?

A: Yes. Holders of Coast Bancorp common stock have dissenters' rights in accordance with the provisions of Chapter 13 of the CGCL. In order to exercise dissenters' rights, a shareholder does not need to affirmatively vote against the merger agreement, but instead need only not vote in favor of the merger agreement. However, a shareholder choosing to exercise his or her dissenters' rights must also comply with the provisions of Chapter 13 of the CGCL. A copy of the applicable sections of Chapter 13 of the CGCL is included with this proxy statement/prospectus as **Appendix B**. Please also read the section entitled "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER – Dissenters' Rights of Coast Bancorp Shareholders" beginning on page [__].

Q: Why has the Coast Bancorp board of directors approved the merger?

A: The board of directors of Coast Bancorp has considered a number of available strategic options and in the board's opinion, none of these options, including remaining independent, is likely to create value for Coast Bancorp shareholders greater than that created by the proposed transaction with Sierra Bancorp. Please read the section entitled "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER – Coast Bancorp's Reasons for the Merger; Recommendation of Coast's Board of Directors" beginning on page [__].

Q: When do you expect the merger to be completed?

A: Sierra Bancorp and Coast Bancorp are working to complete the merger in the second quarter of 2016. However, the merger is subject to various federal and state regulatory approvals and other conditions, including approval by the shareholders of Coast Bancorp. Due to possible factors outside our control, it is possible that the merger will be completed at a later time, or not at all. There may be a substantial amount of time between the special meeting and the completion of the merger.

Q: What happens if I sell my shares after the record date for the special meeting, but before the special meeting?

A: If you transfer your shares after the record date for the special meeting but before the date of the special meeting, you will retain your right to vote at the special meeting. However, you will not have the right to receive any shares of Sierra Bancorp common stock in exchange for your former shares of Coast Bancorp common stock if and when the merger is completed. In order to receive shares of Sierra Bancorp common stock in exchange for your shares of Coast Bancorp common stock, you must hold your Coast Bancorp common stock through the completion of the merger.

Q: Should I send in my certificates now?

A: No. Please do not send in your stock certificates at this time. If the merger is approved by the shareholders, you will be sent instructions regarding the surrender of your stock certificates and your election as to the type of consideration you would prefer to receive in the merger.

Q: What should I do now?

A: After reading this proxy statement/prospectus, you should vote on the proposals. Simply indicate on your proxy card how you want to vote, then sign and mail your proxy card in the enclosed return envelope in time to be represented at the special meeting. You may also vote by telephone or the Internet by following the instructions on your proxy card.

As soon as reasonably practicable after special meeting, the exchange agent for the merger will mail to each holder of record of a Coast Bancorp stock certificate a letter of transmittal and instructions for use in making an election. If you are a Coast Bancorp shareholder and do not own your shares through a brokerage firm which holds your shares in street name, you should immediately locate and make sure you have possession of the certificates evidencing your Coast Bancorp common stock as you will need to surrender them in order to receive the merger consideration. **If your certificate(s) for Coast Bancorp common stock is/are lost, stolen, or destroyed, you are urged to immediately notify Broadridge Shareholder Services at 877-830-4933, so that a "stop transfer" instruction can be placed on your shares of Coast Bancorp stock underlying your lost certificate(s) to prevent transfer of ownership to another person. Broadridge will send you the forms to permit the issuance of a replacement certificate(s).**

Q: When can I sell the shares of Sierra Bancorp common stock that I receive in the merger?

A: You may sell the shares of Sierra Bancorp common stock you receive in the merger without restriction unless you are considered an "affiliate" of Sierra Bancorp. See "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER – Resale of Sierra Bancorp common stock" on page [ ].

Q: Who can help answer my other questions?

A: If you have more questions about the merger or the special meeting, or if you need additional copies of this document or the enclosed proxy card, you may direct your questions to Anita M. Robinson, President, Coast Bancorp, 500 Marsh Street, San Luis Obispo, California 93401; (805) 541-0400 or (805) 547-6135 - Direct Line.

SUMMARY

This summary highlights selected information from this proxy statement/prospectus. Because this is a summary, it does not contain all of the information that may be important to you. You should carefully read this entire document and the other documents we refer to in this proxy statement/prospectus before you decide how to vote. These references will give you a more complete description of the merger agreement and the merger and the other matters to be considered at the special meeting. We have included page references in this summary to direct you to more complete descriptions of the topics provided elsewhere in this proxy statement/prospectus.

Parties to the Merger Agreement (See pages [__] to [__])

Sierra Bancorp is a California corporation headquartered in Porterville, California, and is a registered bank holding company under federal banking laws. Sierra Bancorp is the holding company for Bank of the Sierra, a California state-chartered bank also headquartered in Porterville. Founded in 1978, Bank of the Sierra is the largest independent bank headquartered in the South San Joaquin Valley, currently with 28 full service branch offices and approval to open two other branches. At December 31, 2015, Sierra Bancorp had total assets of $1.8 billion, total deposits of $1.5 billion and total shareholders’ equity of $190.3 million.

Sierra Bancorp’s principal executive offices are located at 86 North Main Street, Porterville, CA 93257, telephone: (559) 782-4900.

Coast Bancorp is a California-based bank holding company for Coast National Bank, a federally chartered commercial bank headquartered in San Luis Obispo, California. Coast National Bank received its bank charter and commenced banking operations on June 16, 1997. It maintains three full-service banking centers in San Luis Obispo, Arroyo Grande and Paso Robles, California. It also maintains a loan production office in Atascadero, California. As of December 31, 2015, Coast Bancorp had, on a consolidated basis, total assets of $146.8 million, total deposits of $126.4 million and total shareholders’ equity of $10.3 million.

Coast Bancorp’s principal executive offices are located at 500 Marsh Street, San Luis Obispo, California 93401; telephone: (805) 541-0400.

Special Meeting of Shareholders (See pages [__] to [__])

Coast Bancorp will hold a special meeting of shareholders at 500 Marsh Street, San Luis Obispo, California 93401, on [COAST MEETING DATE], at [COAST MEETING TIME] (local time). The Coast Bancorp board of directors has set the close of business on [COAST RECORD DATE], as the record date for determining shareholders entitled to notice of, and to vote at, the special meeting. On that date, there were [__] shares of Coast Bancorp common stock outstanding.

At the special meeting, holders of Coast Bancorp common stock will be asked to consider and vote on the following proposals:

- a proposal to approve the merger agreement and the merger of Coast Bancorp with and into Sierra Bancorp with Sierra Bancorp surviving the merger; and of the merger of Coast National Bank with and into Bank of the Sierra, with Bank of the Sierra surviving the merger and continuing the commercial bank operations of the combined bank under its California charter and as the wholly-owned bank subsidiary of Sierra Bancorp; as more fully described in this proxy statement/prospectus;
- a proposal to approve any adjournment or postponement of the special meeting if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose;

The Merger Agreement (See pages [__] to [__])

The merger agreement is the legal document that contains the terms that govern the merger process, including the issuance of the merger consideration as a result of the merger. Please read the entire merger agreement which is attached to this proxy statement/prospectus as **Appendix A.**

The Merger (See pages [__] to [__])

Under the terms of the merger agreement: (a) Sierra Bancorp will acquire Coast Bancorp by merging Coast Bancorp with and into Sierra Bancorp, with Sierra Bancorp surviving the merger; (b) immediately after, Coast National Bank will be merged with and into Bank of the Sierra and Bank of the Sierra will continue the commercial bank operations of the combined banks under its California charter and as the wholly-owned bank subsidiary of Sierra Bancorp, and (c) Sierra Bancorp will issue shares of its common stock and cash to Coast Bancorp shareholders pursuant to the terms of the merger agreement. A copy of the merger agreement between Sierra Bancorp and Coast Bancorp is attached to this proxy statement/prospectus as **Appendix A**.

Consideration to be Paid to the Holders of Coast Bancorp Common Stock (See pages [__] to [__])

If the merger is completed, each shareholder of Coast Bancorp will receive, subject to their stock and cash election and proration, their proportional share of the total merger consideration, which consists of (1) approximately 581,753 shares of Sierra common stock; and (2) $3,176,371 in cash (subject to downward adjustment in certain circumstances as specified in the merger agreement). The total number of shares issued and cash paid may be increased if outstanding Coast Bancorp stock options are exercised prior to the effective time of the merger. This will not result in any change to the per share merger consideration payable to current shareholders. The cash portion of the merger consideration is subject to reduction if Coast Bancorp's adjusted shareholders' equity is less than $5.2 million or certain expenses of the merger exceed $2.4 million. For a definition of the term "adjusted shareholders' equity" and a description of such expenses, see "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER – Adjustments to the Merger Consideration." Holders of in-the-money Coast Bancorp stock options who have not previously exercised their options will receive $2.25 minus the exercise price per share with respect to the corresponding Coast stock option. Outstanding warrants to purchase approximately 123,181 shares of Coast common stock at $5.50 per share shall be cancelled and become null and void unless exercised prior to the effective time of the merger.

The precise amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until shortly before the closing of the merger. In addition, because there is a maximum number of shares of Sierra Bancorp common stock and cash that will be issued as merger consideration, and it is impossible to predict what elections different shareholders will make, there is no assurance that any given shareholder will receive the form of consideration he or she elects.

United States Federal Income Tax Consequences (See pages [__] to [__])

Sierra Bancorp and Coast Bancorp intend that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code, and it is a condition to Sierra Bancorp's obligation to complete the merger that it receive an opinion from its special tax counsel, Katten Muchin Rosenman LLP, to the effect that the merger will so qualify. Accordingly, U.S. holders (as defined in the section entitled "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER – Material United States Federal Income Tax Consequences of the Merger" beginning at page [__]) of Coast Bancorp common stock generally will not recognize gain or loss for U.S. federal income tax purposes upon the exchange of their shares of Coast Bancorp common stock for Sierra Bancorp common stock. U.S. holders who receive cash (other than cash received in lieu of a fractional share of Sierra Bancorp common stock) and Sierra Bancorp common stock will recognize gain, but will not recognize any loss, for U.S. federal income tax purposes in an amount equal to the lesser of (1) the amount of cash received (other than cash received in lieu of a fractional share of Sierra Bancorp common stock) and (2) the excess, if any, of (x) the sum of the amount of such cash and the fair market value of the Sierra Bancorp common stock received in the merger, over (y) the U.S. holder's tax basis in the shares of Coast Bancorp common stock surrendered in the merger. In addition, U.S. holders will recognize gain or loss attributable to cash received in lieu of a fractional share of Sierra Bancorp common stock. U.S. holders who receive only cash in the merger and U.S. holders who dissent and receive cash for their dissenting shares will recognize a taxable gain or loss. For a description of the material U.S. federal income tax consequences of the merger, see "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER – Material United States Federal Income Tax Consequences of the Merger" beginning on page [__]. Coast Bancorp shareholders are strongly urged to consult with their tax advisors concerning the U.S. federal income tax consequences of the merger to them, as well as the effects of state and local, foreign and other tax laws.

Regulatory Approvals Must Be Obtained Before the Merger Will Be Completed (See pages [__] to [__])

Sierra Bancorp has agreed to use its best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement, including the approvals from the Federal Reserve Board, which we refer to as the Federal Reserve; the Federal Deposit Insurance Corporation, which we refer to as the FDIC; and the California Department of Business Oversight, which we refer to as the CDBO. Sierra Bancorp and Bank of the Sierra have filed the requisite applications to obtain the required regulatory approvals. In obtaining the required regulatory approvals, Sierra Bancorp and Bank of the Sierra are not required to agree to agree to any condition that (i) requires Sierra Bancorp or Bank of the Sierra to pay any amounts (other than customary filing fees), or divest any banking office, line of business or operations, or (ii) imposes any condition, requirement or restriction upon Sierra Bancorp or Bank of the Sierra, that individually or in the aggregate would reasonably be expected to impose a materially burdensome condition on Sierra Bancorp or Bank of the Sierra, as applicable, or otherwise would materially alter the economics of the merger for Sierra Bancorp. [As of [____________], Sierra Bancorp [has] received the required regulatory approvals of the merger from the FDIC, the CDBO, and the Federal Reserve.] [TO BE VERIFIED OR UPDATED PRIOR TO PRINTING OF PROXY STATEMENT/PROSPECTUS] The approval by our regulators does not constitute an endorsement of the merger or a determination that the terms of the merger are fair to Coast Bancorp shareholders.

Approval of a Majority of All Shares of Coast Bancorp Stock Entitled to Vote at the Special Meeting is Required for the Merger to be Consummated (See pages [__] to [__])

The affirmative vote of at least a majority of the shares of Coast Bancorp common stock outstanding as of the record date for the special meeting is required to approve the merger agreement and the merger. Each share of Coast Bancorp stock outstanding on the record date for the special meeting will be entitled to one vote for each share held. As of [COAST RECORD DATE], which is the record date for the special meeting, there were [__] shares of Coast Bancorp common stock outstanding. Therefore, at least [__] shares of Coast Bancorp common stock must be affirmatively voted in favor of the merger agreement in order for Coast Bancorp shareholders to approve the merger agreement and the transactions contemplated therein. Abstentions, failures to vote and broker non-votes will have the same effect as votes “**AGAINST”** approval of the merger agreement. As of the record date, Coast Bancorp’s directors and executive officers owned approximately [__] shares, or approximately [*]%, of Coast Bancorp’s outstanding shares of common stock and have committed to vote these shares “**FOR**” the approval of the merger agreement and merger.

Recommendation of Coast Bancorp’s Board of Directors (See pages [__] to [__])

On January 4, 2016, all of Coast Bancorp’s directors, except for one director who abstained, approved the merger agreement and the merger. Director Greg Gersack abstained due to his relationship with FIG Partners, which acted as a financial advisor to Coast Bancorp with respect to the merger. Moreover, the directors believe that the merger agreement's terms are fair and in the best interests of Coast Bancorp's shareholders. Accordingly, they recommend a vote **"FOR"** the proposal to approve the principal terms of the merger agreement and the merger. The conclusions of Coast Bancorp's board of directors regarding the merger agreement are based upon a number of factors which are discussed more fully under the section entitled "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER – Coast Bancorp's Reasons for the Merger; Recommendation of Coast's Board of Directors" beginning on page [__].

Directors and Executive Officers of Coast Bancorp Have Entered into Voting Agreements (See pages [__] to [__]).

As of the record date, Coast Bancorp's directors and executive officers owned approximately [__] shares, or approximately [*]%, of Coast Bancorp's outstanding shares of common stock. Coast Bancorp's directors and executive officers have entered into separate written agreements in which they have agreed, among other things, to vote their shares "**FOR**" the approval of the merger agreement and the transactions contemplated therein. A copy of the form of voting agreement separately executed by each of the Coast Bancorp directors is attached as Exhibit A and a copy of the form of voting agreement separately executed by each of the executive officers is attached as Exhibit B to the merger agreement which is attached to this proxy statement/prospectus **Appendix A** and is incorporated herein by reference.

Opinion of Coast Bancorp's Financial Advisor (See pages [__] to [__])

In deciding to approve the merger, Coast Bancorp's board of directors considered, among other things, the opinion of Vining Sparks IBG, L.P., one of Coast Bancorp's financial advisors, regarding the fairness, from a financial point of view, of the merger consideration to be received by Coast Bancorp's shareholders as a result of the merger agreement and the transactions contemplated therein. Vining Sparks' written opinion is attached as **Appendix C**. You should read it carefully to understand the assumptions made, matters considered and limitations of the review undertaken by Vining Sparks in providing its opinion. **Vining Sparks' written opinion is addressed to Coast Bancorp's board of directors and does not constitute a recommendation as to how any holder of Coast Bancorp common stock should vote with respect to the merger agreement and the transactions contemplated therein.**

Coast Bancorp Directors and Executive Officers may have interests in the merger that differ from interests of Coast Bancorp Shareholders (See pages [__] to [__])

Coast Bancorp's directors and executive officers may have economic interests in the merger that are different from, or in addition to, their interests as Coast Bancorp shareholders. The Coast Bancorp board of directors considered these interests in its decision to adopt and approve the merger agreement and to recommend approval of the merger agreement and the merger to Coast Bancorp shareholders. Some of the interests of Coast Bancorp's directors and executive officers include:

- Anita M. Robinson will not be retained in her current position of President and Chief Executive Officer by Sierra Bancorp after the merger, and therefore, Ms. Robinson will be entitled to change in control payments equal to the sum of 18 months' base salary plus an average bonus amount. In addition Ms. Robinson will be entitled to the continuation of her medical benefits for a period of 12 months, if applicable; and any shares of restricted stock she holds will immediately vest and will be exchanged for shares of Sierra Bancorp common stock in the merger. The aggregate change in control payment for Ms. Robinson will be $375,000.
- Sierra Bancorp has agreed to retain Ms. Robinson to serve as Market President of Bank of the Sierra for the San Luis Obispo area following the merger and has agreed to pay compensation to Ms. Robinson for her service in this capacity of $170,000 per year, plus a bonus equal to 30% of her base salary under the Bank of the Sierra Bonus Plan.
- Coast Bancorp has adopted a retention plan pursuant to which it has offered retention incentives to executive officers Paul Cable and Brent Morgan in the amount of $30,000 each, to encourage them to remain employed with Coast Bancorp in order satisfy a condition to the completion of the merger and to remain employed with Sierra Bancorp and/or Bank of the Sierra after the merger closes and the conversion of the general ledger systems has been completed. Other than Messrs. Cable and Morgan, no other director and/or executive officer of Coast Bancorp will be entitled to any retention incentives under the retention plan.
- Coast Bancorp has previously granted stock options to certain executive officers and directors under its 2014 Stock Incentive Plan, as amended. All of the options are now vested as a result of Coast Bancorp notifying option holders that the Coast Bancorp board had approved the merger agreement and merger. For a breakdown of Coast Bancorp options held by each Coast Bancorp director and executive officer and the consideration each will receive in

connection with the merger, please see "PROPOSAL NO. 1 – THE MERGER AGREEMENT AND THE MERGER – Interests of Directors and Executive Officers in the Merger – Stock Options" beginning on page [__].

- Pursuant to the terms of the merger agreement, Sierra Bancorp has agreed to maintain and preserve the indemnification rights of Coast Bancorp directors and officers after the completion of the merger and has also agreed to allow Coast Bancorp to purchase "tail coverage," for a period of six years, in order to continue providing liability insurance to the officers and directors of Coast Bancorp, subject to certain cost limits. See "PROPOSAL NO. 1 – THE MERGER AGREEMENT AND THE MERGER – Interests of Directors and Executive Officers in the Merger – Protection of Directors, Officers and Employees" beginning on page [__].

- Coast Bancorp director Greg Gersack is a principal in the national investment banking firm of FIG Partners, LLC. FIG Partners, LLC, was approved to act as a financial advisor to Coast Bancorp in connection with this transaction, with Mr. Gersack abstaining from the vote to engage such firm. Mr. Gersack also abstained with respect to the Coast board's vote to approve the merger agreement and the merger. When this transaction closes, FIG Partners, LLC, shall be entitled to receive a success fee from Coast Bancorp in the amount of $130,000.

Conditions that Must Be Satisfied Prior to Closing the Merger (See pages [__] to [__] for Sierra Bancorp and pages [__] to [__] for Coast Bancorp)

In addition to obtaining the necessary approval of the shareholders of Coast Bancorp, the parties' obligations to close the merger depend on other conditions being met prior to the completion of the merger, including but not limited to:

- As of five days prior to the closing, Coast Bancorp's allowance for loan losses, determined in accordance with GAAP, shall be no less than 1.40% of gross loans;
- Coast Bancorp must have obtained an environmental report for certain owned real properties, which do not disclose any materials amount of hazardous materials, material adverse environmental conditions or material violations of environmental laws that have not been remediated;
- Coast Bancorp's shareholder rights plan shall have been terminated, all rights issued thereunder shall have been redeemed, no "flip-in event" (as that term is defined in the shareholder rights plan) shall have occurred, and no shares of company preferred stock shall have been issued or be issuable thereunder, and Coast shall have delivered to Sierra written evidence of the same reasonably satisfactory to Sierra;
- Coast Bancorp's senior note shall have been repaid in full, and the stock of Coast National Bank which is pledged as collateral therefor shall have been released, or, if Sierra Bancorp elects in its sole discretion to assume the senior note, the consent of the note holder to the assumption shall have been obtained.
- Dissenters' rights have not been exercised and perfected by in excess of ten percent (10%) of Coast Bancorp's outstanding common stock;
- Sierra Bancorp must have received an opinion dated as of the date of the closing of the merger, from its special tax counsel, Katten Muchin Rosenman LLP, to the effect that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code;
- At least 5 business days before the merger closes, Coast Bancorp shall have provided Sierra Bancorp with its financial statements presenting the financial condition of Coast Bancorp as of the close of business on the last day of the month ended prior to the effective time of the merger which accurately reflect the financial condition of Coast Bancorp in all material respects, including accruals for all fees and expenses incurred or expected to be incurred in connection with the merger; and
- All holders of Coast Bancorp stock options shall have agreed that their options, except to the extent not otherwise exercised, will terminate at the effective time of the merger.

Closing the Merger (See pages [__] to [__])

If shareholder approval is received as planned, and if the conditions to the merger have either been met or waived, we anticipate that the merger will close in the second quarter of 2016. However, we cannot assure you whether or when the merger will actually close.

Termination of the Merger Agreement (See pages [__] to [__])

The obligations of the parties to consummate the merger are subject to certain closing conditions, some of which may not be waived by a party, including but not limited to the receipt of all required shareholder and regulatory approvals and other governmental consents, and some conditions which may be waived by a party in its discretion. The failure of a condition to the closing of the merger, to the extent not waived, may result in a termination of the merger agreement and the merger.

In addition, the parties can mutually agree to terminate or extend the merger agreement. Either party can terminate the merger agreement in the event of a material breach or the occurrence of certain other events.

Coast Bancorp has agreed to pay a termination fee of $700,000 to Sierra Bancorp if Coast Bancorp breaches its covenants relating to alternative acquisition proposals or Coast Bancorp consummates an alternative acquisition proposal within 12 months following a termination of the merger agreement due to the failure of Coast Bancorp shareholders to approve the merger agreement following any action taken by the Coast Bancorp Board constituting a change of its recommendation.

Accounting Treatment (See pages [__] to [__])

Sierra Bancorp must account for the merger using the acquisition method of accounting. Under this method of accounting, the assets and liabilities of Coast Bancorp and Coast National Bank acquired are recorded at their respective fair value as of the completion of the merger, and are added to those of Sierra Bancorp and Bank of the Sierra.

Sierra Bancorp's and Bank of the Sierra's Management and Operations After the Merger (See pages [__] to [__])

The directors and executive officers of Sierra Bancorp and Bank of the Sierra immediately prior to the merger will continue to be the directors and executive officers Sierra Bancorp and Bank of the Sierra, respectively, after the merger.

Differences in Your Rights as a Shareholder of Coast Bancorp (See pages [__] to [__])

As a Coast Bancorp shareholder, your rights are currently governed by Coast Bancorp's Articles of Incorporation and Bylaws and by the CGCL. If you do not exercise your dissenters' rights, your shares of Coast Bancorp common stock will be automatically converted into the right to receive the per share merger consideration for each share of Coast Bancorp common stock you hold at the closing of the merger. Consequently, for those shareholders who receive Sierra Bancorp common stock, your rights as a Sierra Bancorp shareholder will be thereafter governed by Sierra Bancorp's Articles of Incorporation and Bylaws and by the CGCL. The rights of Sierra Bancorp shareholders differ from those of Coast Bancorp shareholders in certain respects. Most of these differences will result from the provisions in Sierra Bancorp's Articles of Incorporation and Bylaws that differ from those of Coast Bancorp.

Coast Bancorp Dissenters' Rights (See pages [__] to [__])

Shares of Coast Bancorp common stock may qualify as "dissenting shares" under Chapter 13 of the CGCL and holders of shares of Coast Bancorp common stock may perfect their dissenters' rights by doing the following:

- not vote "FOR" the merger agreement and the merger;

.

make a timely written demand upon Coast Bancorp for purchase in cash of his or her shares at their fair market value as of January 4, 2016 which demand includes: (i) the number and class of the shares held of record by him or her that he or she demands upon Coast Bancorp, and (ii) what he or she claims to be the fair market value of his or her shares as of January 4, 2016 and immediately prior to the first public announcement of the merger;

- have his or her demand received by Coast Bancorp within 30 days after the date on which the notice of the approval by the outstanding shares is mailed to the shareholder;
- submit certificates representing his or her shares for endorsement in accordance with Section 1302 of the CGCL; and
- comply with such other procedures as are required by the CGCL.

If dissenters' rights are properly perfected, such dissenter has the right to receive cash in the amount equal to the fair market value, as determined by Coast Bancorp, or, if required, by a court of law, of their shares of Coast Bancorp common stock as of the day of, and immediately prior to, the first public announcement of the merger, excluding any change in such value as a consequence of the proposed merger.

If dissenters' rights are perfected and exercised with respect to more than ten percent (10%) of Coast Bancorp's common stock outstanding, then Sierra Bancorp has the option to terminate the merger agreement. The text of the applicable sections of Chapter 13 of the CGCL governing dissenters' rights is attached to this proxy statement/prospectus as **Appendix B**. We urge you to carefully read the procedures set forth in **Appendix B**, as failure to comply with these procedures will result in the loss of dissenters' rights under the CGCL.

SIERRA BANCORP SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents selected historical financial information concerning Sierra Bancorp and its consolidated subsidiary, Bank of the Sierra. The selected financial data as of December 31, 2015 and 2014, and for each of the years in the three year period ended December 31, 2015, is derived from Sierra Bancorp's audited consolidated financial statements and related notes which are included in Sierra Bancorp's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed with the SEC, which is incorporated herein by reference. The selected financial data presented for earlier years is derived from Sierra Bancorp's audited financial statements which are included in previous Annual Reports on Form 10-K. See "WHERE YOU CAN FIND MORE INFORMATION" beginning on page [__] for instructions on how to obtain the information that has been incorporated by reference, as well as earlier Annual Reports on Form 10-K.

You should read the following selected consolidated financial data together with Sierra Bancorp's consolidated financial statements, including the related notes, and the other information contained or incorporated by reference in this proxy statement/prospectus.

Selected Financial Data	As of and for the years ended December 31,				
(Dollars in thousands, except per share data)	2015	2014	2013	2012	2011
Income Statement Summary					
Interest income	$62,707	$55,121	$51,785	$54,902	$58,614
Interest expense	2,581	2,796	3,221	4,321	5,657
Net interest income before provision for loan losses	60,126	52,325	48,564	50,581	52,957
Provision for loan losses	-	350	4,350	14,210	12,000
Non-interest income	17,715	15,831	17,063	18,126	14,992
Non-interest expense	50,703	46,375	44,815	46,656	47,605
Income before provision for income taxes	27,138	21,431	16,462	7,841	8,344
Provision (benefit) for income taxes	9,071	6,191	3,093	(344)	564
Net Income	18,067	15,240	13,369	8,185	7,780
Balance Sheet Summary					
Total loans, net	1,124,602	961,056	793,087	867,078	740,929
Allowance for loan losses	(10,423)	(11,248)	(11,677)	(13,873)	(17,283)
Securities available for sale	507,582	511,883	425,044	380,188	406,471
Cash and due from banks	48,623	50,095	78,006	61,818	63,036
Foreclosed Assets	3,193	3,991	8,185	19,754	15,364
Premises and equipment, net	21,990	21,853	20,393	21,830	20,721
Total Interest-Earning assets	1,634,180	1,474,629	1,244,795	1,279,932	1,185,647
Total Assets	1,796,537	1,637,320	1,410,249	1,437,903	1,335,405
Total Interest-Bearing liabilities	1,150,010	1,038,177	845,084	926,362	883,236

Total Deposits	1,464,628	1,366,695	1,174,179	1,174,034	1,086,268
Total Liabilities	1,606,197	1,450,229	1,228,575	1,264,011	116,841
Total Shareholders' Equity	190,340	187,091	181,674	173,892	168,564
Per Share Data					
Net Income Per Basic Share	1.34	1.09	0.94	0.58	0.55
Net Income Per Diluted Share	1.33	1.08	0.94	0.58	0.55
Book Value	14.36	13.67	12.78	12.33	11.95
Cash Dividends	0.42	0.34	0.26	0.24	0.24
Weighted Average Common Shares Outstanding Basic	13,460,605	14,001,958	14,155,927	14,103,805	14,036,667
Weighted Average Common Shares Outstanding Diluted	13,585,110	14,136,486	14,290,150	14,120,313	14,085,201

(Table continues on following page.)

	As of and for the years ended December 31,				
	2015	2014	2013	2012	2011
Return on Average Equity [1]	9.59 %	8.18 %	7.56 %	4.74 %	4.73 %
Return on Average Assets [2]	1.07 %	1.03 %	0.96 %	0.59 %	0.59 %
Net Interest Spread (tax-equivalent) [3]	3.92 %	3.92 %	3.90 %	4.08 %	4.41 %
Net Interest Margin (tax-equivalent)	3.99 %	4.01 %	4.02 %	4.22 %	4.59 %
Dividend Payout Ratio [4]	31.34 %	31.33 %	27.52 %	41.35 %	43.29 %
Equity to Assets Ratio [5]	11.13 %	12.58 %	12.72 %	12.51 %	12.37 %
Efficiency Ratio (tax-equivalent)	63.98 %	66.39 %	66.90 %	66.39 %	67.83 %
Net Loans to Total Deposits at Period End	76.78 %	70.32 %	67.54 %	73.85 %	68.21 %
Asset Quality Ratios:					
Non-Performing Loans to Total Loans [6]	0.85 %	2.13 %	4.66 %	6.03 %	7.41 %
Non-Performing Assets to Total Loans and Other Real Estate Owned [6]	1.13 %	2.53 %	5.62 %	8.10 %	9.25 %
Net Charge-offs (recoveries) to Average Loans	0.08 %	0.09 %	0.81 %	2.23 %	2.06 %
Allowance for Loan Losses to Net Loans at Period End	0.93 %	1.17 %	1.47 %	1.60 %	2.33 %
Allowance for Loan Losses to Non-Performing Loans	108.19 %	54.40 %	31.21 %	26.13 %	30.80 %
Regulatory Capital Ratios:					
Common Equity Tier 1 Capital to Risk-weighted Assets	13.98 %	N/A	N/A	N/A	N/A
Tier 1 Capital to Adjusted Average Assets (Leverage Ratio)	12.14 %	12.99 %	14.37 %	13.34 %	14.11 %
Tier 1 Capital to Total Risk-weighted Assets	16.17 %	17.39 %	20.39 %	18.11 %	20.46 %
Total Capital to Total Risk-weighted Assets	17.01 %	18.44 %	21.67 %	19.36 %	21.72 %

(1) Net income divided by average shareholders' equity.
(2) Net income divided by average total assets.
(3) Represents the average rate earned on interest-earning assets less the average rate paid on interest-bearing liabilities.
(4) Total dividends paid divided by net income.
(5) Average equity divided by average total assets.
(6) Performing TDRs are not included in nonperforming loans and are therefore not included in the numerators used to calculate these ratios.

14

COAST BANCORP SELECTED FINANCIAL DATA

The selected financial data as of December 31, 2015 and 2014, and for each of the years in the two year period ended December 31, 2015, is derived from Coast Bancorp's audited financial statements and related notes which are included elsewhere in this proxy statement/prospectus. The summary below should be read in conjunction with our financial statements and the notes thereto appearing elsewhere in this proxy statement/prospectus and the information contained in "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF COAST BANCORP" beginning on page [__].

	As of and For the Years Ended December 31,	
	2015	2014
	(Dollars in thousands, except per share data)	
Selected Balance Sheet Data:		
Interest-bearing deposits in other banks	$ 7,840	$ 8,085
Loans, net[1]	92,427	72,990
Investment securities available-for-sale	21,321	16,632
Investment securities held-to-maturity	2,894	4,425
Total Assets	146,866	128,342
Deposits	126,438	115,044
Non-interest-bearing deposits	56,107	48,227
Total interest-bearing liabilities	80,048	76,034
Total stockholders' equity	10,329	3,625
Selected Operating Data:		
Interest income	$ 5,350	$ 4,431
Interest expense	515	464
Net interest income	4,835	3,967
Provision for loan losses	(500)	(500)
Net interest income after provision for loan losses	5,335	4,467
Total non-interest income	2,276	846
Total non-interest expense	5,172	5,128
Income before income taxes	2,439	185
Income tax Provision (benefit)	(4,318)	2
Net income applicable to common shareholders	$ 6,757	$ 183
Common Share Data:		
Basic earnings per share	$ 1.20	$ 0.05
Diluted earnings per share	1.20	0.05
Weighted average common shares outstanding:		
Basic	5,646,881	3,503,319
Diluted	5,646,881	3,503,319

Book value per share[2]	$ 1.83		$ 0.64	
Cash dividends per share	–		–	
Performance Ratios:[3]				
Return on average assets	4.85	%	0.15	%
Return on average common equity	174.60	%	11.66	%
Average equity to average assets	2.78	%	1.26	%
Net interest margin[4]	3.66	%	3.51	%
Dividend payout ratio	–		–	
Net loans to deposits at period end	73.10	%	63.45	%
Efficiency ratio[5]	72.73	%	106.54	%

(Footnotes appear and table continues on following page.)

	As of and For the Years Ended December 31,			
	2015		2014	
	(Dollars in thousands, except per share data)			
Regulatory Capital Ratios:				
Common Equity Tier 1 Capital to Risk-weighted Assets	12.80	%	N/A	
Tier 1 Capital to Adjusted Average Assets	10.34	%	9.36	%
Tier 1 Capital to Total Risk-weighted Assets	12.80	%	14.03	%
Total Capital to Total Risk-weighted Assets	14.03	%	15.29	%
Asset Quality Ratios:[3]				
Nonperforming loans to total loans[6]	0.30	%	0.93	%
Nonperforming assets to total assets[6]	0.19	%	1.14	%
Allowance for loan losses to gross loans	1.51	%	2.33	%
Net charge-offs (recoveries) to average loans	(0.20	%)	(0.90	%)

1. Net loans represent total gross loans less the allowance for loan losses and net deferred loan fees. The allowance for loan losses at December 31, 2015 and 2014 was $1,417,000 and $1,749,000, respectively. Net deferred loan fees at December 31, 2015 and 2014 were $294,000 and $377,000, respectively.
2. Book value per common share is calculated by dividing common equity by common shares issued.
3. Performance ratios are based on average daily balances during the periods indicated. Asset quality ratios are end of period ratios.
4. Net interest margin represents net interest income as a percent of interest-bearing assets.
5. Efficiency ratio represents noninterest expense as a percent of net interest income plus noninterest income.
6. Performing TDRs are not included in nonperforming loans and are therefore not included in the numerators used to calculate these ratios.

COMPARATIVE MARKET PRICE DATA AND DIVIDEND INFORMATION

Markets; Holders

Sierra Bancorp's common stock trades on the Nasdaq Global Select Market under the symbol "BSRR." As of [LATEST PRACTICABLE DATE], there were [__] shares of Sierra Bancorp's common stock outstanding, which were held by 493 holders of record, and approximately 4,029 beneficial owners with shares held in street name. There were also options outstanding exercisable within 60 days of that date to purchase an additional [___] shares of Sierra common stock.

Shares of Coast Bancorp common stock are not listed on any exchange or quoted by the Nasdaq® Stock Market, although they are quoted on the OTC-PINK under the symbol "CTBP." The OTC-PINK is an electronic, screen-based market maintained and operated by the OTC Markets Group, which imposes considerably less stringent listing standards than the Nasdaq. As of [LATEST PRACTICABLE DATE], there were 5,646,881 shares of common stock outstanding, which were held by 327 holders of record. There were also exercisable options outstanding as of that date to purchase an additional [452,000] shares of Coast common stock.

Comparative Per Share Market Value Prices

The following table shows the closing per share price of Sierra Bancorp common stock and Coast Bancorp common stock as reported on the Nasdaq Global Select Market and the OTC-PINK, respectively, on January 4, 2016, the last trading day before Sierra Bancorp and Coast Bancorp announced that they had entered into the merger agreement, and on [LATEST PRACTICABLE DATE], the latest practical trading date before the printing of this proxy statement/prospectus. The equivalent value per share is calculated by multiplying the per share price of Sierra Bancorp common stock by 0.10302 and adding $0.56 per share.

Date	**Sierra Bancorp Common Stock**	**Coast Bancorp Common Stock**	Equivalent Coast Bancorp Price Per Share
January 4, 2016	$ 17.51	$ 1.75	$ 2.36
[LATEST PRACTICABLE DATE]	$ [ ]	$ [ ]	$ [ ]

The following table shows the high and low prices of Sierra Bancorp common stock and of Coast Bancorp common stock for each quarterly period since January 1, 2014 and is based on information provided by the Nasdaq Global

Select Market for Sierra Bancorp and by the OTC-PINK for Coast Bancorp. The quotations and the data in the following table do not reflect retail mark-up, mark-down or commissions and do not necessarily represent actual transactions. The information does not include transactions for which no public records are available. The trading prices in such transactions may be higher or lower than the prices reported below.

	Sierra Bancorp			Coast Bancorp		
	Sales Prices		Approximate Number of	Sales Prices		Approximate Number of
Quarter Ended	High	Low	Shares Traded	High	Low	Shares Traded
March 31, 2014	$17.00	$14.86	1,853,833	$3.45	$1.85	44,000
June 30, 2014	$16.25	$14.68	1,830,309	$2.70	$1.90	16,400
September 30, 2014	$17.95	$14.66	1,423,854	$2.10	$1.81	4,300
December 31, 2014	$18.00	$15.53	1,303,554	$1.82	$1.36	21,800
March 31, 2015	$17.64	$15.16	771,709	$1.66	$1.35	11,500
June 30, 2015	$17.42	$16.03	1,699,567	$1.50	$1.25	33,100
September 30, 2015	$18.14	$15.80	1,205,760	$1.85	$1.42	18,900
December 31, 2015	$19.13	$15.50	1,137,602	$1.95	$1.62	10,000
March 31, 2015						
Period from March 31, 2015 to April __, 2016						

The above table shows only historical comparisons. These comparisons may not provide meaningful information to Coast Bancorp shareholders in determining whether to approve the merger agreement and the merger. Coast Bancorp shareholders are urged to obtain current market quotations for Sierra Bancorp common stock and Coast Bancorp common stock and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus. Historical stock prices are not indicative of future stock prices.

Dividends

Sierra Bancorp

Sierra Bancorp paid cash dividends totaling $5.7 million, or $0.42 per share in 2015 and $4.8 million, or $0.34 per share in 2014, which represents 31% of annual net earnings for both 2015 and 2014. Sierra Bancorp's general dividend policy is to pay cash dividends within the range of typical peer payout ratios, provided that such payments do not adversely affect Sierra Bancorp's financial condition and are not overly restrictive to its growth capacity. However, in the past when many of its peers elected to suspend dividend payments, Sierra Bancorp's Board determined that it should continue to pay a certain level of dividends as long as Sierra Bancorp's core operating performance was adequate and policy or regulatory restrictions did not preclude such payments, without regard to peer payout ratios. While Sierra Bancorp has paid a consistent level of quarterly dividends in the past few years, no assurance can be given that its financial performance in any given year will justify the continued payment of a certain level of cash dividend, or any cash dividend at all.

As a bank holding company that currently has no significant assets other than its equity interest in Bank of the Sierra, Sierra Bancorp's ability to declare dividends depends upon cash on hand as supplemented by dividends from Bank of the Sierra. Bank of the Sierra's dividend practices in turn depend upon its earnings, financial position, regulatory standing, the ability to meet current and anticipated regulatory capital requirements, and other factors deemed relevant by its Board of Directors. The authority of Bank of the Sierra's Board of Directors to declare cash dividends is also subject to statutory restrictions. Under California banking law, a California state-chartered bank may declare dividends in an amount not exceeding the lesser of its retained earnings or its net income for the last three years (reduced by dividends paid during such period) or, with the prior approval of the California Commissioner of Business Oversight, in an amount not exceeding the greatest of (i) the retained earnings of the bank, (ii) the net income of the bank for its last fiscal year, or (iii) the net income of the bank for its current fiscal year.

Sierra Bancorp's ability to pay dividends is also limited by state law. California law allows a California corporation to pay dividends if the company's retained earnings equal at least the amount of the proposed dividend. If a California corporation does not have sufficient retained earnings available for the proposed dividend, it may still pay a dividend to its shareholders if immediately after the dividend the sum of the company's assets (exclusive of goodwill and deferred charges) would be at least equal to 125% of its liabilities (not including deferred taxes, deferred income and other deferred liabilities) and the current assets of the company would be at least equal to its current liabilities, or, if the average of its earnings before income taxes and before interest expense for the two preceding fiscal years was less than the average of its interest expense for the two preceding fiscal years, at least equal to 125% of its current liabilities. In addition, during any period in which Sierra Bancorp has deferred payment of interest otherwise due and payable on its subordinated debt securities, it may not pay any dividends or make any distributions with respect to its capital stock. See "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources" in Sierra Bancorp's Annual Report on Form 10-K for the year ended December 31, 2015 which is incorporated herein by reference.

Coast Bancorp

Shareholders are entitled to receive dividends when and if declared by the board of directors of Coast Bancorp. Coast Bancorp has not declared or issued any cash dividends on its common stock since commencing operations as a bank holding company and parent of wholly owned subsidiary Coast National Bank on June 1, 2001. Accordingly, Coast Bancorp does not anticipate paying any cash dividends for the foreseeable future on its common stock, and no assurance can be given that its earnings will permit the payment of dividends of any kind in the future.

California law also limits Coast Bancorp's ability to pay dividends. A corporation may make a distribution / dividend from retained earnings to the extent that the retained earnings exceed (a) the amount of the distribution plus (b) the amount, if any, of dividends in arrears on shares with preferential dividend rights. Alternatively, a corporation may make a distribution / dividend, if, immediately after the distribution, the value of its assets equals or exceeds the sum of (a) its total liabilities plus (b) the liquidation preference of any shares which have a preference upon dissolution over the rights of shareholders receiving the distribution / dividend.

Under federal law, at the bank level the Office of the Comptroller of the Currency (the "OCC") must provide prior approval before the declaration of any dividends to be paid in anything other than cash (that is, dividends-in-kind) and dividends that exceed the limitations established by 12 USC 60. No dividend may be declared from permanent capital unless the bank follows procedures for decreasing permanent capital. Any payment, described as a dividend or otherwise, by a bank that results in a reduction of its permanent capital requires the OCC's prior approval as a reduction of capital under 12 USC 59 and 12 CFR 5.46. A bank may obtain prior OCC approval to reduce permanent capital or pay dividends in advance of the period(s) in which the capital reduction or dividend would occur. Notwithstanding any such approval, a bank is prohibited from reducing permanent capital or declaring or paying a dividend if, following the action, it would become an undercapitalized institution as defined in 12 CFR 6.4.

Further, pursuant to the terms of the merger agreement, Coast Bancorp has agreed that prior to the effective time of the merger, without the prior written consent of Sierra Bancorp, it will not make, declare, pay or set aside for payment any dividend in respect of any shares of its capital stock.

RISK FACTORS

In addition to the other information included in this proxy statement/prospectus and the matters addressed in "A WARNING ABOUT FORWARD-LOOKING STATEMENTS" beginning on page [ ], you should carefully consider the matters described below in determining whether to approve the merger agreement. If the merger is consummated, Bank of the Sierra and Coast National Bank will operate as a combined bank and as a wholly-owned subsidiary of Sierra Bancorp in a market environment that cannot be predicted and that involves significant risks, many of which will be beyond the combined company's control.

Risks Relating to the Merger

Because the market price of Sierra common stock will fluctuate, Coast shareholders cannot be certain of the market value of the merger consideration they will receive.

If the merger is completed, each shareholder of Coast Bancorp will receive, subject to their stock and cash election and proration, their proportional share of the total merger consideration, which consists of (1) approximately 581,753 shares of Sierra common stock; and (2) $3,176,371 in cash (subject to downward adjustment in certain circumstances as specified in the merger agreement). The total number of shares issued and cash paid may be increased if outstanding stock options are exercised prior to the effective time of the merger. This will not result in any change to the per share merger consideration payable to current shareholders. The merger consideration calculation uses a formula based on the volume weighted average trading price of Sierra common stock for a period of time shortly before the close of the merger, and the price of Sierra common stock has fluctuated since the signing of the merger agreement and will likely continue to fluctuate until the close of the merger. As a result, it is not currently possible to determine the precise value of the merger consideration shareholders will receive.

Coast Bancorp shareholders may receive a form of consideration different from what they elect.

Although each Coast Bancorp shareholder may elect to receive all cash or all Sierra Bancorp common stock in the merger, or a prescribed mix of cash and stock, there is a maximum number of shares of Sierra common stock and a maximum amount of cash that will be issued as merger consideration. As a result, if either the aggregate cash or stock elections exceed the maximum available, and you choose the form of consideration that exceeds the maximum available, some or all of your consideration may be in a form that you did not choose.

The fairness opinion obtained by Coast Bancorp from its financial advisors will not reflect changes in the value of Sierra Bancorp common stock or Coast Bancorp common stock between the signing of the merger agreement and completion of the merger.

On January 4, 2016, one of Coast Bancorp's financial advisors, Vining Sparks IBG, L.P., presented its opinion to the Coast Bancorp board of directors as to the fairness of the merger consideration to the shareholders of Coast Bancorp from a financial point of view. As of January 4, 2016, in the opinion of Vining Sparks, the merger consideration was fair to the shareholders of Coast Bancorp from a financial point of view. The merger agreement does not require that Coast Bancorp obtain an updated fairness opinion as a condition to the completion of the merger, and Coast Bancorp does not intend to request that its opinion be updated.

As such, the fairness opinion does not reflect any changes that may occur or may have already occurred after January 4, 2016 to the operations and prospects of Sierra Bancorp or Coast Bancorp, general market and economic conditions and other factors that may be beyond the control of Sierra Bancorp and Coast Bancorp, and on which the respective original fairness opinion was based. As a result, the current value of the common stock of Sierra Bancorp and Coast Bancorp may not be reflected in the fairness opinion. The opinion does not speak as of the time the merger will be completed or as of any date other than the date set forth in the fairness opinion. Because Coast Bancorp does not currently intend to request an updated fairness opinion, the fairness opinion will not address the fairness of the merger consideration or the merger consideration, from a financial point of view, at the time the merger is completed. As a result, the board of directors of Coast Bancorp will not have the benefit of an updated fairness opinion in making its recommendations to shareholders. For a description of the fairness opinion the Coast Bancorp received from Vining Sparks, see "– Opinion of Coast Bancorp's Financial Advisor" beginning on page [ ]. For a description of the other factors considered by Coast Bancorp's board of directors in determining whether to approve the merger, see "– Coast Bancorp's Reasons for the Merger; Recommendation of Coast's Board of Directors" beginning on page [ ]. The full text of Vining Sparks' fairness opinion is attached as **Appendix C** to this proxy statement/prospectus.

Coast Bancorp shareholders will experience a significant reduction in percentage ownership and voting power of their shares as a result of the merger.

If you elect, or otherwise receive, shares of Sierra Bancorp common stock as part or all of your merger consideration, you will experience a substantial reduction in your percentage ownership interest and effective voting power after the merger in Sierra Bancorp compared to your ownership interest and voting power in Coast Bancorp prior to the merger. If the merger is consummated is currently estimated that former Coast shareholders will own slightly less than 5% of Sierra Bancorp's outstanding shares.

Coast Bancorp will be subject to business uncertainties and contractual restrictions while the merger is pending that could adversely affect its business.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Coast Bancorp and consequently, if the merger occurs, on Sierra Bancorp. These uncertainties may impair Coast Bancorp's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with Coast Bancorp to seek to change existing business relationships with Coast Bancorp, which could negatively affect its results of operations. Retention of certain employees may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with Sierra Bancorp. If key employees depart, Sierra Bancorp's business following the merger could be harmed and/or Coast Bancorp's business would be harmed if the merger is not completed and Coast Bancorp then continues as an independent bank. In addition, the merger agreement restricts Coast Bancorp from making certain acquisitions and loans and taking other specified actions until the merger occurs without the consent of Sierra Bancorp. These restrictions may prevent Coast Bancorp from pursuing attractive business opportunities that may arise prior to the completion of the merger. See the section entitled "THE MERGER AGREEMENT—Conduct of Coast Bancorp's Businesses Until Completion of the Merger" beginning on page [__] of this proxy statement/prospectus for a description of the restrictive covenants to which Coast Bancorp is subject.

The merger will not be completed unless important conditions are satisfied.

Specified conditions set forth in the merger agreement must be satisfied or waived to complete the merger. If the conditions are not satisfied or waived, to the extent permitted by law or Nasdaq rules, the merger will not occur or will be delayed, and each of Sierra Bancorp and Coast Bancorp may lose some or all of the intended benefits of the merger. The following conditions must be satisfied or, with respect to conditions other than shareholder and regulatory approval, waived, if permissible, before Sierra Bancorp and Coast Bancorp are obligated to complete the merger:

- The merger agreement must be approved by the affirmative vote of at least a majority of the shares of Coast Bancorp common stock outstanding as of the record date for the special meeting;
- All required regulatory approvals and consents must be obtained, including approvals from the Federal Reserve, the FDIC and the CDBO, and no materially burdensome regulatory conditions may be imposed on Sierra Bancorp or Bank of the Sierra;
- The absence of any law or order by a court or regulatory authority that would prohibit, restrict or make illegal the merger;
- The number of shares of Coast Bancorp common stock for which dissenters' rights have been properly asserted shall not be more than 10% of the total issued and outstanding shares of Coast Bancorp common stock;
- As of five days prior to the closing, Coast Bancorp's allowance for loan losses, determined in accordance with GAAP, shall be no less than 1.40% of gross loans;
- Coast Bancorp shall have obtained an environmental report for certain owned real properties, which do not disclose any materials amount of hazardous materials, material adverse environmental conditions or material violations of environmental laws that have not been remediated;

- Coast Bancorp's shareholder rights plan shall have been terminated, all rights issued thereunder shall have been redeemed, no "flip-in event" (as that term is defined in the shareholder rights plan) shall have occurred, and no shares of Coast Bancorp preferred stock shall have been issued or be issuable thereunder, and Coast Bancorp shall have delivered to Sierra Bancorp written evidence of the same reasonably satisfactory to Sierra Bancorp;
- Coast Bancorp's senior note shall have been repaid in full, and the stock of Coast National Bank which is pledged as collateral therefor shall have been released, or, if Sierra Bancorp elects in its sole discretion to assume the senior note, the consent of the note holder to the assumption shall have been obtained; and
- Special tax counsel to Sierra Bancorp shall have rendered certain tax opinions.

Failure to complete the merger could negatively impact Coast Bancorp’s business, financial condition, results of operations and/or stock price.

If the merger agreement is terminated and the merger is not completed, the ongoing businesses of Coast Bancorp may be adversely affected. For example:

- The expenses of Coast Bancorp incurred in connection with the merger, such as legal and accounting fees, must be paid even if the merger is not completed, and such expenses may not be recovered from Sierra Bancorp;
- Coast Bancorp may be required to pay a termination fee of $700,000 to Sierra Bancorp if the merger agreement is terminated under certain circumstances;
- While Coast Bancorp’s management is focused on completing the merger, Coast Bancorp could fail to pursue other beneficial opportunities;
- Pursuant to the merger agreement, Coast Bancorp is subject to certain restrictions on the conduct of its business prior to completing the merger, which restrictions could adversely affect its ability to realize certain of its respective business strategies;
- Coast Bancorp may experience negative reactions to the termination of the merger from customers, depositors, investors, vendors and others; and
- The market price of Coast Bancorp’s common stock may decline to the extent that the current market price reflects a market assumption that the merger will be completed.

In addition, any delay in the consummation of the merger, or any uncertainty about the consummation of the merger, may adversely affect Coast Bancorp’s future business, growth, revenue and results of operations. Further, if the merger agreement is terminated and Coast Bancorp’s board of directors seeks another merger or business combination, shareholders cannot be certain that Coast Bancorp will be able to find a party willing to pay the equivalent or greater consideration than that which Sierra Bancorp has agreed to pay in the merger.

The merger agreement contains provisions that could discourage or make it difficult for a third party to acquire Coast Bancorp prior to completion of the merger.

The merger agreement contains provisions that make it difficult for Coast Bancorp to entertain a third-party proposal for an acquisition of Coast Bancorp. These provisions include the general prohibition on Coast Bancorp's soliciting, initiating, encouraging or participating in discussions or negotiations regarding any acquisition proposal with any person or entity. The members of the board of directors of Coast Bancorp and certain executive officers have agreed to vote their shares of Coast Bancorp common stock in favor of the merger proposal and the adjournment proposal and against any alternative transaction. In addition, Coast Bancorp may be required to pay Sierra Bancorp a termination fee of $700,000 if the merger agreement is terminated in specified circumstances. See "PROPOSAL NO. 1 – THE MERGER AGREEMENT AND THE MERGER – The Merger Agreement – Termination; Effect of Termination" beginning on page [__]. These provisions could discourage an otherwise interested third party from trying to acquire Coast Bancorp, even one that might be willing to offer greater value to Coast Bancorp's shareholders than Sierra Bancorp has offered in the merger. Furthermore, even if a third party elects to propose an acquisition, the termination fee could result in that third party's offer being of lower value to Coast Bancorp's shareholders than such third party might have otherwise offered.

Certain officers and directors of Coast Bancorp may have interests that are different from, or in addition to, interests of Coast Bancorp's shareholders generally.

Certain of Coast Bancorp's officers and directors have conflicts of interest in the merger that may influence them to support or approve the merger without regard to the interests of Coast Bancorp shareholders. As more fully described in "PROPOSAL NO. 1 – THE MERGER AGREEMENT AND THE MERGER – Interests of Directors and Officers in the Merger" beginning on page [ ], these interests include:

- Change of control payments totaling $375,000 payable to Coast Bancorp's President, Ms. Robinson;
- Sierra Bancorp's agreement to employ Ms. Robinson as Market President for the San Luis Obispo area for which she will receive an annual salary of $170,000, and be eligible to receive a discretionary bonus equal to 30% of her base salary, plus other benefits.
- Retention incentives offered to Messrs. Cable and Morgan in the amounts of $30,000 each
- Continued indemnification and insurance coverage for Coast Bancorp's current and past officers and directors.
- A success fee in the amount of $130,000 payable to one of Coast Bancorp's financial advisors, FIG Partners, LLC., of which Coast Bancorp director Greg Gersack is a principal.

You should consider these interests in conjunction with the recommendation of the board of directors of Coast Bancorp with respect to approval of the merger.

We may fail to realize all of the anticipated benefits of the merger if the combined company does not achieve certain cost savings and other benefits or if Bank of the Sierra and Coast National Bank do not successfully integrate.

Sierra Bancorp's belief that the cost savings and revenue enhancements are achievable is a forward-looking statement that is inherently uncertain. The combined company's actual cost savings and revenue enhancements, if any, cannot be quantified at this time. Actual cost savings and revenue enhancements will depend on future expense levels and operating levels, the timing of certain events and general industry, regulatory and business conditions. Many of these events will be beyond the control of the combined company.

Further, if Sierra Bancorp is unable to successfully integrate the businesses of Bank of the Sierra and Coast National Bank, operating results may suffer. Bank of the Sierra and Coast National Bank have operated and, until completion of the merger, will continue to operate independently of one another. It is possible that the integration process could result in the loss of key employees, disruption of their ongoing businesses, or inconsistencies in standards, controls, policies or procedures. These could negatively affect both Bank of the Sierra's and Coast National Bank's ability to maintain relationships with customers and employees, or achieve the anticipated benefits of the merger. As with any completed merger of financial institutions, there may also be disruptions that cause customers, both deposit and loan, to take their business to competitors.

Sierra Bancorp and Coast Bancorp will incur significant transaction and merger-related integration costs in connection with the merger, and these costs may not be offset by the anticipated benefits of the merger.

Sierra Bancorp and Coast Bancorp expect to incur significant costs associated with completing the merger and integrating the operations of Bank of the Sierra and Coast National Bank. Sierra Bancorp and Coast Bancorp are in the process of assessing the impact of these costs. Although Sierra Bancorp and Coast Bancorp believe that the elimination of duplicate costs and the realization of other efficiencies related to the integration of the businesses will offset incremental transition and merger-related costs over time, this net benefit may not be achieved in the near term, or at all.

Risks Relating to Bank of the Sierra, to the Business of Banking in General, and to Sierra Bancorp’s Common Stock

For a discussion of risks relating to Bank of the Sierra and to the business of banking in general, as well as risks relating to Sierra Bancorp’s common stock, please see Item IA – Risk Factors in Sierra Bancorp’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed with the SEC which is incorporated herein by reference. See “WHERE YOU CAN FIND MORE INFORMATION” beginning on page [__] for instructions on how to obtain the information that has been incorporated by reference.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this proxy statement/prospectus or in documents incorporated by reference, including, without limitation, statements containing the words “believes,” “anticipates,” “intends,” “expects,” and words of similar import, constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements, including among others those found in “QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER,” “SUMMARY,” and “PROPOSAL NO. 1 - THE MERGER AGREEMENT AND THE MERGER” involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the combined companies to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

In addition to factors previously disclosed in Sierra Bancorp’s reports filed with the SEC and those identified elsewhere in this proxy statement/prospectus (including the section entitled “RISK FACTORS” beginning on page [__]), the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- The ability of Bank of the Sierra to successfully integrate Coast National Bank, or achieve expected beneficial synergies and/or operating efficiencies;
- Customer acceptance of Bank of the Sierra's and Coast National Bank's products and services and efforts by competitor institutions to lure away such customers;
- Increased competitive pressures generally;
- Possible business disruption following the merger or difficulty retaining key managers and employees;
- Changes in customer borrowing, repayment, investment and deposit practices;
- Changes in market factors that may affect the value of traded instruments in "mark-to-market" portfolios;
- Potential volatility and deterioration in the credit and financial markets or adverse changes in general economic conditions leading to increased loan losses;
- The potential impact on our net interest margin and funding sources from interest rate fluctuations;
- Greater than expected noninterest expenses including potential increases in deposit insurance premiums;
- Fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas;
- Secondary market conditions for loans and our ability to sell loans in the secondary market;
- The use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation;
- Possible acquisitions of other financial institutions and/or expansion into new market areas;
- The availability of capital;
- The failure or security breach of computer systems on which we depend;
- Unanticipated regulatory or legal proceedings; and
- Our ability to manage the risks involved in the foregoing.

Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Sierra Bancorp and Coast Bancorp disclaim any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained in this proxy statement/prospectus to reflect future events or developments, except as required by law.

THE SPECIAL MEETING

General

This proxy statement/prospectus is being provided to Coast Bancorp shareholders as part of a solicitation of proxies by Coast Bancorp's board of directors for use at its special meeting of shareholders and at any adjournments or postponements of such meeting. This proxy statement/prospectus provides Coast Bancorp shareholders with important information about the special meeting and should be read carefully in its entirety.

Date, Time and Place of the Special Meeting

The special meeting will be held at 500 Marsh Street, San Luis Obispo, California 93401 on [DAY OF WEEK], [COAST MEETING DATE], at [COAST MEETING TIME] (local time).

Record Date for the Special Meeting; Stock Entitled to Vote

Only holders of record of Coast Bancorp common stock at the close of business on [COAST RECORD DATE], which is the record date for the special meeting, are entitled to receive notice of and to vote at the meeting. On the record date, Coast Bancorp had [ ] shares of its no par value common stock issued, outstanding and eligible to vote at the special meeting.

Quorum

A majority of the shares of Coast Bancorp common stock issued and outstanding and entitled to vote on the record date must be represented in person or by proxy at the special meeting in order for a quorum to be present for purposes of transacting business. Proxies marked as abstaining (including proxies containing broker non-votes) on any matter to be acted upon by shareholders will be treated as present at the meeting for purposes of determining quorum but will not be counted as votes cast on such matters. If there is no quorum at the special meeting, the affirmative vote of at least a majority of the votes present in person or represented by proxy and entitled to vote at the meeting may adjourn the special meeting to another date.

Purposes of the Special Meeting

The special meeting is being held to consider and vote on the following proposals:

- **Approval of the merger agreement and the merger**. To approve the Agreement and Plan of Reorganization and Merger, dated January 4, 2016, and the transactions contemplated therein, pursuant to which Sierra Bancorp will acquire Coast Bancorp by merging Coast Bancorp with and into Sierra Bancorp, with Sierra Bancorp surviving the merger and continuing as a bank holding company; and merging Coast National Bank with and into Bank of the Sierra, with Bank of the Sierra surviving the merger and continuing commercial bank operations of the combined bank under its California charter and as the wholly-owned bank subsidiary of Sierra Bancorp; as more fully described in the merger agreement.
- **Adjournment**. To approve any adjournment or postponement of the special meeting if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose.

Recommendation of the Coast Bancorp Board of Directors

The board of directors of Coast Bancorp recommends that the Coast Bancorp shareholders vote:

- "**FOR**" the approval of the principal terms of the merger agreement and the merger.
- "**FOR**" the approval of any adjournment or postponement of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose.

All of Coast Bancorp's directors, except for director Gersack who abstained due to a conflict of interest, approved the merger agreement and the merger and determined that the merger is in the best interests of Coast Bancorp and its shareholders. See "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER – Coast Bancorp's Reasons for the Merger; Recommendation of Coast's Board of Directors" beginning on page [ ].

In considering the recommendation of Coast Bancorp's board of directors with respect to the merger, Coast Bancorp shareholders should be aware that some of Coast Bancorp's directors and executive officers may have interests that are different from, or in addition to, the interests of Coast Bancorp shareholders more generally. See "PROPOSAL NO. 1 – THE MERGER AGREEMENT AND THE MERGER – Interests of Directors and Officers in the Merger" beginning on page [ ].

Number of Votes

Each Coast Bancorp shareholder is entitled to cast one vote, in person or by proxy, for each share held in that shareholder's name on the books of Coast Bancorp as of the record date on the matter to be submitted to the vote of the shareholders.

Votes Required; Voting Agreements

The votes required for each proposal are as follows:

- **Approval of the merger agreement and the merger**. The affirmative vote of at least a majority of the shares of Coast Bancorp common stock is required to approve this proposal.
- **Adjournment**. The affirmative vote of at least a majority of the shares of Coast Bancorp common stock outstanding, present in person or represented by proxy and entitled to vote at the special meeting is required to approve this proposal.

As of the record date, Coast Bancorp's directors and executive officers owned [__] shares, representing approximately [*]% of Coast Bancorp's issued and outstanding shares of common stock. Pursuant to voting agreements more fully described under the section "PROPOSAL NO. 1 – THE MERGER AGREEMENT AND THE MERGER – Director and Executive Officer Voting Agreements" beginning on page [ ], each of Coast Bancorp's directors and executive officers has agreed to vote his or her shares of Coast Bancorp common stock "**FOR**" approval of the merger agreement and the transactions contemplated therein and the merger. A copy of the form of voting agreement separately executed by each of the Coast Bancorp directors is attached as Exhibit A and a copy of the form of voting agreement separately executed by each of the executive officers is attached as Exhibit B to the merger agreement which is attached to this proxy statement/prospectus as **Appendix A** and is incorporated herein by reference.

Voting of Proxies

Submitting Proxies

Whether or not you plan to attend the special meeting, we urge you to complete, sign and date the enclosed proxy card and to return it promptly in the envelope provided. Returning the proxy card will not affect your right to attend the special meeting and vote. You may also vote over the Internet or by telephone. Instructions for all voting can be found on the proxy card included with this proxy statement/prospectus.

If you properly fill in your proxy card and send it to us in time to vote, or vote by Internet or telephone, your "proxy" (the individual named on your proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Coast Bancorp board of directors as follows:

- "FOR" the approval of the merger agreement and the transactions contemplated therein.
- "FOR" the approval of any adjournment or postponement of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement or for any other legally permissible purpose.

26

If any other matter is presented, your proxy will vote in accordance with the recommendation of the Coast Bancorp board of directors. At the time this proxy statement/prospectus went to press, we knew of no matters which needed to be acted on at the special meeting, other than those discussed in this proxy statement/prospectus.

Voting by Telephone or Over the Internet

In addition to voting in person or by proxy at the special meeting, Coast Bancorp shareholders also have the option to vote by telephone or over the Internet. Instructions to vote by telephone or over the Internet can be found on the proxy card included with this proxy statement/prospectus. The Internet and telephone voting procedures are designed to authenticate a shareholder's identity and to allow shareholders to vote their shares and confirm that their voting instructions have been properly recorded.

Revoking Proxies

Coast Bancorp shareholders who hold their shares in certificate form may revoke their proxies at any time before the time their proxies are voted at the special meeting by: (i) filing with the Corporate Secretary of Coast Bancorp, an instrument revoking it or a duly executed proxy bearing a later date; (ii) appearing and voting in person at the special meeting or (iii) if a Coast Bancorp shareholder has voted such Coast Bancorp shareholder's shares by Internet or telephone, recording a different vote, or by signing and returning a proxy card dated as of a date that is later than such Coast Bancorp shareholder's last Internet or telephone vote. Subject to such revocation, shares represented by a properly executed proxy received in time for the special meeting will be voted by the proxy holder thereof in accordance with the instructions on the proxy. **If no instruction is specified with respect to a matter to be acted upon, the shares represented by the proxy will be voted in favor of the proposals listed on the proxy. If any other business is properly presented at the meeting, the proxy will be voted in accordance with the recommendations of Coast Bancorp's board of directors.**

Written notices of proxy revocations must be sent so that they will be received before the taking of the vote at the special meeting as follows:

Coast Bancorp

500 Marsh Street

San Luis Obispo, California 93401

Attention: Corporate Secretary

If you have instructed a broker or other nominee to vote your shares, you must follow directions received from your broker or other nominee in order to change those instructions.

Abstentions and Broker Non-Votes

If you hold your shares of Coast Bancorp common stock in "street name" (that is, through a broker or other nominee), you must vote your shares through your broker. You should receive a form from your broker asking how you want to vote your shares. Follow the instructions on that form to give voting instructions to your broker. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine, but not on non-routine matters. At the special meeting, none of the matters is a routine matter. **Therefore, if you fail to instruct your broker or nominee as to how to vote your shares of Coast Bancorp common stock, your broker or nominee may not vote your shares "for" any of the proposals set forth in this proxy statement-prospectus, including the approval of the merger agreement and the merger, without your specific direction.** A "broker non-vote" occurs when your broker does not vote on a particular proposal because the broker does not receive instructions from the beneficial owner and does not have discretionary authority. It is **VERY IMPORTANT** that you return the instructions to your broker or nominee. **Therefore if you wish to be represented you must vote by completing the information which is sent to you by your broker or nominee.**

Dissenters' Rights

Holders of Coast Bancorp common stock will have dissenters' rights with respect to the proposal to approve the merger agreement and the merger. In order to perfect dissenters' rights, a shareholder of Coast Bancorp stock must do the following:

- not vote "**FOR**" the merger agreement and the merger;
- make a timely written demand upon Coast Bancorp for purchase in cash of his or her shares at their fair market value as of January 4, 2016, and immediately prior to the first public announcement of the merger, excluding any change in such value as a consequence of the proposed merger, which demand includes:
- the number and class of the shares held of record by him or her that he or she demands upon Coast Bancorp, and
- what he or she claims to be the fair market value of his or her shares as of January 4, 2016 and immediately prior to the merger, excluding any change in such value as a consequence of the proposed merger;
- have his or her demand received by Coast Bancorp within 30 days after the date on which the notice of the approval by the outstanding shares is mailed to the shareholder;
- submit certificates representing his or her shares for endorsement in accordance with Section 1302 of the CGCL; and
- comply with such other procedures as are required by the CGCL.

If dissenters' rights are properly perfected, such dissenter has the right to receive cash in the amount equal to the fair market value, as determined by Coast Bancorp, or, if required, by a court of law, of their shares of Coast Bancorp common stock as of the day of, and immediately prior to, the first public announcement of the merger, excluding any change in such value as a consequence of the proposed merger. Please read the section entitled "PROPOSAL NO. 1 - THE MERGER AGREEMENT AND THE MERGER—Dissenters' Rights of Coast Bancorp Shareholders" and **Appendix B** for additional information.

If dissenters' rights are perfected and exercised with respect to more than ten percent (10%) of Coast Bancorp's outstanding shares of common stock, then Sierra Bancorp has the option to terminate the merger agreement. Please see "PROPOSAL NO. 1 THE MERGER AGREEMENT AND MERGER – Dissenter's Rights of Coast Bancorp Shareholders" herein.

Other Matters

Coast Bancorp management is not aware of any other business that will be conducted at the special meeting.

Solicitation of Proxies

Coast Bancorp's board of directors is soliciting the proxies for the special meeting. Coast Bancorp will pay for the cost of solicitation of proxies. In addition to solicitation by mail, Coast Bancorp's directors, officers and employees may also solicit proxies from shareholders by telephone, facsimile, or in person. Coast Bancorp will not pay any additional compensation to these directors, officers or employees for these activities, but may reimburse them for reasonable out-of-pocket expenses.

If Coast Bancorp's management deems it advisable, the services of individuals or companies that are not regularly employed by Coast Bancorp may be used in connection with the solicitation of proxies. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to send the proxy materials to beneficial owners. Coast Bancorp will, upon request, reimburse those brokerage houses and custodians for their reasonable expenses in so doing.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of [COAST RECORD DATE], concerning the beneficial ownership of Coast Bancorp's outstanding common stock: (i) by each of the directors of Coast Bancorp; (ii) by each of Coast National Bank's executive officers; and (iii) by all directors and executive officers of Coast Bancorp as a group. Management is not aware of any change in control of Coast Bancorp that has occurred since January 1, 2014 or of any arrangement that may, at a subsequent date, result in a change in control of Coast Bancorp. As used throughout this section, the term "executive officer" means Coast National Bank's Chief Executive Officer and President, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Credit Officer. Coast National Bank's other executive vice presidents and other vice presidents are not considered to be executive officers of Coast Bancorp and are specifically excluded from participation in policy-making by resolution of the Coast Bancorp board of directors.

As of [COAST RECORD DATE], there were [ ] shares of Coast Bancorp common stock issued and outstanding.

Name and Position Held	Number of Shares of Common Stock Beneficially Owned[1]		Number of Shares Subject to Vested Stock Options [2]	Percent of Class Beneficially Owned[1, 2]	
Robb Evans Chairman of the Board of Directors	105,000		30,000	2.38	%
Gregory Gersack Director	250,000		20,000	4.76	%
Kenneth M. Karmin Director	500,000		20,000	9.18	%
Gene D. Mintz Vice Chairman of the Board of Directors	185,065	3	20,000	3.62	%
Ronald R. Olson Director	75,780	3,4	16,000	1.62	%
Anita M. Robinson President and Chief Executive Officer and Director	101,069		100,000	3.50	%
Stephen S. Taylor, Jr.	500,000	5	20,000	9.18	%

Director **Dan H. Wixom**				
Director	59,726 [3,6]	16,000	1.34	%
Paul M. Cable				
Executive Vice President and Chief Financial Officer	—	25,000	*	
Brent Morgan				
Executive Vice President & Chief Credit Officer	—	25,000	*	
Directors and Executive Officers as a Group (10 persons)	1,776,640	292,000	34.83	%

* Ownership percentage is less than 1.0%.

1. Except as otherwise noted, may include shares held by or with such person's spouse (except where legally separated) and minor children, and by any other relative of such person who has the same home; shares held in "street name" for the benefit of such person; shares held by a family trust as to which such person is a trustee and primary beneficiary with sole voting and investment power (or shared power with a spouse); or shares held in an Individual Retirement Account or pension plan as to which such person is the sole beneficiary and has pass-through voting rights and investment power.
2. Shares of common stock subject to stock options that were exercisable within 60 days after December 31, 2015 (vested) are treated as issued and outstanding for the purpose of computing the percent of the class owned by such person but not for the purpose of computing the percent of class owned by any other person.
3. Includes issued warrants in connection with Coast Bancorp's 2009 private placement. Coast Bancorp issued one warrant to purchase an additional share of common stock for every one share of common stock purchased in the private placement. The warrants are presently exercisable at a price of $5.50 per share.
4. Includes 30,222 shares held as trustee for Mr. Olson's company employees' 401K plan and 4,050 shares held as trustee for his 401K Plan as to which shares Mr. Olson has sole voting and investment power.
5. Includes 250,000 shares held by Taylor International Fund, Inc. as to which shares Mr. Taylor is the portfolio manager with shared voting and investment power.
6. Includes 2,250 shares held by the Wixom Trucking Co., LLC Profit Sharing Trust as to which shares Mr. Wixom is trustee with sole voting and investment power.

The following table sets forth information regarding the beneficial ownership of Coast Bancorp's common stock as of [COAST RECORD DATE] by those persons known by Coast Bancorp to beneficially own more than 5% of its outstanding common stock. The shareholder's ownership percentage is based on [ ] shares of common stock outstanding as of [COAST RECORD DATE].

Name	**Number of Shares of Common Stock Beneficially Owned**	Percent of Class Owned

Bruce Newberg Los Angeles, CA	500,000	8.85	%

29

PROPOSAL NO. 1
THE MERGER AGREEMENT AND THE MERGER

This section describes certain aspects of the merger agreement and the transactions contemplated therein pursuant to which Coast Bancorp will be merged with and into Sierra Bancorp and Coast Bancorp's bank subsidiary, Coast National Bank will be merged with and into Sierra Bancorp's bank subsidiary, Bank of the Sierra. Because this is a summary, it does not contain all the information that may be important to you. You should read this entire proxy statement/prospectus, including the appendices. A copy of the Agreement and Plan of Reorganization and Merger, dated January 4, 2016, referred to herein as the merger agreement, is attached as ***Appendix A*** *to this proxy statement/prospectus and is incorporated by reference herein. The following discussion describes important aspects and the material terms of the merger agreement and the merger. These descriptions are qualified in their entirety by reference to* ***Appendix A****.*

Structure of the Merger

The merger agreement provides for the merger of Coast Bancorp with and into Sierra Bancorp, with Sierra Bancorp as the surviving entity after the merger. As a result of the merger, Coast Bancorp will cease to exist as a separate entity.

Immediately after the merger, Coast Bancorp's wholly owned bank subsidiary, Coast National Bank, will merger with and into Sierra Bancorp's wholly owned bank subsidiary, Bank of the Sierra, with Bank of the Sierra as the surviving entity after the bank merger. As a result of the bank merger, Coast National Bank will cease to exist as a separate entity.

The merger agreement is attached as **Appendix A** to this document. We encourage you to read the merger agreement in its entirety.

Merger Consideration

The merger agreement provides that each share of the common stock of Coast Bancorp will be entitled to receive, at the holder's election subject to proration, (1) per share cash consideration, without interest, equal to the sum of (a) the number which is obtained by dividing $3,176,371 (subject to adjustment as described below) by the number of shares of Coast common stock outstanding immediately prior to the effective time of the merger, rounded up or down to the nearest cent plus (b) the product of 0.10302 multiplied by the volume-weighted average daily closing price of Sierra common stock for the twenty (20) trading days ending on the fifth day preceding the closing of the merger; (2) shares of Sierra common stock equal to the per share cash consideration divided by such weighted average daily closing price, or (3) a combination thereof. The precise amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until shortly before the closing of the merger.

The aggregate cash consideration is subject to reduction if Coast Bancorp's adjusted shareholders' equity is less than $5.2 million or certain expenses of the merger exceed $2.4 million. For a definition of the term "adjusted shareholders' equity" and a description of such expenses, see "– Adjustments to the Merger Consideration" immediately below. Under the terms of the merger agreement, the aggregate stock consideration will be approximately 581,753 shares of Sierra common stock. The total number of shares issued and cash paid may be increased if outstanding stock options are exercised prior to the effective time of the merger.

Holders of in-the-money Coast Bancorp stock options who do not exercise their options prior to the merger will receive $2.25 minus the exercise price per share with respect to the corresponding Coast stock option. Outstanding warrants to purchase approximately 123,181 shares of Coast common stock at $5.50 per share shall be cancelled and become null and void unless exercised prior to the effective time of the merger. Given the high exercise price in relation to the per share merger consideration, it appears unlikely that any of the warrants will be exercised.

Because the merger consideration calculation is based on a formula based on the volume weighted average trading price of Sierra common stock for a period of time shortly before the close of the merger, the precise merger consideration, both in the aggregate and per share, will not be known until shortly before the closing of the merger. However, by way of example only, if the per share merger consideration were calculated based on the closing price for shares of Sierra common stock on the Nasdaq Global Select Market on [LATEST PRACTICABLE DATE] of $______ per share, the value of the aggregate merger consideration (excluding payments in respect of dissenting shares) would have been approximately $[__________]. On a per share basis using the same assumptions, each share of Coast Bancorp common stock converted into cash would have received $_______ in cash, and each share converted into stock would have been converted into _________ shares of Sierra Bancorp common stock. The actual merger consideration will be calculated five business days before the closing of the merger based on the volume-weighted trading price as described in the first paragraph of this section, and the resulting aggregate and per share merger consideration may be more or less than in the above examples. In addition, because there is a maximum number of shares of Sierra Bancorp common stock and a maximum amount of cash that will be issued as merger consideration, and it is impossible to predict what elections different shareholders will make, there is no assurance that any given shareholder will receive the form of consideration he or she elects.

Adjustments to the Merger Consideration

The aggregate merger consideration will be reduced by (x) the amount, if any, by which the amount of certain expenses of Coast Bancorp related to the transaction exceed $2.4 million plus (y) the amount, if any, by which the closing adjusted shareholders' equity of Coast Bancorp exceeds target adjusted shareholders' equity of $5.2 million. Adjusted shareholders' equity for this purpose is defined as total shareholders' equity calculated in accordance with GAAP, but excluding: all other comprehensive income or loss from the amount shown in Coast Bancorp's June 30, 2015 financial statements; positive changes in the valuation allowance for Coast Bancorp's deferred tax asset from the amount shown in Coast Bancorp's June 30, 2015 financial statements; the accrual or payment of certain transaction expenses in connection with the merger; amounts paid to retire Coast Bancorp's senior note; and any items, charges or accruals taken at Sierra Bancorp's request. To the extent that shareholders' equity calculated as above is below the target shareholders' equity of $5.2 million, the shortfall will reduce the aggregate cash consideration. See "– Allocation Calculation" below for a discussion of the potential effects of such a reduction on individual shareholder elections.

Expenses of the transaction that will be calculated for purposes of determining adjusted shareholders' equity include: severance or change of control payments, the value of employee benefits for which vesting is accelerated as a result of the merger, costs of attorneys, accountants and investment bankers, premiums for the purchase of directors' and officers' tail coverage, contract termination fees payable to vendors and the costs of printing and mailing this proxy statement/prospectus). To the extent that these expenses exceed $2.4 million, such excess amount will reduce the aggregate cash consideration.

Election Procedure

Election Right

Subject to the allocation mechanism described in the next section, each Coast Bancorp shareholder will have the right to elect to receive with respect to such shareholder's shares of Coast Bancorp common stock:

- Sierra common stock for all of such shareholder's shares;
- Cash for all of such shareholder's shares; or
- Sierra common stock for shares in an amount equal to the stock percentage and cash for shares in an amount equal to the cash percentage, which we refer to as a mixed election.

Shares of Coast Bancorp common stock with respect to which the shareholder fails to make an effective election prior to the election deadline, or with respect to which the exchange agent does not receive an effective election prior to the election deadline, will be deemed to be "no election shares," as explained below. Any dissenting shares as to which dissenters' rights are not properly exercised will be treated as no election shares.

As used herein, "cash percentage" means the percentage derived by dividing the aggregate cash consideration by the aggregate merger consideration, and "stock percentage" is the reciprocal of the cash percentage. The cash percentage will adjust to reflect changes in Sierra Bancorp's stock price.

As described above under "– Merger Consideration," because there is a maximum number of shares of Sierra Bancorp common stock and cash that will be issued as merger consideration, and it is impossible to predict what elections different shareholders will make, there is no assurance that any given shareholder will receive the form of consideration he or she elects.

Election Form

If the merger agreement and the merger are approved at the special meeting, an election form and customary transmittal materials containing instructions for use in making an election as to the form of merger consideration that a shareholder prefers will be mailed to Coast Bancorp shareholders no less than thirty-five (35) days prior to the anticipated effective time of the merger, or on such other date as the Coast Bancorp and Sierra mutually agree, which we refer to as the mailing date, to shareholders of record as of five business days prior to the mailing date. The election form allows a Coast Bancorp shareholder to indicate whether the shareholder elects to make a stock election, a cash election, a mixed election or no election. Coast Bancorp will also make election forms available to persons who become holders of Coast Bancorp common stock between the record date for mailing election forms and the business day prior to the election deadline (as defined below).

Shareholders of Coast Bancorp common stock who wish to elect the type of merger consideration they will receive in the merger should carefully review and follow the instructions set forth in the election form. Shares as to which the shareholder has not made or as to which the exchange agent has not received a valid election prior to 5:00 p.m., Pacific time, on the date that is the thirtieth day following the mailing date of the election forms, or such later time as the parties may mutually agree, which we refer to as the "election deadline," will be deemed to be no election shares.

To make a valid election, a Coast Bancorp shareholder must submit a properly completed and signed election form so that it is actually received by Computershare, Sierra Bancorp's exchange agent, on or prior to the election deadline in accordance with the instructions on the election form. An election form will be deemed properly completed only if an election is indicated for each share of Coast Bancorp common stock covered by such election form. Any shareholder who fails to deliver a properly completed election form to the exchange agent on or before the election deadline, or who fails to redeliver a properly completed election form after an election has been revoked on or before the election deadline, will not have made a valid election, and the shares of Coast Bancorp common stock owned by such shareholder will be deemed to be no election shares.

An election may be revoked or changed by the shareholder submitting the election form at or prior to the election deadline. The exchange agent will have reasonable discretion to determine whether any election, revocation, withdrawal or change has been properly or timely made and to disregard immaterial defects in the election forms, and any decisions of Sierra Bancorp required by the exchange agent and made in good faith in determining such matters will be binding and conclusive. **Neither Sierra Bancorp nor the exchange agent will be under any obligation to**

notify any shareholder of any defect in any election form. If an election is revoked and any certificates have been transmitted to the exchange agent, Sierra Bancorp will cause such certificates to be promptly returned without charge to the person submitting the revoked election form upon written request to that effect from the shareholder who submitted such election form.

Allocation Calculation

In the following discussion, “stock election shares” means shares of Coast Bancorp common stock with respect to which the shareholder has elected to receive shares of Sierra common stock; “cash election shares” means shares of Coast Bancorp common stock with respect to which the shareholder has elected to receive cash; and “mixed election shares” means shares of Coast Bancorp common stock with respect to which the shareholder has elected to receive the prescribed mix of cash and stock. With respect to mixed election shares, the ratio of cash and stock consideration a shareholder will receive is limited to the ratios equal to the aggregate cash consideration divided by the aggregate merger consideration, and the reciprocal of the cash percentage, respectively. The aggregate cash consideration is subject to reduction under certain circumstances. See “– Adjustments to the Merger Consideration.”

If a shareholder makes no election with respect to his or her shares of Coast common stock, or if there are any shares of Coast common stock with respect to which the exchange agent has not otherwise received an effective, properly completed election form on or before the election deadline, such shares will be deemed to be no election shares.

A shareholder who perfects his or her dissenters' rights under the CGCL will receive the fair market value for his or her shares in cash, as determined pursuant to the procedures under the CGCL, and will not receive any merger consideration. See "– Dissenters' Rights of Coast Bancorp Shareholders" below. Any dissenting shares as to which dissenters' rights are not properly exercised will be treated as no election shares solely for purposes of the allocation calculation.

If the aggregate cash amount that would be paid upon conversion in the merger of the cash election shares, dissenting shares and the mixed cash shares is equal or nearly equal (as determined by the exchange agent) to the aggregate cash consideration to be issued in the merger, then all cash election shares and mixed cash shares will be converted into the right to receive the per share cash consideration, and all stock election shares, mixed stock shares and no election shares will be converted into the right to receive the per share stock consideration.

Oversubscription of Cash Consideration.

If the aggregate cash amount that would be paid upon the conversion in the merger of the cash election shares, dissenting shares and the mixed cash shares is **more** than the aggregate cash consideration, then:

- all mixed stock shares, stock election shares and no election shares will be converted into the right to receive the per share stock consideration;
- all dissenting shares will be deemed, solely for purposes of the allocation procedures, to be converted into the right to receive the per share cash consideration;
- the exchange agent shall then select from among the cash election shares, by a pro rata selection process, a sufficient number of shares, which we refer to as stock designated shares, such that the aggregate cash amount that will be paid in the merger equals as closely as practicable the aggregate cash consideration, and all stock designated shares will be converted into the right to receive the per share stock consideration; and
- the cash election shares that are not stock designated shares and all mixed cash shares will be converted into the right to receive the per share cash consideration.

Undersubscription of Cash Consideration

If the aggregate cash amount that would be paid upon conversion in the merger of the cash election shares, dissenting shares and the mixed cash shares is **less** than the aggregate cash consideration, then:

.

- all cash election shares and mixed cash shares will be converted into the right to receive the per share cash consideration;
- all dissenting shares will be deemed, solely for purposes of the allocation procedures, to be converted into the right to receive the per share cash consideration;
- the exchange agent shall then select first from among the no election shares and then (if necessary) from among the stock election shares, by a pro rata selection process, a sufficient number of shares, which we refer to as cash designated shares, such that the aggregate cash amount that will be paid in the merger equals as closely as practicable the aggregate cash consideration, and all cash designated shares will be converted into the right to receive the per share cash consideration; and
- the stock election shares and the no election shares that are not cash designated shares and all mixed stock shares will be converted into the right to receive the per share stock consideration.

The allocation calculations described above will be prepared by the exchange agent within ten business days after the election deadline, unless the effective time has not yet occurred, in which case as soon thereafter as practicable. Any calculation resulting in a holder receiving a portion of a share of Sierra Bancorp common stock shall be rounded to the nearest whole share, and any cash payment shall be rounded to the nearest cent.

Background of the Merger

Coast Bancorp was founded in 2001 as the holding company for Coast National Bank, which was established in 1997 as a locally owned community bank serving consumers and businesses in San Luis Obispo County. As of December 31, 2015, Coast Bancorp had assets of almost $150 million across three branches and a loan production office. As the result of the economic downturn in 2007 and regulatory challenges facing Coast Bancorp and Coast National Bank, the Board of Directors and management have been focused on addressing credit quality and operational issues, and infusing the institution with needed capital. In 2014, Coast Bancorp raised $4.8 million in equity capital, through the sale of 4.8 million shares of common stock at $1.00 per share, and $2.0 million in senior debt to successfully recapitalize the holding company and bank. This capital raise resulted in a significant restructuring of the board with the addition of four (4) new directors and resignation of two (2) then existing directors. Since that time, Coast Bancorp has been consistently evaluating its strategic alternatives to preserve and enhance shareholder value. Furthermore, over the past few years Coast was periodically approached by various banks to discuss the potential of combining organizations, including informally by Sierra Bancorp.

On June 20, 2015, Sierra Bancorp CEO Kevin McPhaill and Vice Chairman James Holly informally met with Coast Bancorp Chairman Robb Evans to discuss a potential business combination. Prior to the meeting, Coast Bancorp board member Greg Gersack, who is a principal in the nationally recognized investment bank, FIG Partners LLC, had prepared merger analyses to help the board of directors and management better understand a realistic valuation of Coast Bancorp in a potential sale. Following the June 20th contact, Chairman Evans and board member Gersack began informal discussions with Sierra Bancorp and its financial advisor, Keefe Bruyette & Woods, A Stifel Company (referred to as “KBW”). On July 29, 2015 the companies entered into a mutual nondisclosure agreement to facilitate the exchange of confidential information to better gauge the viability of a strategic combination. On August 7, 2015, Chairman Evans and board member Gersack met with Sierra Bancorp CEO Kevin McPhaill and CFO Ken Taylor along with Jeff Wishner of KBW to formally discuss a business combination.

On August the 20th, Sierra Bancorp submitted an initial Letter of Interest (referred to as the “LOI”) to Chairman Evans and board member Gersack through its advisor, KBW. In this proposal, Sierra Bancorp offered to acquire Coast Bancorp for 480,177 Sierra Bancorp common shares and $2.8 million of cash, which equated to a mixture of consideration of 75% stock and 25% cash based on the trading price of Sierra Bancorp common shares at that time. Sierra Bancorp also proposed to cash out existing Coast Bancorp stock options for $266,000. The total consideration was approximately $11.6 million. The offer also contemplated Coast Bancorp having (a) total shareholders' equity at closing of at least $5.2 million without giving effect to purchase accounting adjustments and excluding transaction costs, (b) a loan loss reserve of 1.5% of total loan at closing, (c) confirmation that the fair market value of all real estate owned by Coast Bancorp exceeded its book value by at least $2.0 million, (d) a valuation confirming a purchase accounting credit adjustment to the loan portfolio of less than 1.5%, and (e) verification of a post-closing Coast Bancorp deferred tax asset of at least $2.5 million. After receiving the LOI, Chairman Evans and Board member Gersack met with Coast Bancorp’s CEO, Anita Robinson, on Friday, August 21st in San Luis Obispo to discuss the terms presented. Messrs. Evans and Gersack and Ms. Robinson determined the LOI should be presented to the full Coast Bancorp board of directors at their strategic planning session scheduled for August 24, 2015.

On August 24, 2015, the Coast Bancorp board met for its strategic planning session to discuss strategic alternatives. Among other topics discussed, the board of directors considered the terms of the LOI. The board voted to engage FIG Partners, LLC, to act as a financial advisor and to represent Coast Bancorp in further discussions and negotiations with Sierra Bancorp. Due to his position with FIG Partners, LLC, board member Gersack abstained from the vote on engaging FIG Partners, LLC, and continued to abstain from formal board votes on matters relating to a possible merger with Sierra Bancorp. On August 25, 2015, Coast Bancorp signed an engagement letter with FIG Partners, LLC, to act as its exclusive financial advisor in connection with the potential transaction. Mr. Gersack was charged with communicating to KBW that the price proposed was insufficient and to determine if the consideration offered and other terms presented were negotiable.

Through a series of discussions with his counterpart at KBW, Mr. Gersack assisted KBW in Sierra Bancorp's due diligence process and continued discussions regarding Sierra Bancorp increasing the pricing to a level which would be acceptable to Coast Bancorp. Additionally, Coast Bancorp formally engaged its outside counsel, Stuart | Moore, to advise it with respect to the potential transaction with Sierra Bancorp

After Sierra Bancorp conducted some due diligence, on September 14, 2015, KBW delivered to FIG Partners, LLC, a revised LOI reflecting a higher transaction price of 581,753 shares of Sierra common stock, $3.2 million in cash and an additional $383,000 to cash out existing option holders. Sierra Bancorp valued its offer at the time at $13.1 million. In its revised offer Sierra Bancorp also proposed an increased minimum post-closing deferred tax asset of $2.8 million and a cap on Coast Bancorp's transaction related expenses of $2.8 million. Over the next several weeks, the parties through their financial advisors FIG Partners, LLC and KBW negotiated various aspects of the LOI. The Coast Bancorp board met on September 25, 2016, to receive an update on the progress of discussions with Sierra Bancorp. At that meeting, Stuart | Moore made a formal presentation to the board about its fiduciary duties in the context of potential transaction with Sierra Bancorp. Additionally, Mr. Gersack, Chairman Evans, and Ms. Robinson provided updates on the progress in discussions with Sierra Bancorp. Following this meeting, negotiations between the parties continued resulting with KBW delivering to FIG Partners, LLC, on September 29, 2015, a revised LOI containing Sierra Bancorp’s final offer.

The final LOI reflected the same general pricing terms as the September 14, 2015 LOI, but capped transaction expenses at $2.4 million, and reduced the minimum loan loss reserve at closing from 1.5% to 1.4%.

At the September 25 board meeting, Mr. Gersack was directed to conduct a confidential market check to confirm the terms of the Sierra Bancorp offer and determine if there was any interest from another financial institution at a higher price and better terms. FIG Partners, LLC, contacted six financial institutions that were potential acquirers to gauge whether there was any party willing to present an offer competitive with the terms then proposed by Sierra Bancorp. Of the six banks contacted in this effort, only two banks were willing to sign nondisclosure agreements to pursue the opportunity further. The two institutions that signed nondisclosure agreements were provided due diligence information in order to evaluate a potential combination. Although the terms of the Sierra Bancorp offer were not disclosed, a minimum pricing range was provided to the two institutions. After evaluation, neither company submitted an offer.

On October 12, 2015, the Coast Board of Directors met, with FIG Partners, LLC and Stuart|Moore present, and thoroughly discussed both the results of the market check and the pending LOI. The board voted unanimously, authorizing Chairman Evans to sign the LOI on behalf of Coast Bancorp, with Mr. Gersack abstaining from the vote. Among other general terms and conditions, the LOI included a period of exclusivity during which the parties would conduct due diligence and negotiate a definitive agreement.

The initial draft of the definitive agreement was received from Sierra Bancorp’s counsel on November 11, 2015. Over the next several weeks, details of the Agreement were negotiated and both parties completed their due diligence reviews of the other. On November 30, 2015, Coast Bancorp retained Vining Sparks IBG, L.P. to provide an opinion as to the fairness from a financial standpoint to the Coast Bancorp shareholders of the consideration to be received by the Coast Bancorp shareholders in the transaction. Due diligence on Sierra Bancorp was conducted on December 3, 2015 by Chairman Evans, CEO Robinson, and Mr. Gersack, which included meetings with Sierra Bancorp Vice Chairman Holley and CEO McPhaill and the balance of the Sierra Executive team. There were no adverse findings.

On January 4, 2016, the Coast Bancorp board of directors met to consider the definitive agreement and proposed transaction with Sierra Bancorp. Stuart|Moore again reviewed the fiduciary duties of the Coast Bancorp board of directors. Vining Sparks delivered its fairness opinion to the Coast Bancorp board, and Mr. Gersack presented FIG Partners, LLC’s analysis of the transaction. Vining Sparks presented its analysis of the transaction including its opinion that that the consideration to be received by the Coast Bancorp shareholders was fair from a financial point of view. Following presentations from Stuart|Moore, Vining Sparks and FIG Partners, and with Mr. Gersack abstaining from the vote, the Coast Bancorp board of directors then unanimously approved the merger agreement and the merger.

On January 4, 2016, Sierra Bancorp and Coast Bancorp executed the merger agreement and all related documents. Prior to the opening of the stock market on January 5, 2016, both companies issued a joint press release announcing the execution of the merger agreement and the terms of the proposed merger.

Coast Bancorp's Reasons for the Merger; Recommendation of Coast's Board of Directors

In reaching its decision to approve the merger agreement and related transactions, the Board of Directors of Coast Bancorp consulted with senior management, its financial advisors, and its legal counsel and considered a number of factors, including, among others, the following, which are not presented in order of priority:

- its knowledge of Coast Bancorp's, and its subsidiaries, business, markets, financial condition, results of operations and prospects;
- a review of Sierra Bancorp's business, operations, financial condition, earnings and prospects, taking into account the results of its due diligence review of Sierra Bancorp;
- the strategic alternatives believed to be reasonably available to Coast Bancorp;
- results that could be expected to be obtained by Coast Bancorp if it continued to operate independently, and the likely benefits to shareholders of such course, as compared with the value of the merger consideration being offered by Sierra Bancorp;
- the enhanced future prospects of the combined institution compared to those that Coast Bancorp was likely to achieve on a stand-alone basis, including the projected market position and the increased lending limit of the combined bank, increased capital available for strategic growth, and the compatibility of Sierra Bancorp's and Coast Bancorp's business activities and strong credit structures;
- the possible effects of the proposed merger on Coast Bancorp's employees and customers, as well as on the communities in which Coast Bancorp operates;
- the structure of the merger and the financial and other terms of the merger agreement, including the value of the consideration;
- the presentations of management regarding the strategic advantages and disadvantages of combining with Sierra Bancorp, including Sierra Bancorp's desired entry into the markets in which Coast Bancorp operates and its decision to retain Ms. Robinson who has a deep knowledge of those markets, Sierra Bancorp's expertise in commercial lending, the opportunities for cost savings in the transaction, and Sierra Bancorp's commitment to the communities in which it operates;
- the merger consideration offered and the belief of the Coast Bancorp Board of Directors that Sierra Bancorp stock represents an investment in a well-capitalized and Nasdaq listed institution which should result in long-term value and increased liquidity for shareholders;
- the terms of the merger agreement and related transactions, including the representations and warranties of the parties, the covenants, the consideration, the benefits to Coast Bancorp's employees, and the termination fee and/or cost reimbursement to be paid by Coast Bancorp under certain circumstances;
- that the transaction is expected to be tax-free to Coast Bancorp shareholders to the extent that they receive Sierra Bancorp common stock in exchange for their shares of Coast Bancorp common stock;
- the opinion of Vining Sparks, financial advisor to the Coast Bancorp Board of Directors, that, as of the date of such opinion, and based upon and subject to the assumptions, qualifications and limitations set forth in the written opinion, the merger consideration to be received by the Coast Bancorp shareholders was fair to the Coast Bancorp shareholders from a financial point of view, as more fully described under "— Opinion of Coast Bancorp's Financial Advisor," below;
- the ability of Sierra Bancorp to pay the merger consideration without needing to condition the merger on obtaining additional sources of financing;
-

- the challenges of combining the two banks generally, including the likelihood of a successful integration of the companies and differences in cultures and business management philosophies, and Sierra Bancorp's past experience in this regard;
- the ability of both institutions to complete the merger and the likelihood of receiving necessary regulatory approvals in a timely manner;
- the possible effects on Coast Bancorp should the parties fail to complete the merger; and

36

- that Coast Bancorp officers and directors may have financial interests in the merger that are different from, or are in addition to, the interests of Beneficiaries. See “Interests of Directors and Officers in the Merger,” below.

The foregoing discussion of the factors considered by the Board of Directors of Coast Bancorp is not intended to be exhaustive, but does set forth the principal factors considered by the board. Based on the factors described above, the Board of Directors of Coast Bancorp determined that the merger with Sierra Bancorp would be advisable and in the best interests of Coast Bancorp and its shareholders and approved the merger agreement and related transactions contemplated by the merger agreement. In view of the wide variety and complexity of factors considered by the Board of Directors of Coast Bancorp in connection with its evaluation of the merger, the board did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any factor, was favorable or unfavorable to the ultimate determination of the board. Rather, the Board of Directors of Coast Bancorp made its recommendation based on the totality of information presented to, and the investigation conducted by, it. In considering the factors discussed above, individual directors may have given different weights to different factors.

All of Coast Bancorp’s directors, except for director Gersack who abstained due to a conflict of interest, approved the merger agreement and recommend that Coast’s shareholders vote “FOR” approval of the principal terms of the merger agreement and the merger.

Opinion of Coast Bancorp’s Financial Advisor

Coast Bancorp’s board of directors retained Vining Sparks IBG, L.P., which we sometimes refer to as Vining Sparks, to render financial advisory and investment banking services. Vining Sparks is a nationally recognized investment banking firm with substantial expertise in transactions similar to the proposed transaction and is familiar with Coast Bancorp and its business. As part of its investment banking business, Vining Sparks is regularly engaged in the valuation of financial services companies and their securities in connection with mergers and acquisitions, private placements and valuations for estate, corporate and other purposes.

On January 4, 2016, Vining Sparks delivered its opinion to Coast Bancorp that the merger consideration to be received by Coast Bancorp common shareholders in the proposed transaction is fair, from a financial point of view, to Coast Bancorp’s common shareholders. The full text of Vining Sparks’ opinion is attached as **Appendix C** to this proxy statement/prospectus and should be read in its entirety.

Vining Sparks’ opinion was directed to Coast Bancorp’s board of directors and is limited to the fairness, from a financial point of view, of the consideration to be received by Coast Bancorp common shareholders in the proposed transaction. It did not address Coast Bancorp's underlying business decision to proceed with the proposed transaction or constitute a recommendation to the Coast Bancorp board of directors as to how it should vote on the merger, and does not constitute a recommendation to any holder of Coast Bancorp common stock as to how such shareholder should vote in connection with the merger.

For purposes of Vining Sparks' opinion and in connection with its review of the proposed transaction, Vining Sparks has, among other things:

- reviewed the terms of the most recent draft of the merger agreement made available to Vining Sparks;
- reviewed certain publicly available financial statements, both audited (where available) and un-audited, and related financial information of Coast Bancorp and Sierra Bancorp, including those included in their respective annual reports for the past two years and their respective quarterly reports for the past two years;
- reviewed certain internal financial information and financial forecasts relating to the business, earnings, cash flows, assets and prospects of each company furnished to them by Coast Bancorp and Sierra Bancorp management;
- held discussions with members of executive and senior management of Coast Bancorp and Sierra Bancorp concerning the past and current results of operations of Coast Bancorp and Sierra Bancorp, their respective current financial condition and managements' opinion of their respective future prospects;

- reviewed reported market prices and historical trading activity of Sierra Bancorp and Coast Bancorp common stock;
- reviewed certain aspects of the financial performance of Sierra Bancorp and compared such financial performance of Sierra Bancorp, with stock market data relating to Sierra Bancorp common stock, with similar data available for certain other financial institutions the securities of which are publicly traded;
- reviewed the financial terms of merger and acquisition transactions, to the extent publicly available, involving financial institutions and financial institution holding companies that Vining Sparks deemed to be relevant;
- reviewed the pro form financial impact of the merger on Coast Bancorp; and
- reviewed such other information, financial studies, analyses and investigations, as Vining Sparks considered appropriate under the circumstances.

In conducting its review and arriving at its opinion, Vining Sparks has assumed and relied, without independent verification, upon the accuracy and completeness of all of the financial and other information that has been provided to it by Coast Bancorp and Sierra Bancorp, and their respective representatives, and of the publicly available information that was reviewed by Vining Sparks. Vining Sparks is not an expert in the evaluation of the adequacy of allowances for loan losses and it did not independently verify the adequacy of such allowances. Vining Sparks assumed that the allowance for loan losses set forth in the financial statements of Sierra Bancorp and Coast Bancorp were adequate to cover such losses and complied fully with applicable law, regulatory policy and sound banking practice as of the date of such financial statements. Vining Sparks did not conduct a physical inspection of any of the properties or facilities of Coast Bancorp or Sierra Bancorp, did not make any independent evaluation or appraisal of the assets, liabilities or prospects of Coast Bancorp or Sierra Bancorp, were not furnished with any such evaluation or appraisal, and did not review any individual credit files.

Vining Sparks relied upon the management of Sierra Bancorp and Coast Bancorp as to the reasonableness of the financial and operating forecasts, and projections (and the assumptions and bases therefore) provided to or reviewed by Vining Sparks, and Vining Sparks assumed that such forecasts and projections reflect the best currently available estimates and judgments of Sierra Bancorp and Coast Bancorp management. Coast Bancorp and Sierra Bancorp do not publicly disclose internal management forecasts, projections or estimates of the type furnished to or reviewed by Vining Sparks in connection with its analysis of the financial terms of the proposed transaction, and such forecasts and estimates were not prepared with a view towards public disclosure. These forecasts and estimates were based on numerous variables and assumptions which are inherently uncertain and which may not be within the control of the management of Coast Bancorp or Sierra Bancorp, including without limitation to, the general economic, regulatory and competitive conditions. Accordingly, actual results could vary materially from those set forth in such forecasts and estimates.

Vining Sparks' opinion is necessarily based on economic, market, and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Events occurring after the date thereof, including but not limited to, changes affecting the securities markets, the results of operations or material changes in the assets or liabilities of Sierra Bancorp or Coast Bancorp could materially affect the assumptions used in preparing the opinion. Vining Sparks assumed that there were no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of either Coast Bancorp or Sierra Bancorp since the date of the last financial statements of each such entity were made available to Vining Sparks. Vining Sparks assumed that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived.

In delivering its opinion to the board of directors of Coast Bancorp, Vining Sparks prepared and delivered to Coast Bancorp's board of directors written materials containing various analyses and other information. The following is a summary of the material financial analyses performed by Vining Sparks in connection with the preparation of its opinion and does not purport to be a complete description of all the analyses performed by Vining Sparks. The summary includes information presented in tabular format, which should be read together with the text that accompanies those tables. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, an opinion is not necessarily susceptible to partial analysis or summary description. Vining Sparks believes that its analyses must be considered as a whole and that selecting portions of such analyses and the factors considered therein, without considering all factors and analyses, could create an incomplete view of the analyses and the processes underlying its opinion. In its analyses, Vining Sparks made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of Coast Bancorp and Vining Sparks. Any estimates contained in Vining Sparks' analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold.

Summary of Proposal. Vining Sparks reviewed the financial terms of the proposed transaction. Pursuant to the terms of the merger agreement, Coast Bancorp shareholders will receive aggregate cash consideration equal to $3,176,371, plus aggregate stock consideration of 581,753 shares of Sierra Bancorp common stock.

Based on cash consideration of $3,176,371 and based on a stock price of $17.65 per share for Sierra Bancorp (based on the closing price on December 31, 2015), the aggregate merger consideration would equal $13,444,311 or $2.38 per share. A per share purchase price of $2.38 represents a price to September 30, 2015 equity of 1.30x, a price to tangible equity of 1.32x, a price to estimated 2015 core earnings of 44.86x, a price to September 30, 2015 assets of 9.18% and a tangible premium on core deposits at September 30, 2015 of 2.89%.

Sierra Bancorp Selected Company Analysis. Vining Sparks used publicly available information to compare selected financial information for Sierra Bancorp and a selected group of financial institutions. The Sierra Bancorp peer group consisted of publicly traded California banks with total assets between $1 billion and $3 billion, excluding merger targets. While Vining Sparks believes that the banks listed below are similar to Sierra Bancorp, none of these banks have the same composition, operations, size or financial profile as Sierra Bancorp.

Company	**Ticker**	**Company**	**Ticker**
1867 Western Financial Corporation	WFCL	First Northern Community Bancorp	FNRN
American Business Bank	AMBZ	FNB Bancorp	FNBG
Bank of Marin Bancorp	BMRC	Heritage Commerce Corp	HTBK
California Republic Bancorp	CRPB	Heritage Oaks Bancorp	HEOP
Central Valley Community Bancorp	CVCY	Pacific City Financial Corporation	PFCF
CU Bancorp	CUNB	Pacific Premier Bancorp, Inc.	PPBI
Exchange Bank	EXSR	Preferred Bank	PFBC
Farmers & Merchants Bancorp	FMCB	River City Bank	RCBC
First Foundation Inc.	FFWM		

To perform this analysis, Vining Sparks used financial information as of September 30, 2015, a price of $17.65 for Sierra (the closing price on December 31, 2015) and pricing data for the peer group as of December 31, 2015 obtained from SNL Financial LC. The following table sets forth the comparative financial and market data:

	Sierra Bancorp	**Peer Group Median**
Total Assets (in millions)	$ 1,717.1	$ 1,882.8
Return on Average Assets	1.01 %	0.93 %
Return on Average Equity	9.02 %	8.90 %
Equity/Assets	10.89 %	10.96 %
Loans/Deposits	73.90 %	76.71 %

Loan Loss Reserve/Gross Loans	0.99	%	1.41	%
Nonperforming Assets/Assets	1.74	%	0.41	%
Efficiency Ratio	65.74	%	62.59	%
Price/Book Value Per Share	1.25	x	1.46	x
Price/Tangible Book Value Per Share	1.30	x	1.52	x
Price/Last 12 Months' Earnings Per Share	14.8	x	16.0	x

Stock Trading History. Vining Sparks reviewed the closing per share market prices and volumes for Sierra Bancorp common stock and Coast Bancorp common stock on a daily basis from July 1, 2015 to December 31, 2015. Sierra Bancorp is listed for trading on the Nasdaq Global Select Market under the symbol "BSRR". For the period between July 1, 2015 to December 31, 2015, the closing price of Sierra Bancorp common stock ranged from a low of $15.50 to a high of $19.13, with an average closing price for the period of $17.02. The closing price on December 31, 2015 was $17.65 per share and the average daily trading volume for Sierra Bancorp was 18,077 shares.

Coast Bancorp common stock trades on the OTC Pink Sheets under the ticker symbol "CTBP". For the period between July 1, 2015 to December 31, 2015, the closing price of Coast Bancorp common stock ranged from a low of $1.42 to a high of $1.95, with an average closing price for the period of $1.66. The closing price on December 31, 2015 was $1.75 per share and the average daily trading volume for Coast Bancorp was 226 shares. The transaction price of $2.38 represented a 36% premium over Coast Bancorp's closing price on December 31, 2015.

Analysis of Selected Financial Institution Transactions. Vining Sparks reviewed certain publicly available information regarding selected merger and acquisition transactions (the "Comparable Transactions") announced from January 1, 2014 to December 31, 2015 involving California financial institutions with total assets under $1 billion and a return on assets between 0.00% and 0.75%. The transactions included in the group are shown in the following chart. This data was obtained from SNL Financial LC.

Buyer	**City**	**State**	**Seller**	**City**	**State**
TriCo Bancshares	Chico	CA	North Valley Bancorp	Redding	CA
CVB Financial Corp.	Ontario	CA	American Security Bank	Newport Beach	CA
SKBHC Holdings LLC	Seattle	WA	Greater Sacramento Bancorp	Sacramento	CA
Pacific Commerce Bank	Los Angeles	CA	Vibra Bank	Chula Vista	CA
Heritage Commerce Corp	San Jose	CA	Focus Business Bank	San Jose	CA
FNB Bancorp	South San Francisco	CA	America California Bank	San Francisco	CA
PBB Bancorp	Los Angeles	CA	First Mountain Bank	Big Bear Lake	CA
American Riviera Bank	Santa Barbara	CA	Bank of Santa Barbara	Santa Barbara	CA
Suncrest Bank	Visalia	CA	Sutter Community Bank	Yuba City	CA
California Bank of Commerce	Lafayette	CA	Pan Pacific Bank	Fremont	CA
Pacific Commerce Bancorp	Los Angeles	CA	ProAmerica Bank	Los Angeles	CA

Vining Sparks reviewed the multiples of transaction value to stated book value, transaction value to tangible book, transaction value to last twelve months earnings, transaction value to assets and tangible book premium to core deposits and calculated high, low, mean and median multiples for the Comparable Transactions. The median multiples were then applied to Coast Bancorp's balance sheet information as of September 30, 2015, earnings for 2014 and estimated core earnings for 2015, to derive an implied range of values of Coast Bancorp. The following table sets forth the median multiples as well as the implied values based upon those median multiples.

	Comparable Transaction Median Multiple		Implied Value (Per Share)
Transaction Value / Book Value	1.20	x	$ 2.20
Transaction Value / Tangible Book Value	1.23	x	$ 2.21
Transaction Value / 2014 Earnings	40.72	x	$ 2.04
Transaction Value / Estimated 2015 Core Earnings	40.72	x	$ 2.16
Transaction Value / Total Assets	14.01	%	$ 3.63
Tangible Premium / Core Deposits	4.56	%	$ 2.72

40

The transaction value of $2.38 per share is within the range of implied values computed in using the Comparable Transactions, which supports the fairness of the transaction.

No company or transaction used as a comparison in the above analysis is identical to Coast Bancorp or the proposed transaction. Accordingly, an analysis of these results is not strictly mathematical. An analysis of the results of the foregoing involves complex considerations and judgments concerning differences in financial and operating characteristics of Coast Bancorp and the companies included in the Comparable Transactions.

Present Value Analysis. Vining Sparks calculated the present value of theoretical future earnings of Coast Bancorp and compared the transaction value to the calculated present value of Coast Bancorp’s common stock on a stand-alone basis. Based on projected earnings for Coast Bancorp for 2016 through 2020, a discount rate of 14%, and including a residual value, the stand-alone present value of Coast Bancorp equaled $1.97 per share. The transaction value of $2.38 per share is above this value, which supports the fairness of the transaction.

Discounted Cash Flow Analysis. Using a discounted cash flow analysis, Vining Sparks estimated the net present value of the future streams of after-tax cash flow that Coast Bancorp could produce to benefit a potential acquirer, referred to as dividendable net income, and added a terminal value. Based on projected earnings for Coast Bancorp for 2016 through 2020, Vining Sparks assumed after-tax distributions to a potential acquirer such that its tier 1 leverage ratio would be maintained at 8.00%. The terminal value for Coast Bancorp was calculated based on Coast Bancorp’s projected 2020 equity, the median price to book multiple paid in the Comparable Transactions and utilized discount rate of 14%. This discounted cash flow analysis indicated an implied value of $1.90 per share. The transaction value of $2.38 per share is above this value, which supports the fairness of the transaction.

Pro Forma Merger Analysis. Vining Sparks performed a pro forma merger analysis to calculate the financial implications of the merger to Coast Bancorp shareholders. This analysis assumed, among other things, the terms of the transaction as indicated above, that the merger closes at April 30, 2016 and cost savings and revenue enhancement opportunities of $1.2 million in 2016 and $2.0 million in 2017. This analysis utilized earnings estimates of $1.31 per share in 2016 and $1.35 per share in 2017 for Sierra Bancorp and $0.11 per share and $0.16 per share, respectively, for Coast Bancorp. This analysis indicated that the merger would be accretive to Coast Bancorp’s projected earnings per share and accretive to Coast Bancorp’s tangible book value per share in 2016 and 2017.

In the two years prior to the issuance of this opinion, Vining Sparks has not had a material relationship with Sierra Bancorp where compensation was received or that it contemplates will be received after closing of the transaction. In the two years prior to the issuance of this opinion, Vining Sparks engaged in securities and loan sales and trading activity with Coast and/or its subsidiary bank for which Vining Sparks was paid commissions or other fees, which may include mark-ups on the purchase or sale of loans and securities. Pursuant to the terms of an engagement letter with Coast Bancorp, Vining Sparks will receive a fee of $20,000 plus expenses up to $1,000 upon delivery of its opinion. Vining Sparks' fee is not contingent upon consummation of the proposed transaction. In addition, Coast Bancorp has agreed to indemnify Vining Sparks against certain liabilities and expenses arising out of or incurred in connection with its engagement, including liabilities and expenses which may arise under the federal securities laws.

Board of Directors, Management and Operations After the Merger

At the effective time of the merger, Coast Bancorp will merge with and into Sierra Bancorp. As a result, Coast Bancorp will cease to exist as a separate entity, and all of its assets, liabilities and operations will be held and managed by Sierra Bancorp as the surviving entity in the merger. Coast Bancorp's directors will cease to hold board positions at the effective time of the merger. Sierra Bancorp's board of directors and principal executive officers will not change as result of the merger.

At the effective time of the bank merger, Coast National Bank will merge with and into Bank of the Sierra. As a result, Coast National Bank will cease to exist as a separate bank, and all of its assets, liabilities and operations will be held and managed by Bank of the Sierra as the surviving bank. Pursuant to Section 4888 of the California Financial Code, at the close of the bank merger, all banking offices and, subject to regulatory approval, the loan production office of Coast National Bank, will become branch banking offices of Bank of the Sierra, and all safe deposit, deposit and loan customers of Coast National Bank will, by operation of law, become customers of Bank of the Sierra. Coast National Bank's directors will cease to hold board positions at the effective time of the bank merger. Bank of the Sierra's board of directors and principal executive officers will not change as result of the bank merger.

Director and Executive Officer Voting, Non-Solicitation and Non-Competition Agreements

In connection with entering into the merger agreement, Sierra Bancorp entered into a voting, non-competition and non-solicitation agreement with each of the current directors of Coast Bancorp, which we refer to collectively as the director voting agreements. Also in connection with the merger agreement, Sierra Bancorp entered into a voting and non-solicitation agreement with Anita M. Robinson, Paul Cable and Brent Morgan, each of whom is an executive officer of Coast Bancorp, which we refer to collectively as the officer voting agreements and, collectively with the director voting agreements, the voting agreements. The following summary of the director and officer voting agreements is subject to, and qualified in its entirety by reference to, the form of director and officer agreements attached as Exhibits A and B, respectively, to the merger agreement which is appended to this proxy statement/prospectus as Appendix A.

Pursuant to the voting agreements, each shareholder party to a voting agreement agreed to vote his or her shares of Coast Bancorp common stock:

- in favor of approval of the merger agreement;
- in favor of each of the other actions contemplated by the merger agreement;
- in favor of any proposal to adjourn or postpone any shareholder meeting to a later date if there are not sufficient votes for approval of the merger agreement on the date on which such shareholder meeting is held;
- in favor of any action in furtherance of any of the foregoing;
- against any action or agreement that is intended, or could be reasonably expected to, result in a breach of any representation, warranty, covenant or obligation of Coast Bancorp in the merger agreement or impair the ability of Coast Bancorp to complete the merger or that would otherwise be inconsistent with, prevent, impede or delay the completion of the merger;
- against any agreement, transaction or proposal that relates to an acquisition proposal or alternative transaction, other than the merger and the other transactions contemplated by the merger agreement; and
- against any reorganization, recapitalization, dissolution or liquidation of Coast Bancorp or any of its subsidiaries or any amendment or other change in its governing documents, except to the extent specifically provided in the merger agreement or approved in writing by Sierra Bancorp.

The voting agreements provide that each shareholder party to a voting agreement will not, other than pursuant to the merger, directly or indirectly:

- sell (including short sell), transfer, pledge, assign, tender, encumber, grant a participation interest in, hypothecate or otherwise dispose of (including by gift) any of such shareholder’s shares of Coast Bancorp common stock; or
- enter into any contract or understanding providing for any action described in the preceding bullet.

In addition, the director voting agreements provide that the director shall not, for a period of 18 months after the effective time of the merger :

- solicit the banking business of any Coast Bancorp customer;
- acquire, charter, operate or enter into any management agreement with any financial institution located in Tulare, Kern, Fresno, Kings, San Luis Obispo or Ventura counties, or in the cities of Santa Clarita or Valencia, California; or
- hire, recruit or discuss employment with any person who was a Coast Bancorp employee in the six months prior to the date of the merger agreement.

The director voting agreements do not require any director to divest any passive interest in a covered financial institution, refrain from becoming a shareholder of no more than 24.9% of any covered financial institution, resign from any board position held as of the date of merger agreement, refrain from providing investment banking, financial advisory or acting as a placement agent or underwriter for any covered financial institution, or acting as an asset manager, receiver, trustee or similar asset management business, provided the director is currently engaged in that business.

In addition, the officer voting agreements provide that for a period of one year after the executive ceases to be employed by Coast Bancorp or Sierra Bancorp, the executive will not hire, recruit or discuss employment with any person who was a Coast Bancorp or Sierra Bancorp employee in the three months prior to such executive's termination date.

Interests of Directors and Officers in the Merger

Coast Bancorp executive officers and directors who are also shareholders of Coast Bancorp will participate as shareholders in the merger consideration in the same manner and to the same extent as all of the other shareholders of Coast Bancorp. However, in considering the recommendation of the Coast Bancorp board of directors that shareholders vote in favor of approving the merger agreement, shareholders should be aware that Coast Bancorp executive officers and directors may have interests in the merger as individuals that are in addition to, or different from, their interests as shareholders of Coast Bancorp generally. The Coast Bancorp board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement. These interests are detailed below.

Protection of Directors, Officers and Employees Against Claims

Pursuant to the terms of the merger agreement, Sierra Bancorp has agreed to maintain and preserve the indemnification rights of Coast Bancorp directors and officers after the completion of the merger as provided in Coast Bancorp's articles of incorporation and bylaws as in effect as of the date of the merger agreement. Sierra Bancorp has also agreed to allow Coast Bancorp to purchase "tail coverage" for a period of six years in order to continue providing liability insurance, including directors' and officers' liability insurance, to the officers and directors of Coast Bancorp, subject to certain cost limits.

Change in Control Payments

Because the merger will constitute a "change in control" of Coast Bancorp, Anita M. Robinson, President and Chief Executive Officer of Coast Bancorp, will be entitled to change in control payments under the terms of her employment agreement. Specifically, Ms. Robinson will be entitled to change in control payments equal to the sum of 18 months' base salary plus an average bonus amount. In addition Ms. Robinson will be entitled to the continuation of her medical benefits for a period of 12 months, if applicable. The aggregate change in control payment for Ms. Robinson will be $375,000.

Retention Incentives

Coast Bancorp has adopted a retention plan pursuant to which it has offered retention incentives to, among other employees, Paul Cable and Brent Morgan in the amount of $30,000 each, to encourage them to remain employed with Coast Bancorp in order satisfy a condition to the completion of the merger and to remain employed with Sierra Bancorp and/or Bank of the Sierra after the merger closes and the conversion of the general ledger systems has been completed. Other than Messrs. Cable and Morgan, no other director and/or executive officer of Coast Bancorp will be entitled to any retention incentives under the new retention plan.

Sierra Bancorp has entered into a letter of intent with Ms. Robison pursuant to which, subject to and effective as of the closing of the merger, she will be hired as Market President of Bank of the Sierra for the San Luis Obispo area. In this capacity, Ms. Robinson will be responsible for the overall conduct of activities at all the branches located in the San Luis Obispo County area and will oversee the management of the current loan portfolios at the branches and develop new business in the area. Ms. Robinson will be paid an annual salary of $170,000. In addition, she will be eligible to receive a discretionary bonus equal 30% of her base salary, based upon bank performance, area performance, and her personal performance in 2016, four weeks' vacation and health and welfare benefits. Ms. Robinson is also entitled to reimbursement of reasonable expenses incurred in the performance of her duties.

Retention of FIG Partners, LLC

Coast Bancorp director Greg Gersack is a principal in the national investment banking firm of FIG Partners, LLC. FIG Partners, LLC, was approved to act as one of Coast Bancorp's financial advisors in connection with this transaction, with Mr. Gersack abstaining from the vote to engage such firm. When this transaction closes, FIG Partners, LLC, shall be entitled to receive a success fee in the amount of $130,000.

Stock Options

Coast Bancorp has previously granted stock options to certain executive officers and directors under its 2014 Stock Incentive Plan, as amended. All such stock options are now fully vested as a result of Coast Bancorp notifying option holders that the Coast Bancorp board had approved the merger agreement and merger. Directors and executive officers of Coast Bancorp hold, in the aggregate, options to purchase 292,000 shares of Coast Bancorp common stock. Holders of in-the-money Coast Bancorp stock options who do not exercise their options prior to the merger will receive $2.25 minus the exercise price per share with respect to the corresponding Coast Bancorp stock option.

The following sets forth the amount of cash that each Coast Bancorp director and executive officer holding Coast Bancorp stock options would receive in the merger, if not exercised:

Name	Position	Stock Options	Exercise Price	Cash Consideration for Stock Options
Evans, Robb	Director	30,000	$ 1.43	$ 24,600.00
Gersack, Gregory	Director	20,000	$ 1.43	$ 16,400.00
Mintz, Gene D.	Director	20,000	$ 1.43	$ 16,400.00
Olson, Ronald	Director	16,000	$ 1.43	$ 13,120.00
Taylor, Jr., Stephen	Director	20,000	$ 1.43	$ 16,400.00
Wixom, Dan	Director	16,000	$ 1.43	$ 13,120.00
Karmin, Kenneth	Director	20,000	$ 1.43	$ 16,400.00
Cable, Paul	EVP	25,000	$ 1.43	$ 20,500.00
Morgan, Brent	EVP	25,000	$ 1.43	$ 20,500.00
Robinson, Anita	President and CEO	100,000	$ 1.43	$ 82,000.00

Accounting Treatment of the Merger

Sierra Bancorp will account for the merger using the acquisition method of accounting for financial reporting purposes, which follows accounting principles generally accepted in the United States of America. Under this method, Sierra Bancorp will recognize Coast Bancorp's assets acquired and liabilities assumed based upon their estimated fair values as of the date Sierra Bancorp obtains control of Coast Bancorp, which is expected to be upon completion of the merger. Deferred tax assets and liabilities will be established for the difference between the tax basis of the assets and liabilities and their basis under the acquisition method. The excess, if any, of the total purchase consideration over the net assets acquired will be recognized as goodwill and periodically evaluated for impairment. Sierra Bancorp's financial statements issued after completion of the merger will reflect these values, but historical data are not restated retroactively to reflect the combined historical financial position or results of operations of Sierra Bancorp and Coast Bancorp.

Shareholder Approval

The affirmative vote of at least a majority of the shares of Coast Bancorp common stock outstanding as of the record date for the special meeting is required to approve the merger agreement and the merger. Each holder of shares of Coast Bancorp stock outstanding on the record date for the special meeting will be entitled to one vote for each share held. As of [COAST RECORD DATE], the record date for the special meeting, there were [__] shares of Coast Bancorp common stock outstanding. Therefore, at least [__] shares of Coast Bancorp common stock must be affirmatively voted in favor of the merger agreement in order for Coast Bancorp shareholders to approve the merger agreement and the transactions contemplated therein. Abstentions, failures to vote and broker non-votes will have the same effect as votes against approval of the merger agreement.

Dissenters' Rights of Coast Bancorp Shareholders

The holders of Coast Bancorp common stock will be given the opportunity to exercise dissenters' rights in accordance with certain procedures specified in Chapter 13 of the CGCL. Please note that the description below does not purport to be a complete statement of the law relating to dissenters' rights and is qualified in its entirety by reference to Sections 1300, 1301, 1302, 1303 and 1304 of the CGCL, which sections are attached hereto as **Appendix B** and incorporated herein by reference.

Holders of Coast Bancorp stock who do not vote in favor of the merger may demand, in accordance with Chapter 13 of the CGCL, that Coast Bancorp acquire their shares for cash at their fair market value as of the day of, and immediately prior to, the first public announcement of the merger, excluding any change in such value as a consequence of the proposed merger.

If dissenters' rights are perfected and exercised with respect to more than ten percent (10%) of Coast Bancorp's outstanding shares as of the record date, then Sierra Bancorp has the option to terminate the merger agreement. Please see "PROPOSAL NO. 1 - THE MERGER AGREEMENT AND THE MERGER - Conditions to Sierra Bancorp's Obligations Under the Merger Agreement" beginning on page [ ].

Submit a Written Demand

In order to exercise dissenters' rights, a Coast Bancorp shareholder must not vote in favor of the merger agreement and must make a written demand that Coast Bancorp purchase his or her shares in cash for the fair market value and have the demand received by Coast Bancorp within 30 days after the date on which the notice of the approval of the merger agreement and the transactions contemplated therein is mailed to the shareholder. The written demand must state the number of shares held of record by such Coast Bancorp shareholder for which demand for purchase for cash is being made and must contain a statement of the amount which such Coast Bancorp shareholder claims to be the fair market value of the shares as of the day of, and immediately prior to, the first public announcement of the merger, excluding any change in such value as a consequence of the proposed merger. That statement will constitute an offer by the Coast Bancorp shareholder to sell his or her shares to Coast Bancorp at that price. Once submitted, a Coast Bancorp shareholder may not withdraw such demand unless Coast Bancorp consents thereto.

Surrender Stock Certificates

Thereafter, in order to perfect dissenters' rights, a Coast Bancorp shareholder must also deliver his or her share certificate(s) for receipt by Coast Bancorp within 30 days after the date on which notice of the closing of the merger was mailed. Coast Bancorp will stamp or endorse the certificate(s) with a statement that the shares are dissenting shares and return the certificate(s) to such Coast Bancorp shareholder.

Any demands, notices, certificates or other documents delivered to Coast Bancorp in connection with the exercise of dissenters' rights should be sent to Sierra Bancorp, Attention: Diane L. Renois, 86 Main Street, Porterville, CA 93257, telephone: (559) 782-4900.

Determination of Value of Coast Bancorp Common Stock

The purchase price for the shares of Coast Bancorp common stock that dissent to the merger agreement will be the fair market value for such shares as of the day of, and immediately prior to, the first public announcement of the merger, excluding any change in such value as a consequence of the proposed merger. The board of directors of Coast Bancorp has determined that the fair market value of a share of Coast Bancorp common stock as of January 4, 2016 and immediately prior to the first public announcement of the merger was $1.75. If there is a disagreement between the shareholder and Coast Bancorp regarding the proposed purchase price or if Coast Bancorp denies that such shares constitute dissenting shares, the shareholder and Coast Bancorp each have the right, for six (6) months following the date on which notice of the closing of the merger was mailed, to file a lawsuit in the Superior Court of the County of San Luis Obispo to have the fair market value determined by a court or to determine whether such shares are dissenting shares or both, as the case may be.

Regulatory Approvals Required for the Merger

Sierra and Coast Bancorp have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. These approvals include approval from the Federal Reserve, the CDBO and the FDIC. Sierra and Coast Bancorp have filed the applications to obtain the required regulatory approvals. [Describe status of applications at time of printing of proxy statement/prospectus.]

Federal Reserve. The transactions contemplated by the merger agreement are subject to approval by the Federal Reserve pursuant to the Bank Holding Company Act of 1956, as amended, which we refer to as the "BHC Act." Sierra has submitted an application pursuant to the BHC Act and Regulation Y seeking the prior approval of the Federal Reserve Board for Coast Bancorp to merge with and into Sierra Bancorp. The Federal Reserve Board takes into consideration a number of factors when acting on such applications. These factors include the financial and managerial resources (including consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders, as well as the pro forma capital ratios) and future prospects of the combined organization. The Federal Reserve Board also considers the effectiveness of the applicant in combatting money laundering, the convenience and needs of the communities to be served, as well as the extent to which the proposal would result in greater or more concentrated risks to the stability of the U.S. banking or financial system. The Federal Reserve Board may not approve a proposal that would have significant adverse effects on competition or on the concentration of resources in any banking market.

FDIC Approval. The merger of Coast National Bank with and into Bank of the Sierra is subject to approval by the FDIC pursuant to the Bank Merger Act. Bank of the Sierra has submitted an application pursuant to the Bank Merger Act seeking the prior approval of the FDIC for Coast National Bank to merge with and into Bank of the Sierra. The FDIC takes into consideration a number of factors when acting on applications under the Bank Merger Act. These factors include the financial and managerial resources (including consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders) and future prospects of the combined organization. The FDIC also considers the effectiveness of the applicant in combatting money laundering, the convenience and needs of the communities to be served, as well as the extent to which the proposal would result in greater or more concentrated risks to the stability of the U.S. banking or financial system. The FDIC may not approve a proposal that would have significant adverse effects on competition or on the concentration of resources in any banking market.

In reviewing the convenience and needs of the communities to be serviced, the Federal Reserve and the FDIC will consider the records of performance of the relevant insured depository institutions under the Community Reinvestment Act of 1977, which we refer to as the "CRA." Furthermore, the Bank Merger Act, the BHC Act and applicable regulations require published notice of, and the opportunity for public comment on, these applications. The Federal Reserve and the FDIC take into account the views of third party commenters, particularly on the subject of the merging parties' service to their respective communities, and any comments provided by third parties could prolong the period during which the applications are under review by the Federal Reserve and the FDIC.

CDBO. The prior approval of the CDBO will be required under the California Financial Code to merge Coast National Bank with and into Bank of the Sierra. In reviewing the merger of Coast National Bank with Bank of the Sierra, the CDBO will take competitive considerations into account, as well as capital adequacy, quality of management and earnings prospects, in terms of both quality and quantity. The CDBO will also take into account the record of performance of the companies and depository institutions concerned in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, served by such companies and depository institutions. The CDBO will take into account CRA ratings when considering approval of the proposed transaction. In considering the merger, the California Financial Code also requires the CDBO to determine that the proposed transaction is fair, just and equitable to the bank being acquired or to its depositors, creditors or shareholders.

Waiting Period. Under federal banking laws, a 30-day waiting period must expire following the Federal Reserve's or the FDIC's approval of the merger. Within that 30-day waiting period, the U.S. Department of Justice may file objections to the merger under federal antitrust laws. This 30-day waiting period may be shortened to not less than 15 days. Until the expiration of the applicable waiting period, the U.S. Department of Justice could take such action under antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the merger unless divestiture of an acceptable number of branches to a competitively suitable purchaser can be made. If the U.S. Department of Justice commences an action challenging the merger on antitrust grounds during the applicable waiting period, commencement of that action would stay the effectiveness of the regulatory approvals, unless a court of competent jurisdiction specifically orders otherwise. The merger cannot proceed until the expiration of the statutory waiting period.

We cannot assure you that all of the regulatory approvals described above will be obtained and, if obtained, we cannot assure you as to the timing of such approvals, our ability to obtain the approvals on satisfactory terms, or the absence of litigation challenging such approvals. We also cannot assure you that the DOJ will not attempt to challenge the transactions on antitrust grounds or for other reasons and, if such a challenge is made, we cannot assure you as to its result. The parties' obligation to complete the merger is conditioned upon the receipt of all required regulatory approvals.

Nasdaq Listing

Sierra Bancorp has agreed in the merger agreement to use its commercially reasonable efforts to list the shares to be issued in the merger on the Nasdaq Global Select Market prior to the effective time of the merger.

Resale of Sierra Bancorp Common Stock

Sierra Bancorp has registered its common stock to be issued in the merger with the SEC under the Securities Act of 1933, as amended. No restrictions on the sale or other transfer of Sierra Bancorp' common stock issued in the merger will be imposed solely as a result of the merger, except for restrictions on the transfer of Sierra Bancorp common stock issued to any Coast Bancorp shareholder who may become an "affiliate" of Sierra Bancorp for purposes of Rule 144 under the Securities Act. The term "affiliate" is defined in Rule 144 under the Securities Act and generally includes executive officers, directors and shareholders beneficially owning 10% or more of the outstanding Sierra Bancorp common stock.

Exchange of Certificates

Surrender of Shares

No later than five business days after the effective time, Computershare will mail each shareholder of record at the effective time, a customary transmittal letter and instructions for use in effecting the surrender of certificates representing the shareholders of Coast Bancorp shares. As of the effective time, there will be no further transfers on the stock transfer books of Coast Bancorp of any shares of Coast Bancorp common stock. If certificates representing shares of Coast Bancorp common stock are presented to Sierra for any reason after the completion of the merger, they will be cancelled and exchanged for the merger consideration into which the shares of Coast Bancorp common stock represented by those certificates shall have been converted.

All shares of Sierra Bancorp common stock issued to shareholders of Coast Bancorp in the merger will be deemed issued as of the effective time of the merger, but until Coast Bancorp stock certificates are surrendered for exchange, a shareholder will not receive any dividends or other distributions that may be declared after the effective time with respect to the shares of Sierra common stock into which the Coast Bancorp shares may have been converted. Such dividends or other distributions will accrue, however, and when the Coast Bancorp certificates are surrendered, Sierra will pay any such unpaid dividends or other distributions, as well as any cash into which any of the shares may have been converted, without interest.

The Exchange Agent

The parties have agreed that Sierra Bancorp shall designate Computershare, or another person reasonably acceptable to Coast Bancorp, to act as exchange agent in the merger with respect to the payment of the merger consideration to Coast Bancorp shareholders.

At any time following the six-month anniversary of the effective time, Sierra will be entitled to require the exchange agent to deliver to it any portion of the merger consideration not disbursed to shareholders of Coast Bancorp common stock, and thereafter such holders shall be entitled to look only to Sierra (subject to abandoned property, escheat or other similar laws) as general creditors with respect to the merger consideration payable upon due surrender of their Coast Bancorp common stock, without interest. Notwithstanding the foregoing, neither Sierra nor the exchange agent will be liable to any Coast Bancorp shareholder for merger consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

Lost, Stolen or Destroyed Certificates

If your certificate for shares of Coast Bancorp common stock has been lost, stolen or destroyed, please contact Coast Bancorp's transfer agent, Broadridge Shareholder Services, at 877-830-4933 for a replacement certificate.

After the merger, if any certificate for Coast Bancorp common stock has been lost, stolen or destroyed, the exchange agent or Sierra Bancorp, as applicable, will issue the merger consideration to the holder of such certificate upon the making of an affidavit of such fact by such holder, provided that the exchange agent, in its reasonable discretion and as a condition to such payment, may require the owner of such lost, stolen or destroyed certificate to deliver a customary indemnity agreement or provide a bond in a customary amount.

Rights of Holders of Coast Bancorp Stock Certificates Until Surrender

If a dividend or other distribution on Sierra Bancorp common stock is declared by Sierra Bancorp with a record date after the effective time of the merger, you will not receive that dividend or distribution until you surrender your Coast Bancorp stock certificate(s). If your stock certificates are lost or destroyed, you must submit documentation to the exchange agent that is acceptable to Sierra Bancorp and to the exchange agent of your ownership of Coast Bancorp stock. Any dividends or distributions withheld from you ultimately will be remitted to you when you deliver your Coast Bancorp stock certificate(s) (or substitute documentation if your certificates are lost or destroyed), but they will be remitted to you without interest and less any taxes that may have been imposed.

Otherwise, notwithstanding the time of surrender of their certificates representing Coast Bancorp stock, Coast Bancorp shareholders who receive stock consideration in the merger will be deemed shareholders of Sierra Bancorp for all purposes from the effective time of the merger.

THE MERGER AGREEMENT

Explanatory Note Regarding the Merger Agreement

The merger agreement and the related agreements attached as exhibits thereto govern the structure of the merger pursuant to which Coast Bancorp will merge with and into Sierra Bancorp followed by the merger of Coast National

Bank with and into Bank of the Sierra, which will survive the bank merger and continue commercial bank operations under its California state charter and as the wholly-owned subsidiary of Sierra Bancorp.

Representations and Warranties of the Parties

The merger agreement contains customary representations and warranties of the parties that are typical in a merger of financial institutions. Coast Bancorp's representations and warranties relate to, among other things:

- organization, standing and power
- capital structure
- authority to engage in the transaction
- financial statements, regulatory reports and undisclosed liabilities
- compliance with applicable legal and reporting requirements
- accounting and internal controls
- legal proceedings
- taxes
- the proper listing of all material agreements
- benefit plans
- agreements with regulatory agencies
- potential dissenting shareholders

- anti-takeover statutes
- the necessary vote to approve the merger agreement and the merger
- ownership of Coast Bancorp properties
- condition of Coast Bancorp assets
- intellectual property
- derivatives
- the loan portfolio
- insurance
- transactions with affiliates
- absence of certain business practices
- environmental compliance
- Community Reinvestment Act compliance
- Fair Housing Act, Home Mortgage Disclosure Act, Real Estate Settlement Procedures Act and Equal Credit Opportunity Act compliance
- usury and other consumer compliance laws
- unfair, deceptive or abusive acts or practices
- consumer complaints
- the Bank Secrecy Act, Foreign Corrupt Practices Act and U.S.A. Patriot Act
- books and records
- employee relationships
- brokers or finders
- transaction expenses
- receipt of a fairness opinion
- the absence of any fact or circumstance that would impair Coast Bancorp's compliance with the agreement or its ability to close the transactions.

Sierra Bancorp's representations and warranties relate to, among other things:

- organization, standing and power
- authority to engage in the transaction
- financial statements, regulatory reports and undisclosed liabilities
- legal proceedings
- agreements with regulatory agencies
- Community Reinvestment Act compliance
- Fair Housing Act, Home Mortgage Disclosure Act, Real Estate Settlement Procedures Act and Equal Credit Opportunity Act compliance
- unfair, deceptive or abusive acts or practices
- the Bank Secrecy Act, Foreign Corrupt Practices Act and U.S.A. Patriot Act
- brokers or finders
- the absence of any fact or circumstance that would impair Sierra Bancorp's compliance with the agreement or its ability to close the transactions.

The foregoing is an outline of the representations and warranties made respectively by Coast Bancorp to Sierra Bancorp contained in the merger agreement attached as **Appendix A** to this proxy statement/prospectus and incorporated by reference herein. You should carefully review the entire merger agreement, and in particular Articles 4 and 5, containing the detailed representations and warranties of the parties.

Conduct of Coast Bancorp's Business Until Completion of the Merger

Until the effective time of the merger, Coast Bancorp has agreed to take certain actions or refrain from taking certain actions, including causing its subsidiary, Coast National Bank to take or refrain from taking such actions, including:

- Carrying on their businesses in the usual, regular and ordinary course consistent with past practice and use all commercially reasonable efforts to preserve intact their present business organizations, maintain their rights, franchises, licenses and other authorizations issued by governmental entities, preserve their relationships with directors, officers, employees, customers, suppliers and others having business dealings with them and maintain their respective properties and assets in their present state of repair, order and condition, reasonable wear and tear excepted, to the end that their goodwill and ongoing businesses shall not be impaired in any material respect as of the effective time.

- Not (i) entering into any new material line of business, (ii) changing its lending, investment, underwriting, risk and asset-liability management or other material banking or operating policies in any respect which is material to Coast Bancorp, except as required by applicable legal requirements or by policies imposed by a governmental entity, (iii) incurring or committing to any capital expenditures or any obligations or liabilities in connection therewith other than capital expenditures and obligations or liabilities incurred or committed to in the ordinary course of business consistent with past practice, (iv) entering into or terminating any material lease, contract or agreement, or make any change to any existing material leases, contracts or agreements, except in the ordinary course of business consistent with past practice or (v) taking any action or failing to take any action, which action or failure causes a material breach of any material lease, contract or agreement.
- Not (i) declare or pay any dividends on or make other distributions in respect of any of its capital stock, including the Coast Bancorp preferred stock, (ii) split, combine, exchange, adjust or reclassify any of its capital stock or issue or authorize or propose the issuance or authorization of any other securities in respect of, in lieu of or in substitution for, shares of its capital stock, or (iii) purchase, redeem or otherwise acquire, any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock (except for the acquisition of shares acquired in foreclosure in the ordinary course of business consistent with past practice and except pursuant to agreements in effect on the date hereof and previously disclosed to Sierra).
- Not issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of its capital stock of any class, any voting debt, any stock appreciation rights or any securities convertible into or exercisable or exchangeable for, or any rights, warrants or options to acquire, any such shares or voting debt, or enter into any agreement with respect to any of the foregoing.
- Not amend or propose to amend their articles of association, articles of incorporation, bylaws or similar organizational documents, as applicable, or, except to the extent permitted by in connection with an acquisition proposal that constitutes a superior proposal, enter into a plan of consolidation, merger or reorganization with any person.
- Not acquire or agree to acquire, by merging or consolidating with, by purchasing an equity interest in any assets of, by forming a partnership or joint venture with, or in any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any material assets not in the ordinary course of business; provided, however, that the foregoing shall not prohibit foreclosures, repossessions or other acquisitions through foreclosure in the ordinary course of business.
- Except as requested in writing by Sierra Bancorp and other than sales of other real estate owned by Coast and nonperforming assets in the ordinary course of business consistent with past practice and other than sales of other real estate owned by Coast and non-performing assets at a price that equals or exceeds the book value of such assets (net of allocated reserves), and sales of performing loans and investment securities in the ordinary course of business consistent with past practice, Coast Bancorp and Coast National Bank shall not sell, lease, assign, encumber or otherwise dispose of, or agree to sell, lease, assign, encumber or otherwise dispose of, any of its assets (including indebtedness of others held by Coast Bancorp or Coast National Bank) which are material, individually or in the aggregate, to Coast Bancorp.
- Not (i) incur, create or assume any long-term indebtedness for borrowed money (or without the written consent of Sierra Bancorp modify any of the material terms of any such outstanding long-term indebtedness), guarantee any such long-term indebtedness or issue or sell any long-term debt securities or warrants or rights to acquire any long-term debt securities of Coast Bancorp or guarantee any long-term debt securities of others, other than in the ordinary course of business consistent with past practice (including advances under existing lines of credit with the FHLB of San Francisco or the Federal Reserve Bank Discount Window) or (ii) prepay or voluntarily repay any subordinated indebtedness or trust preferred securities.

- Submit a complete loan write-up to the chief credit officer of Bank of the Sierra at least two (2) business days prior to taking action to make, commit to make, renew, extend the maturity of, or alter any of the material terms of (i) any loan or group of loans to any one borrower or related group of borrowers that, individually or collectively, would be in excess of $1,000,000 or (i) a loan in any amount that is rated below "pass."
- Not intentionally take any action that would, or reasonably might be expected to, result in any of its representations and warranties being or becoming untrue, or in any of the conditions to the merger not being satisfied or in a violation of any provision of the merger agreement, or (unless such action is required by applicable legal requirements) which would adversely affect the ability of the parties to obtain any of the requisite regulatory approvals without imposition of a condition or restriction that constitute a materially burdensome regulatory condition to approval of the merger.
- Not make any material change to its methods of accounting in effect at June 30, 2015, except as required by changes in GAAP as concurred in by Coast Bancorp's independent auditors or required by any governmental entity or at the specific written request of Sierra Bancorp.
- Not make or rescind any tax election, make any amendments to tax returns previously filed, or settle or compromise any tax liability or refund, without the prior written consent of Sierra Bancorp, which consent shall not unreasonably be withheld, conditioned or delayed.
- Not (i) enter into, adopt, amend (except for such amendments as may be required by applicable legal requirements) or terminate any of its benefit plans, or any agreement, arrangement, plan or policy between Coast Bancorp and one or more of its directors or officers, (ii) except for normal payments, awards and increases in the ordinary course of business or as required by any plan or arrangement as in effect as of the date hereof, increase in any manner the compensation or benefits of any director, officer or employee or pay any benefit not required by any plan or arrangement as in effect as of the date hereof or enter into any contract, agreement, commitment or arrangement to do any of the foregoing, provided that, Coast Bancorp, with Bank of the Sierra' prior consent, which consent shall not be unreasonably withheld, conditioned or delayed, may offer retention bonuses to certain employees of Coast Bancorp in such amounts and to such employees as provided in a new retention plan agreed to between Coast Bancorp and Sierra Bancorp in connection with the merger; provided further that, any retention bonuses payable under the new plan shall not be paid to the employees until satisfactory completion of such employees' duties under the retention bonus arrangements, (iii) enter into or renew any contract, agreement, commitment or arrangement (other than a renewal occurring in accordance with the terms thereof) providing for the payment to any director, officer or employee of compensation or benefits contingent, or the terms of which are materially altered, upon the occurrence of any of the transactions contemplated by the merger agreement or (iv) provide that, with respect to the right to any bonus or incentive compensation and the grant of any stock option, restricted stock, restricted stock unit or other equity-related award pursuant to the Coast Bancorp benefit plans or otherwise granted on or after the date hereof, the vesting of any such bonus, incentive compensation, or stock option, restricted stock, restricted stock unit or other equity-related award shall accelerate or otherwise be affected by the occurrence of any of the transactions contemplated by the merger agreement, either alone or in combination with some other event.
- Not materially restructure or materially change (on a consolidated basis) its investment securities portfolio, its hedging strategy or its interest rate risk position, through purchases, sales or otherwise, or the manner in which its investment securities portfolio is classified or reported or materially increase the credit or other risk concentrations associated with its investment securities portfolio; provided, however, that the foregoing shall not restrict the purchase or sale of investment securities by Coast National Bank in the ordinary course of business consistent with past practice.
- Not adopt a plan of complete or partial liquidation or resolutions providing for or authorizing such a liquidation or a dissolution, restructuring, recapitalization or reorganization.
- Not agree to, or make any commitment to, take, or authorize, any of the actions prohibited by the foregoing.
- Provide to Sierra Bancorp as promptly as practical, an environmental assessment commonly referred to as a "Phase One" report on each of the owned real properties, prepared by an environmental engineer reasonably acceptable to

Sierra Bancorp.

In addition, Coast Bancorp has agreed in the merger agreement that before the merger becomes effective, it will:

- Cooperate with Sierra Bancorp in the preparation of the proxy statement/prospectus.

- Establish a record date for, call, give notice of, convene and hold a meeting of its shareholders as promptly as reasonably practicable for the purpose of submitting the merger to the Coast Bancorp shareholders.
- Use its reasonable commercially best efforts to solicit or cause to be solicited from the Coast Bancorp shareholders the required shareholder approval of the merger agreement and the merger, and to recommend that Coast Bancorp's shareholders vote in favor of the merger.
- Take all other lawful action necessary or advisable (including, subject to the Coast Bancorp Board's exercise of its fiduciary duties, postponing or adjourning the Coast Bancorp shareholders meeting to obtain a quorum or to solicit additional proxies in favor of the adoption of the merger agreement) to obtain the required approval of the Coast Bancorp shareholders.
- Provide Sierra Bancorp access to all its properties, books, contracts and records and, during such period, make available to Sierra Bancorp (i) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of federal or state securities laws, federal or state banking laws or the rules and regulations of self-regulatory organizations (other than reports or documents which it is not legally permitted to disclose) and (ii) all other information concerning its business, properties and personnel as Sierra Bancorp may reasonably request.
- Use all commercially reasonable best efforts to take, or cause to be taken, all actions necessary or advisable to consummate the merger and the bank merger and make effective the other transactions contemplated herein as promptly as reasonably practicable.
- Terminate if requested to do so by Sierra, no later than immediately before the closing date any Coast Bancorp benefit plans and to accrue any and all obligations with respect to the termination of such plans before the closing date.
- Adopt as agreed with Sierra Bancorp a new retention and severance plan for the benefit of its employees to supersede any existing severance plan.
- Cause each of its directors, other than its chief executive officer, to enter into a Voting Agreement, Non-Competition and Non-Solicitation Agreement and cause each of the executive officers to enter into a Non-Solicitation Agreement.
- Use its commercially reasonable efforts to cause each option holder to enter into an option holder agreement, agreeing to the treatment of his or her Coast Bancorp stock options as provided in the merger agreement.
- Pay or accrue for all transaction expenses in full prior to the closing date and update its disclosure schedule at least three (3) business days prior to the closing to reflect the final transaction expenses.
- At least ten (10) days prior to the projected closing, provide Sierra Bancorp with supplemental disclosure schedules reflecting any material changes since the date of the merger.
- Permit an officer of Sierra Bancorp to attend all meetings of the board of directors and the committees of Coast Bancorp in a non-voting, non-participatory observer capacity and to provide Sierra Bancorp with copies of all notices, minutes, consents and other board of directors or committee materials that it provides to all of its directors or to its committee members at the same time that such materials are provided to the members of the board of directors or committee (other than information that relates to the merger).
- Redeem the rights issued under the Coast Bancorp Shareholder Rights Plan and to terminate the Shareholder Rights Plan and any and all rights, preferences and privileges of the holders of such rights, and obligations to the counterparties to the Shareholder Rights Plan.
- Arrange for the repayment in full of the principal amount outstanding under a Promissory Note dated June 5, 2015, which we refer to as the senior note, immediately following the Closing, and obtain the release of the Coast National Bank stock that is pledged as collateral therefor, or at Sierra Bancorp's direction, to obtain the consent of the holder of the senior note to Sierra Bancorp's assumption of the senior note and related agreements at closing.
- Notify the holders of outstanding warrants, in form and substance reasonably acceptable to Sierra Bancorp and its counsel, providing the warrant holders with a period of thirty (30) days ending not later than the fifth day preceding the closing date in which to exercise such warrants and otherwise conforming with the terms of the warrants.

52

Agreements of Coast Bancorp Relating to Alternative Acquisition Proposals

Coast Bancorp has agreed not to (i) solicit, initiate, endorse, encourage or facilitate any inquiry, proposal or offer with respect to, or the making or completion of, any “acquisition proposal,” or any inquiry, proposal or offer that is reasonably likely to lead to any acquisition proposal; (ii) engage in any discussions or negotiations with or provide any nonpublic information to any person concerning an acquisition proposal, or knowingly facilitate any effort or attempt to make or implement an acquisition proposal, or (iii) approve, endorse or recommend (including by resolution or otherwise of the Coast Bancorp board), or propose to approve, endorse or recommend, or execute or enter into, any letter of intent, agreement in principle, memorandum of understanding, term sheet, merger agreement, asset purchase, share exchange agreement, option agreement or other similar agreement (whether binding or not) related to any acquisition proposal (other than an acceptable confidentiality agreement) or (iv) propose or agree to do any of the foregoing.

Under the terms of the merger agreement, an “acquisition proposal” means any inquiry, proposal or offer with respect to any transaction contemplating a merger, reorganization, share exchange, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Coast Bancorp or any purchase or sale of 10% or more of its consolidated assets taken as a whole, or any purchase or sale of, or tender or exchange offer for, its voting securities that, if consummated, would result in any person (or the shareholders of such person) beneficially owning securities representing 10% or more of its total voting power (or of the surviving parent entity in such transaction).

Coast Bancorp may, prior to obtaining shareholder approval of the merger agreement and the merger, engage in discussions or negotiations with, and provide confidential information to, a person who has submitted an acquisition proposal only if the Coast Bancorp board determines, after consultation with outside counsel and its financial advisors that the acquisition proposal is likely to lead to a “superior proposal.” In such case, Coast Bancorp must enter into a confidentiality agreement that is at least as restrictive as the one entered into with Sierra Bancorp in connection with the merger and provide Sierra Bancorp with prior notice before engaging in such discussions or negotiations, or providing such confidential information, and thereafter must keep Sierra Bancorp informed on a current basis of the status of such discussions and negotiations. Coast Bancorp must notify Sierra Bancorp promptly upon receiving any acquisition proposal, inquiry or request for information, including the identity of the third party and the material terms and conditions of any expressions of interest, offers, proposals, request or inquiries.

Coast Bancorp’s board is not permitted to withdraw, modify, amend or qualify its recommendation in a manner adverse to Sierra Bancorp; adopt a resolution to that effect; publicly announce its intention to do so; approve, endorse or recommend any acquisition proposal with respect to Coast Bancorp, or cause, authorize or permit Coast Bancorp to enter into any letter of intent, memorandum of understanding, agreement-in-principle, merger agreement, asset purchase or share exchange agreement, acquisition agreement or other similar agreement relating to any acquisition proposal except a confidentiality agreement that is at least as restrictive as that entered into with Sierra Bancorp or a definitive agreement providing for a superior proposal; or publicly propose or announce an intention to do so.

Notwithstanding the agreements set forth in the preceding paragraph, the Coast Bancorp board may, prior to receiving shareholder approval of the merger agreement and the merger proposal, change its recommendation that the shareholders approve the merger agreement and merger proposal if it determines in good faith and after consulting with its outside attorneys and financial advisor, that it would be a breach of its fiduciary duties if it were not to do so, which we refer to as a "change in recommendation."

Notwithstanding the preceding paragraph, the Coast Bancorp board may not make a change in recommendation (and may not terminate the merger agreement in the case of a "superior proposal"), unless: (A) an unsolicited, bona fide written offer to effect an acquisition proposal is made to Coast Bancorp; (B) the unsolicited, bona fide, written offer was not obtained or made in violation of Coast Bancorp's non-solicitation obligations; (C) Coast Bancorp has complied in all material respects with its obligations to notify Sierra Bancorp regarding any acquisition proposal; (D) Coast Bancorp notifies Sierra Bancorp at least three business days in advance of any intended board meeting at which the board of directors intends to consider and determine whether to make a change in recommendation, including the date and time, reasons and material terms and conditions of the acquisition proposal being considered, and the identity of the person making the competing offer; (E) Coast Bancorp permits Sierra Bancorp the opportunity engage in good faith negotiations to amend the merger agreement in order to match the competing proposal; (F) after such negotiations, the Coast Bancorp board nevertheless concludes that the alternative proposal is a superior proposal and that the failure to make a change in recommendation would constitute a breach of its fiduciary duties to its shareholders under applicable law, and Coast Bancorp thereafter enters into a definitive agreement for the superior proposal and concurrently terminates the merger agreement and pays Sierra Bancorp a termination fee of $700,000.

A “superior proposal” is defined in the merger agreement to mean an unsolicited, bona fide written acquisition proposal for 100% of the Coast Bancorp common stock, which the Coast Bancorp board concludes in good faith, after consultation with outside counsel or its financial advisor, taking into account all legal, financial, regulatory and other aspects of such acquisition proposal and the person making such acquisition proposal (including any break-up fees, expense reimbursement provisions and conditions to consummation), (i) is more favorable to the shareholders of Coast Bancorp, from a financial point of view, than the transactions contemplated by this agreement, and (ii) in the case of any acquisition proposal contemplating cash consideration, is not subject to any financing contingencies, and (iii) is reasonably likely to receive all required governmental approvals on a timely basis and otherwise reasonably capable of being completed on the terms proposed without unreasonable delay in relation to what is customary for a transaction of the nature so proposed.

Conduct of Sierra Bancorp Prior to Completion of the Merger

Sierra Bancorp has agreed to:

- timely make all regulatory filings and any other filings required to be filed with any applicable bank regulator or governmental entity;
- comply in all material respects with all of the applicable rules enforced or promulgated by any bank regulator or governmental entity with which it makes any regulatory filing;
- use its best efforts to prepare and file a registration statement on Form S-4, including a proxy statement and prospectus satisfying all applicable requirements of applicable state securities laws, the Securities Act and the Exchange Act, and the rules and regulations thereunder, and to obtain all necessary state securities law or “blue sky” permits and approvals required to issue the Sierra Bancorp common stock in the merger;
- indemnify the officers, directors and employees of Coast Bancorp against losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such person is or was a director, officer or employee of Coast Bancorp;
- use commercially reasonable efforts to cause the shares of Sierra Bancorp common stock issuable in connection with the merger to be authorized for listing on the Nasdaq Global Select Market as of the effective time of the merger;
- assume all payment obligations of Coast Bancorp respecting the junior subordinated debentures and acquire all outstanding equity interests of Coast Bancorp in Coast Capital Trust;
- not enter into any agreement with any person that (i) would restrict Bank of the Sierra and/or Sierra Bancorp’s ability to comply with any of the terms of the merger agreement, (ii) relates to any acquisition proposal that would materially impair Bank of the Sierra’s and/or Sierra Bancorp’s ability to consummate the merger and the transactions contemplated by the merger agreement, or (iii) relates to any acquisition proposal, unless such acquisition proposal requires the completion of the merger and payment of the merger consideration to the Coast Bancorp shareholders as provided in the merger agreement prior to completion of any other acquisition proposal respecting Sierra Bancorp; and
- not pay any dividends or distributions on its common stock other than customary quarterly dividends in like kind and amounts, and stock buybacks consistent with past practice.

Conditions to Both Parties' Obligations Under the Merger Agreement

The respective obligations of each party under the merger agreement are subject to the fulfillment at or prior to the closing date of the following conditions, none of which may be waived:

54

- all regulatory approvals and other necessary approvals, authorizations and consents of any governmental entities required to consummate the merger and the bank merger will have been obtained and are in full force and effect, and all waiting periods relating to such approvals, authorizations or consents shall have expired;
- none of the parties to the merger agreement will have been subject to any order, decree or injunction of a court or agency of competent jurisdiction has enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and prohibits or makes illegal consummation of the merger, the bank merger or the transactions contemplated by the merger agreement;
- the merger agreement and merger will have been approved by the requisite vote of the shareholders of Coast Bancorp; and
- the Form S-4 Registration Statement filed with the SEC pursuant to the terms of the merger agreement is effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for that purpose has been initiated or threatened by the SEC and unresolved.

Conditions to Sierra Bancorp's Obligations Under the Merger Agreement

The obligations of Sierra Bancorp under the merger agreement are also subject to the satisfaction of the following conditions at or prior to the closing date:

- Each of the representations and warranties of Coast Bancorp set forth in the merger agreement shall be true and correct as of January 4, 2016 and as of the closing date of the merger agreement with the same effect as though all such representations and warranties had been made on the closing date (except to the extent such representations and warranties speak as of an earlier date), and Coast Bancorp has delivered to Sierra Bancorp a certificate to such effect signed by the Chief Executive Officer and the Chief Financial Officer of Coast Bancorp dated as of the closing date.
- Coast Bancorp shall have performed in all material respects all obligations and complied in all material respects with all agreements or covenants to be performed or complied with by it at or prior to the closing date, and Sierra Bancorp has received a certificate signed on behalf of Coast Bancorp by the Chief Executive Officer and Chief Financial Officer of Coast Bancorp to such effect dated as of the closing date.
- Sierra Bancorp shall have obtained all material permits, authorizations, consents, waivers, clearances or approvals required for the lawful consummation of the merger.
- No regulatory approvals and other necessary approvals, authorization or consent shall include any condition or requirement (i) requires any of the parties, including the surviving bank, to pay any amounts (other than customary filing fees), or divest any banking office, line of business or operations, or (ii) imposes any condition, requirement or restriction upon Sierra Bancorp or Bank of the Sierra that would, individually or in the aggregate, reasonably be expected to impose a materially burdensome condition on Sierra Bancorp or Bank of the Sierra, as applicable, or otherwise would materially alter the economics of the merger for Sierra Bancorp.
- There shall not have occurred any event, circumstance, change, occurrence or state of facts that, individually or in the aggregate with all such other events, circumstances, changes occurrences or states of facts, has resulted in or would reasonably be expected to result in, a materially adverse effect on Coast Bancorp.
- As of five days prior to the closing, Coast Bancorp's allowance for loan losses, determined in accordance with GAAP, shall be no less than 1.40% of gross loans.

- Coast Bancorp shall have obtained an environmental report for certain owned real properties, which do not disclose any materials amount of hazardous materials, material adverse environmental conditions or material violations of environmental laws that have not been remediated.
- Coast Bancorp's shareholder rights plan shall have been terminated, all rights issued thereunder shall have been redeemed, no "flip-in event" (as that term is defined in the shareholder rights plan) shall have occurred, and no shares of company preferred stock shall have been issued or be issuable thereunder, and company shall have delivered to parent written evidence of the same reasonably satisfactory to parent.

- Coast Bancorp's senior note shall have been repaid in full, and the stock of Coast National Bank which is pledged as collateral therefor shall have been released, or, if Sierra Bancorp elects in its sole discretion to assume the senior note, the consent of the note holder to the assumption is obtained.
- Special tax counsel to Sierra Bancorp, Katten Muchin Rosenman LLP, shall have issued an opinion to Sierra Bancorp to the effect that the merger qualifies as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code.
- Holders of not more than ten percent (10%) of the outstanding shares of Coast Bancorp common stock shall have duly exercised their dissenter's rights under Chapter 13 of the CGCL.
- Coast Bancorp shall have provided a disclosure and notice to each holder of Coast Bancorp stock options, of their right to exercise their Coast Bancorp stock options prior to the effective time of the merger.

Conditions to Coast Bancorp's Obligations Under the Merger Agreement

The obligations of Coast Bancorp under the merger agreement are subject to the satisfaction of the following conditions at or prior to the closing date:

- Each of the representations and warranties of Sierra Bancorp set forth in the merger agreement shall be true and correct as of January 4, 2016 and as of the closing date of the merger with the same effect as though all such representations and warranties had been made on the closing date (except to the extent such representations and warranties speak as of an earlier date), and Sierra Bancorp shall have delivered to Coast Bancorp a certificate to such effect signed by its Chief Executive Officer and the Chief Financial Officer dated as of the closing date.
- Sierra Bancorp shall have performed in all material respects all of its obligations and complied in all material respects with all agreements or covenants to be performed or complied with by it at or prior to the closing date, and Coast Bancorp shall have received a certificate to such effect signed on behalf of Sierra Bancorp by its Chief Executive Officer and Chief Financial Officer to such effect dated as of the closing date.
- No event, circumstance, change, occurrence or state of facts shall have occurred that, individually or in the aggregate with all such other events, circumstances, changes occurrences or states of facts, has resulted in or could reasonably be expected to result in, a material adverse effect as to Sierra Bancorp.
- Sierra Bancorp shall have delivered to the exchange agent for delivery to the holders of Company common stock, the merger consideration on or prior to the closing date.
- The shares of Sierra Bancorp common stock to be issued as part of the merger consideration shall have been authorized for listing on Nasdaq Global Select Market, subject to official notice of issuance.
- Sierra Bancorp shall have furnished Coast Bancorp with such certificates of its officers or others and such other documents to evidence fulfillment of the closing conditions set forth in the merger agreement as Coast Bancorp may reasonably request.

Termination; Effect of Termination

The obligations of the parties to consummate the merger are subject to certain closing conditions, some of which may not be waived by a party, including but not limited to the receipt of all required shareholder and regulatory approvals and other governmental consents, and some conditions which may be waived by a party in its discretion. The failure of a condition to the closing of the merger, to the extent not waived, may result in a termination of the merger agreement and the merger. For a more detailed discussion of the conditions to the closing of the merger, please see "PROPOSAL NO. 1 THE MERGER AGREEMENT AND THE MERGER – Conditions to Both Parties' Obligations Under the Merger Agreement," "— Conditions to Sierra Bancorp's Obligations Under the Merger Agreement," and "– Conditions to Coast Bancorp's Obligations Under the Merger Agreement."

Further, the merger agreement permits the parties to terminate the merger agreement and abandon the merger: (i) by mutual agreement in writing; (ii) if a governmental entity has denied approval of the merger or the bank merger and such denial has become final and nonappealable, or takes final and nonappealable action to enjoin, restrain or prohibit the merger or the bank merger; or (iii) if the merger is not consummated by May 31, 2016, which date may be extended one or more times, but not to a date any later than July 31, 2016, by notice from either party to the other on or before May 31, 2016 (or the date to which the agreement has been then been most recently extended), if the only condition to the closing that has not been satisfied or is not capable of being satisfied as of the date such notice is delivered is receipt of any required regulatory approval and the satisfaction of such condition remains reasonably possible, as determined by the parties in good faith.

Either party to the merger agreement may terminate the merger agreement if the other party materially breaches any of its representations or warranties or fails to perform any of its covenants or agreements, which breach or failure would result in the failure of a closing condition that has not been (or cannot by its nature be) cured within 30 days following written notice thereof to the breaching party.

Either party may also terminate the merger agreement if any regulator requests the withdrawal of any application or any application is approved with commitments, conditions or understandings, contained in an approval letter or otherwise, which imposes a materially burdensome condition, on Sierra Bancorp or Bank of the Sierra, otherwise materially alter the economics of the merger for Sierra Bancorp.

Either party may also terminate the merger agreement if the other party breaches any of the covenants or agreements or any of the representations or warranties set forth in the merger agreement that individually or in the aggregate would result in a material adverse effect on that party, or if such breach continued through the closing date and would cause the failure of a fundamental closing condition that has not been (or cannot by its nature be) cured within 30 days following written notice thereof to the breaching party.

Sierra Bancorp may terminate the merger agreement and merger if Coast Bancorp does not receive the required shareholder vote and one or more Coast Bancorp directors or officers that is a party to a Coast Bancorp support agreement shall have voted their shares against approval of the merger or the merger agreement, or if Coast Bancorp fails to hold its shareholder meeting before April 30, 2016, unless the delay is due to regulatory action or inaction. Sierra Bancorp has agreed to waive its termination right concerning the date of the Coast shareholders' meeting provided the meeting is held on or before May 31, 2016. Sierra Bancorp may also terminate the merger agreement if a material adverse effect shall have occurred with respect to Coast Bancorp.

Sierra Bancorp, upon written notice to Coast Bancorp, may also terminate the merger agreement if (i) the Coast Bancorp board effects a change in recommendation or fails to recommend approval of the merger agreement and the merger; (ii) Coast Bancorp enters into a definitive agreement providing for a superior proposal, (iii) if the Coast Bancorp board of directors fails to unanimously and unqualifiedly reaffirm its recommendation that shareholders approve the merger agreement and merger within two (2) business days (or such longer period of time that the Coast Bancorp board determines in good faith is reasonably necessary to comply with its fiduciary duties) of a written request by Sierra to do so following the date any acquisition proposal or any material change thereto is first publicly announced, published or sent to Coast Bancorp's shareholders; (iv) a tender offer or exchange offer (whether or not conditional) relating to shares of Coast Bancorp's capital stock shall have been commenced and the Coast Bancorp board (or any committee thereof) fails to affirmatively recommend against such tender offer or exchange offer within 10 business days after the commencement of such tender offer or exchange offer, or (v) Coast Bancorp intentionally breaches its non-solicitation obligations.

Coast Bancorp may terminate the merger agreement if it enters into a definitive agreement providing for a superior acquisition proposal prior to the receipt shareholder approval of the merger agreement and merger; provided, it not in breach of the merger agreement. Coast Bancorp may terminate the merger agreement if Sierra enters into any agreement with any that (i) would restrict Sierra Bancorp or Bank of the Sierra's ability to comply with any of the terms of the merger agreement, (ii) relates to any acquisition proposal that would materially impair Sierra Bancorp or Bank of the Sierra's ability to consummate the merger and the transactions contemplated by the merger agreement, or (iii) relates to any acquisition proposal, unless such acquisition proposal requires the completion of the merger and payment of the merger consideration to the Coast Bancorp shareholders as provided in the merger agreement prior to completion of any other acquisition proposal respecting Sierra Bancorp.

Coast Bancorp may also terminate the agreement if Sierra Bancorp enters into an agreement for an alternative acquisition that (i) would restrict Bank of the Sierra and/or Sierra Bancorp's ability to comply with any of the terms of the merger agreement, (ii) relates to any acquisition proposal that would materially impair Bank of the Sierra's and/or Sierra Bancorp's ability to consummate the merger and the transactions contemplated by the merger agreement, or (iii) relates to any acquisition proposal, unless such acquisition proposal requires the completion of the merger and payment of the merger consideration to the Coast Bancorp shareholders as provided in the merger agreement prior to completion of any other acquisition proposal respecting Sierra Bancorp.

Coast Bancorp has agreed to pay a termination fee of $700,000 to Sierra Bancorp if: (i) the merger agreement is terminated by Coast Bancorp in order to enter into a definitive agreement providing for a superior acquisition proposal; (ii) Sierra Bancorp terminates the merger agreement due to no Coast Bancorp recommendation; or (iii) any person has made an acquisition proposal, which proposal has been publicly announced, disclosed or proposed and not withdrawn, and (a) thereafter the merger agreement is terminated (I) by either party because the Coast Bancorp shareholders have not approved the merger agreement and merger; or (II) by Sierra Bancorp pursuant to the termination provision for breach provision and (b) within 12 months after such termination of the merger agreement, Coast Bancorp consummates an acquisition proposal or any definitive agreement with respect to an acquisition proposal is entered into (provided that an "acquisition proposal" for this purpose is the acquisition of 50%, rather than 10%, of the total voting power of the surviving entity).

Amendment, Extension and Waiver

At any time prior to the effective time of the merger (whether before or after approval thereof by the shareholders of Coast Bancorp), the board of directors of the parties may: (i) amend the merger agreement, (ii) extend the time for the performance of any of the obligations or other acts of any other party thereto, (iii) waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant thereto, or (iv) waive compliance with any of the agreements or conditions contained in the merger agreement; provided, however, that no amendment shall be made without the approval of the shareholders of the parties, if such approval is required by law.

Employee Benefits

Coast Bancorp has adopted, and the board of directors of Bank of the Sierra has approved, a retention and severance plan, which we refer to as the new retention plan, to replace any existing employee severance policies of Coast Bancorp in order to encourage Coast employees to remain employed with Coast Bancorp in order to assist in the successful completion of the merger and to continue to contribute meaningfully to the future success of Sierra Bancorp following the merger. All payments under the new retention plan provide for the execution of an agreement reasonably satisfactory to Sierra Bancorp as a condition to receipt of payments, which shall provide for (i) release of claims, and (ii) confidentiality of information. Employees of Coast Bancorp or Sierra Bancorp who receive retention bonuses under the new retention plan will not be entitled to receive any severance payments unless the parties to the merger agreement shall otherwise mutually agree. See "PROPOSAL NO. 1 The Merger Agreement and The Merger – Interests of Directors and Officers in the Merger – Retention Incentives" at page [__] for a description of benefits under the new retention plan for certain executive officers.

In addition, prior to the effective time of the merger, Coast Bancorp will take all action necessary to terminate all other compensation or benefit plan identified by Sierra Bancorp. Termination of any such plans is subject to compliance with applicable law, and will not reduce any benefits already accrued thereunder. Coast Bancorp will accrue any and all obligations with respect to the termination of such plans before the effective time of the merger. The employees of Coast Bancorp who are employed by Bank of the Sierra after the effective time or who are offered and who accept employment with Bank of the Sierra shall be eligible to participate in Bank of the Sierra' employee benefit plans in which, and to the same extent as, similarly situated employees of Bank of the Sierra participate. Former Coast Bancorp employees' service with Coast Bancorp shall be treated as service with Bank of the Sierra for purposes of determining eligibility to participate, vesting and benefits.

Expenses

Except as specifically set forth in the merger agreement, all expenses incurred by Sierra Bancorp and Coast Bancorp in connection with or related to the authorization, preparation and execution of the merger agreement, the solicitation of shareholder approvals and all other matters related to the closing of the transactions contemplated therein, will be borne solely and entirely by the party which incurred such expense.

Closing; Effective Time of the Merger

The closing for the merger will occur on the last day of the month that is a business day following the latest to occur of: (i) the receipt of all regulatory approvals required to complete the merger; (ii) the receipt of all shareholder approvals, (iii) the satisfaction or waiver of all closing conditions, or (iv) the passing of any applicable waiting periods; or at such other date or time upon which the parties hereto will mutually agree. The merger will be effected by the filing of an Agreement of Merger in the form attached as Exhibit A-1 to the merger agreement with the California Secretary of State on the day of the closing in accordance with Section 1200 of the CGCL. The "effective time" of the merger will be the date and time upon which the Agreement of Merger is filed with the California Secretary of State.

The parties are working to complete the merger in the second quarter of 2016. However, no assurances can be provided as to whether or when the merger will actually close.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

This section describes the material United States federal income tax consequences of the merger to U.S. holders of Coast Bancorp common stock who exchange shares of Coast Bancorp common stock for shares of Sierra Bancorp common stock, cash, or a combination of shares of Sierra Bancorp common stock and cash pursuant to the merger. For purposes of this discussion, a "U.S. holder" is a beneficial owner of Coast Bancorp common stock that for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state or political subdivision thereof;
- a trust that (1) is subject to (A) the primary supervision of a court within the United States and (B) the authority of one or more United States persons to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person; or
- an estate that is subject to U.S. federal income tax on its income regardless of its source.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) holds Coast Bancorp common stock, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. A Coast Bancorp shareholder which is a partnership should consult its tax advisor concerning the tax consequences of the merger.

Coast Bancorp shareholders that are not U.S. holders may have different tax consequences than those described below, and are urged to consult their tax advisors about the tax treatment of the merger to them under U.S. and non-U.S. laws.

This discussion addresses only those Coast Bancorp shareholders that hold their Coast Bancorp common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code, and does not address all the U.S. federal income tax consequences that may be relevant to particular Coast Bancorp shareholders in light of their individual circumstances or to Coast Bancorp shareholders that are subject to special rules, such as:

- financial institutions;
- pass-through entities or investors in pass-through entities;
- insurance companies;
- tax-exempt organizations;
- dealers in securities;
- traders in securities that elect to use a mark-to- market method of accounting;
- persons owning 5% or more of Coast Bancorp common stock or that are affiliates of Coast Bancorp;
- persons that hold Coast Bancorp common stock as part of a straddle, hedge, constructive sale or conversion transaction;
- certain expatriates or persons that have a functional currency other than the U.S. dollar;

- persons who are not U.S. holders; and
- shareholders who acquired their shares of Coast Bancorp common stock through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified retirement plan.

In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax.

The following discussion is based on the Internal Revenue Code, its legislative history, existing and proposed regulations, thereunder, and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

The obligation of Sierra Bancorp to complete the merger is conditioned upon the receipt of an opinion from its special tax counsel, Katten Muchin Rosenman LLP, to the effect that, for U.S. federal income tax purposes, the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code. Such opinion will be based on certain assumptions and representations as to factual matters by Sierra Bancorp and Coast Bancorp. Sierra Bancorp does not currently intend to waive this opinion condition to its obligation to complete the merger. If Sierra Bancorp does waive this condition, Coast Bancorp shareholders will be informed of this decision prior to being asked to vote on the merger.

The following discussion, subject to the limitations and qualifications described herein, constitutes the opinion of Katten Muchin Rosenman LLP as to the material U.S. federal income tax consequences of the merger applicable to a U.S. holder of Coast Bancorp common stock that exchanges Coast Bancorp common stock in the merger, to the extent such discussion sets forth statements of U.S. federal income tax law or legal conclusions with respect thereto. The opinion of counsel does not address any state, local or foreign tax consequences of the merger. It is based on certain assumptions and representations as to factual matters by Sierra Bancorp and Coast Bancorp, and cannot be relied upon if any of the assumptions or representations are inaccurate as of the date hereof or the effective time of the merger. In addition, the opinion is based on current law and cannot be relied upon if current law changes with retroactive effect. An opinion of counsel is not binding upon the Internal Revenue Service or the courts, and there is no assurance that the Internal Revenue Service or a court will not take a contrary position. Sierra Bancorp has not requested and does not intend to request any ruling from the Internal Revenue Service as to the U.S. federal income tax consequences of the merger.

A Coast Bancorp shareholder may not necessarily receive cash and/or shares of Sierra Bancorp common stock in the proportion(s) that such shareholder has elected. Accordingly, it will not be possible for holders of Coast Bancorp common stock to determine the specific tax consequences of the merger to them at the time they submit their election form.

Coast Bancorp shareholders are urged to consult their tax advisors as to the particular U.S. federal income tax consequences of the merger to them, as well as any tax consequences arising under any state, local and non-U.S. tax laws or any other U.S. federal tax laws.

Based on and subject to the foregoing, the following material U.S. federal income tax consequences will result to a U.S. holder of Coast Bancorp common stock that elects to exchange its Coast Bancorp common stock in the merger:

- A U.S. holder receiving only cash in the merger will recognize gain or loss, determined separately for each identifiable block of shares of Coast Bancorp common stock (generally, Coast Bancorp common stock acquired at the same cost in a single transaction) exchanged by the U.S. holder in the merger, equal to the difference between the amount of cash received in the merger with respect to such block and the U.S. holder's tax basis in the shares of Coast Bancorp common stock in such block. Such gain or loss generally will be capital gain, and will be long-term capital gain if, as of the effective date of the merger, the applicable shares of Coast Bancorp common stock were held for more than one year (unless the receipt of cash has the effect of a distribution of a dividend under the provisions of the Internal Revenue Code, discussed below, as to which U.S. holders should consult their tax advisors).

- Ignoring any cash received in lieu of a fractional share of Sierra Bancorp common stock (which is discussed below), a U.S. holder receiving only shares of Sierra Bancorp common stock in the merger will not recognize gain or loss in the merger.

- A U.S. holder receiving cash and shares of Sierra Bancorp common stock in exchange for each identifiable block of Coast Bancorp common stock exchanged by the U.S. holder in the merger generally will recognize gain (but not loss), in an amount equal to the lesser of (i) the amount of cash received with respect to such block, excluding any cash received in lieu of a fractional share of Sierra Bancorp common stock (which is discussed below), and (ii) the excess, if any, of (a) the sum of the amount of such cash and the fair market value of the Sierra Bancorp common stock received with respect to such block over (b) the U.S. holder's tax basis in the shares of Coast Bancorp common stock in such block. Any gain recognized generally will be capital gain, and will be long-term capital gain if, as of the effective date of the merger, the shares of Coast Bancorp common stock in such block were held for more than one year, unless the receipt of cash has the effect of a distribution of a dividend under the provisions of the Internal Revenue Code, in which case such gain will be treated as dividend income rather than capital gain. The Internal Revenue Service has indicated in rulings that any reduction in the interest of a shareholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gains as opposed to dividend treatment. Because the possibility of dividend treatment depends primarily upon a U.S. holder's particular circumstances, including the application of constructive ownership rules, U.S. holders should consult their tax advisors regarding the applicability to them of this possibility.

- A U.S. holder generally will have an aggregate tax basis in the shares of Sierra Bancorp common stock (if any) received by the U.S. holder with respect to each identifiable block of shares of Coast Bancorp common stock exchanged by the U.S. holder in the merger (including any fractional share of Sierra Bancorp common stock deemed received and redeemed for cash, as discussed below) equal to the U.S. holder's aggregate tax basis in the shares of Coast Bancorp common stock in such block, reduced by the amount of cash (if any) received with respect to such block (other than cash received in lieu of a fractional share of Sierra Bancorp common stock) and increased by the amount of any gain recognized by the U.S. holder (including, but not limited to, any portion of such gain that is treated as a dividend, but excluding any gain recognized with respect to cash received in lieu of a fractional share of Sierra Bancorp common stock) with respect to such block.

- The holding period of the shares of Sierra Bancorp common stock (if any) received by a U.S. holder with respect to each identifiable block of shares of Coast Bancorp common stock exchanged in the merger (including any fractional share of Sierra Bancorp common stock deemed received and redeemed for cash, as discussed below) will include the holding period of the shares of Coast Bancorp common stock in such block.

- Cash received by a U.S. holder in lieu of a fractional share of Sierra Bancorp common stock in the merger will be treated as if such fractional share had been issued and then redeemed by Sierra Bancorp. Subject to the discussion above regarding possible dividend treatment, a U.S. holder generally will recognize capital gain or loss with respect to cash received in lieu of a fractional share, measured by the difference, if any, between the amount of cash received and the tax basis in such fractional share (determined as described above). Any gain or loss recognized generally will be long-term capital gain or loss if, as of the effective date of the merger, the shares of Coast Bancorp common stock in the block of shares of Coast Bancorp common stock exchanged in the merger were held for more than one year. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting.

U.S. holders may be subject to information reporting and backup withholding on any cash payments they receive in the merger, including cash in lieu of fractional shares of Sierra Bancorp common stock. Payments will not be subject to backup withholding if the U.S. holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact or (ii) provides Sierra Bancorp or the exchange agent, as appropriate, with a properly completed Internal Revenue Service Form W-9 (or its successor form) certifying that the U.S. holder is a U.S. person, the taxpayer identification number provided is correct and the U.S. holder is not subject to backup withholding. The taxpayer identification number of an individual is his or her Social Security number. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished by the U.S. holder to the Internal Revenue Service.

The discussion of the material U.S. federal income tax consequences set forth above is intended to provide only a general summary, and is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the merger. Moreover, the discussion set forth above does not address tax consequences that may vary with, or are dependent on, individual circumstances. In addition, the discussion set forth above does not address any non-income tax or any foreign, state or local tax consequences of the merger and does not address the tax consequences of any transaction other than the merger.

INFORMATION ABOUT SIERRA BANCORP

Sierra Bancorp is a California corporation headquartered in Porterville, California, and is a registered bank holding company under federal banking laws. Its principal executive offices are located at 86 North Main Street, Porterville, CA 93257, telephone: (559) 782-4900. Sierra Bancorp was formed to serve as the holding company for Bank of the Sierra, and has been Bank of the Sierra's sole shareholder since August 2001. Sierra Bancorp exists primarily for the purpose of holding the stock of Bank of the Sierra and of such other subsidiaries it may acquire or establish. At the present time, Sierra Bancorp's only other direct subsidiaries are Sierra Statutory Trust II and Sierra Capital Trust III, which were formed in March 2004 and June 2006, respectively, solely to facilitate the issuance of capital trust pass-through securities ("TRUPS"). Pursuant to the Financial Accounting Standards Board's guidance on the consolidation of variable interest entities, these trusts are not reflected on a consolidated basis in the financial statements of Sierra Bancorp. At December 31, 2015, Sierra Bancorp had consolidated assets of $1.797 billion, gross loans of $1.133 billion, deposits of $1.465 billion and shareholders' equity of $190 million. Sierra Bancorp's liabilities include $31 million in debt obligations due to Sierra Statutory Trust II and Sierra Capital Trust III, related to TRUPS issued by those entities.

Bank of the Sierra is a California state-chartered bank also headquartered in Porterville, California, which opened for business in January 1978 and has since become the largest independent bank headquartered in the South San Joaquin Valley. Bank of the Sierra offers a full range of retail and commercial banking services primarily in Tulare, Kern, Fresno, and Kings Counties in Central California, and, in Southern California, in the rich agricultural corridor stretching from Santa Paula to Santa Clarita. Bank of the Sierra's growth has primarily been organic, but includes two acquisitions: Sierra National Bank in 2000, and Santa Clara Valley Bank in 2014. Bank of the Sierra plans to expand even further in 2016 with the acquisition of Coast National Bank which is the subject of this proxy statement/prospectus, and the purchase of certain deposits and loans from Citizens Business Bank. For more information concerning the Citizens Business Bank acquisition see the "Recent Developments" section of the Company's Annual Report on 10-K for the year ended December 31, 2015 as filed with the SEC which is incorporated herein by reference. Bank of the Sierra currently operates 28 full service branch offices, and a loan production office, throughout its geographic footprint, including the three branches that were added in November 2014 via the acquisition of Santa Clara Valley Bank. Bank of the Sierra has also received regulatory approvals for a de-novo branch in Sanger, California, scheduled to open in the second quarter of 2016, and another branch in Bakersfield, California. In addition to its stand-alone offices, Bank of the Sierra has specialized lending units which include a real estate industries center, an agricultural credit center, and an SBA lending unit, as well as ATMs at all branch locations and offsite ATMs at six different non-branch locations.

Bank of the Sierra's chief products and services are related to the business of lending money and accepting deposits. Bank of the Sierra's lending activities include real estate, commercial (including small business), mortgage warehousing, agricultural, and consumer loans. The bulk of its real estate loans are secured by commercial, professional office, and agricultural properties which are predominantly owner occupied, and Bank of the Sierra also offers a complete line of construction loans for residential and commercial development, permanent mortgage loans, land acquisition and development loans, and multifamily credit facilities. Secondary market services for residential mortgage loans are provided through Bank of the Sierra's affiliations with Freddie Mac, Fannie Mae and certain non-governmental institutions.

In addition to loans, Bank of the Sierra offers a wide range of deposit products for individuals and businesses including checking accounts, savings accounts, money market demand accounts, time deposits, retirement accounts, and sweep accounts. Bank of the Sierra's deposit accounts are insured by the FDIC up to maximum insurable amounts. Bank of the Sierra attracts deposits throughout its market area with direct-mail campaigns, a customer-oriented product mix, competitive pricing, convenient locations, drive-through banking, and a multitude of alternative delivery channels, and we strive to retain our deposit customers by providing a consistently high level of service.

Additional information about Sierra Bancorp and Bank of the Sierra is included in documents incorporated by reference into this proxy statement/prospectus. See "WHERE YOU CAN FIND MORE INFORMATION" beginning on page [__].

INFORMATION ABOUT COAST BANCORP

General

Coast Bancorp is California-based bank holding company for Coast National Bank, a full service nationally chartered commercial bank headquartered in San Luis Obispo, California, offering a full range of credit and depository services primarily to small and medium sized businesses. We opened for business on June 16, 1997 and currently operate from three full service banking offices in San Luis Obispo, Arroyo Grande and Paso Robles, California and a Loan Production Office in Atascadero, California. Our deposits are insured by the FDIC up to the maximum limits allowable by law. The following is a list of our offices:

San Luis Obispo Headquarters Office	Arroyo Grande Branch Office
500 Marsh Street	1360 E. Grand Ave.
San Luis Obispo, CA 93401	Arroyo Grande, CA 93420
Paso Robles Branch Office	Atascadero Loan Production Office
2138 Spring Street #A	7315 El Camino Real
Paso Robles, CA 93446	Atascadero, CA 93422

Our focus is providing highly personalized banking services to entrepreneurial businesses, professional firms and nonprofit organizations, along with their owners and key managers throughout the Central Coast of California, particularly in San Luis Obispo, County. We offer a full range of credit and depository services, with special emphasis on superior customer service, sophisticated cash management services and direct access to bank decision makers. Coast National Bank customers work directly with a dedicated Relationship Manager, a seasoned professional who understands their unique challenges serving as a sounding board and an active participant in their client's success.

Our key executives as well as our relationship managers have all served customers in this market for many years and through their experience and extensive connections throughout the Central Coast are in a unique position to facilitate Coast Bancorp's organic growth.

Our Business

Coast Bancorp has grown to $146.9 million in total assets as of December 31, 2015 through organic customer growth, with almost its entire deposit base coming from core customer relationships that are primarily from the local Central Coast market. Our customers are generally small- to medium-sized privately-held businesses. The majority of our customers are located on the Central Coast of California, and we provide them service through 35.5 full-time equivalent employees located at one of our three full service banking offices.

Coast Bancorp successfully weathered the financial storm of the great recession which plagued much of the financial industry. In February 2011, Coast Bancorp's subsidiary, Coast National Bank, entered into a Consent Order with the Office of the Comptroller of the Currency. This Consent Order was terminated in April of 2014 as a result of the diligent efforts of the board, management and employees. In June of 2014, Coast Bancorp completed $6.8 million debt and equity capital raise. These funds were used to bring current the company's accrued interest on its Trust Preferred subordinate debt, to augment capital at the bank level, and for other general corporate purposes. Once the credit quality issues had significantly improved, the focus at the Bank then shifted to operational efficiencies and profitability.

Coast National Bank provides deposit, cash management and payment processing services to support business customers and their owners. We offer a wide range of deposit products for businesses and their owners including checking accounts, savings accounts, money market demand accounts, time deposits, and sweep accounts. Coast Bancorp maintains state of the art technology products including business Internet banking, consumer Internet banking, and remote deposit service. We also provide merchant card and foreign exchange services. Our customers come from a diversified group of industries and can be serviced from any of our three offices as a result of electronic banking, remote deposit and courier service. As a result of our primary focus on supporting the cash management needs of our business customers, Coast Bancorp has a high level of non-maturity deposits (88% as of December 31, 2015).

In supporting the credit needs of our customer base, we generally provide primarily the following types of credit: Commercial and Industrial lines of credit and term loans; Commercial Real Estate term loans; and Letters of Credit. It is common for our business customers to have a commercial line of credit and an owner-occupied commercial real estate loan with us.

Our Employees

As of December 31, 2015, Coast National Bank employed 35.5 full-time equivalent employees. Coast National Bank's employees are not represented by any union or other collective bargaining agreement.

Competition

All phases of Coast National Bank's business have been, since inception, and will continue to be, subject to significant competitive forces. Although Coast National Bank has a solid foothold in the San Luis Obispo County banking community, it nevertheless has to compete with other independent local banking institutions, including commercial banks and savings and loan associations, as well as branch offices of regional and national commercial banks, which have assets, capital and lending limits substantially larger than Coast National Bank. Coast National Bank competes with respect to its lending activities, as well as in attracting demand deposits, with savings banks, savings and loan associations, insurance companies, regulated small loan companies and credit unions, as well as securities brokerage offices which can issue commercial paper and other securities (such as shares in money market funds).

Among the advantages such institutions have over Coast National Bank are their ability to finance wide ranging advertising campaigns and to allocate their investment assets to regions of highest yields and demand. Many institutions offer certain services, such as trust services, which Coast National Bank does not currently offer or plan to offer. By virtue of their greater total capital, such institutions have substantially higher lending limits than Coast National Bank (legal lending limits to an individual customer being limited to a percentage of a bank's total capital accounts). These competitors may intensify their advertising and marketing activities to counter any efforts by Coast National Bank to further attract new business as a commercial bank. In addition, as a result of recent legislation, there is increased competition between banks, savings and loan associations and credit unions for the deposit and loan business of individuals. These activities may hinder Coast National Bank's ability to capture a comparatively significant market share.

To compete with the financial institutions in its primary service area, Coast National Bank uses the flexibility which its independent status permits. Its activities in this regard include an ability and intention to respond quickly to changes in the interest rates paid on time and savings deposits and charged on loans, and to charges imposed on depository accounts, so as to remain competitive in the market place. Coast National Bank also emphasizes specialized services for the small business person and professional and personal contacts by our officers and employees. For customers whose loan demands exceed Coast National Bank's lending limits, Coast National Bank has the ability to arrange for such loans on a participation basis with other financial institutions. No assurances can be given, however, that Coast National Bank's efforts to compete with other financial institutions in its primary service area will be successful.

Properties

Coast National Bank currently operates out of its full-service headquarters in San Luis Obispo and from two branch offices located in Arroyo Grande and Paso Robles and a loan production office located in Atascadero, California. The San Luis Obispo location is owned and the other facilities are leased. Management believes that all of Coast National Bank's properties are adequately covered by insurance. For additional information on properties, see Note 4 to Coast Bancorp's audited Consolidated Financial Statements included elsewhere herein.

Legal Proceedings

From time to time, Coast National Bank is subject to various pending and threatened legal actions which arise out of the normal course of its business. There are currently no pending legal actions.

As of the date of this proxy statement/prospectus, there are no material proceedings adverse to Coast Bancorp to which any director, officer, affiliate of Coast Bancorp or a 5% shareholder of Coast Bancorp or any associate of such director, officer, affiliate or 5% shareholder is a party and none of the above persons has a material interest adverse to Coast Bancorp.

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

This discussion presents Management's analysis of Coast Bancorp and its subsidiary bank Coast National Bank's financial condition as of December 31, 2015 and 2014, and the results of operations for each of the years in the two-year period ended December 31, 2015. The discussion should be read in conjunction with Coast Bancorp's consolidated financial statements and the notes related thereto presented elsewhere herein. Although financial condition and results of operations are reported by Coast Bancorp, they relate primarily to its wholly owned subsidiary, Coast National Bank, which is the entity through which most business operations occur.

Statements contained in this report or incorporated by reference that are not purely historical are forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 as amended, including Coast Bancorp's expectations, intentions, beliefs, or strategies regarding the future. All forward-looking statements concerning economic conditions, growth rates, income, expenses, or other values which are included in this document are based on information available to Coast Bancorp on the date noted, and Coast Bancorp assumes no obligation to update any such forward-looking statements. It is important to note that Coast Bancorp's actual results could materially differ from those in such forward-looking statements. Risk factors that could cause actual results to differ materially from those in forward-looking statements include but are not limited to those outlined previously. See "RISK FACTORS."

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP, requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in Coast Bancorp's financial statements and accompanying notes. Coast Bancorp's management believes that the judgments, estimates and assumptions used in preparation of Coast Bancorp's' financial statements are appropriate given the factual circumstances as of December 31, 2015.

Various elements of Coast Bancorp's accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. Critical accounting policies are those that involve the most complex and subjective decisions and assessments and have the greatest potential impact on Coast Bancorp's results of operation. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of investment securities, and the valuation of deferred tax assets. Coast Bancorp's management has identified the accounting policies related to these three areas as critical to an understanding of Coast Bancorp's financial statements due to judgments, estimates and assumptions inherent in these policies, and the sensitivity of Coast Bancorp's financial statements to those judgments, estimates and assumptions.

Allowance for Loan Losses

The provision for loan losses charged to operations is an amount sufficient to bring the allowance for loan losses to an estimated balance considered adequate to absorb probable losses inherent in the portfolio at the date of the financial statements. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to results of operations. Loan losses are charged against the allowance when management believes the collection of a loan balance will not occur. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is evaluated on a regular basis by management and the estimate is based upon management's periodic review of the collectability of the loans that considers historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and qualitative components. The specific component relates to loans that are considered impaired for which an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. Although Management believes the level of the allowance at December 31, 2015 is adequate to absorb losses inherent in the loan portfolio, a further decline in the regional economy may result in increasing losses that cannot reasonably be predicted at this time. For further information regarding the allowance for loan losses and related methodology see "Financial Condition – Allowance for Loan Losses" included elsewhere herein.

Investment Securities

Coast Bancorp currently classifies its investment securities under both available-for-sale and held-to-maturity classifications. Securities that Coast Bancorp has the positive intent and ability to hold to maturity are classified as "held-to-maturity securities" and reported at amortized cost. Securities not classified as held-to-maturity securities are classified as "investment securities available-for-sale" and reported at fair value, with unrealized gains and losses excluded from results of operations and reported as a separate component of accumulated other comprehensive income included in shareholders' equity. Under the available-for-sale classification, securities can be sold due to changing conditions. Coast Bancorp does not have any investment securities classified as trading securities. Investment transactions are recorded on the trade date. Gains and losses on investment securities are recognized at the time of sale based upon the specific identification method. Management performs regular impairment analyses on the securities portfolio. If it is probable that Coast Bancorp will be unable to collect all amounts due according to the contractual terms of the debt security, an other-than-temporary impairment ("OTTI") is considered to have occurred. When an other-than-temporary impairment occurs, the cost basis of the security is written down to its fair value (as the new cost basis) and the write-down is accounted for as a realized loss if it is credit related. In assessing whether impairment represents other-than-temporary impairment ("OTTI"), Coast Bancorp must consider whether it intends to sell a security or if it is likely that they would be required to sell the security before recovery of the amortized cost basis of the investment, which may be maturity. If Coast Bancorp intends to sell the security or it is likely that a sale of the security may be required before recovering the cost basis, the entire impairment loss would be recognized in earnings as an OTTI. If Coast Bancorp does not intend to sell the security and it is not likely the sale of the security is required by Coast Bancorp, and Coast Bancorp does not expect to recover the entire amortized cost basis of the security, only the portion of the impairment loss representing credit losses would be recognized in earnings. The credit loss on a security is measured as the difference between the amortized cost basis and the present value of the cash flows to be expected to be collected. Projected cash flows are discounted by the original or current effective interest rate depending on the nature of the security being measured for potential OTTI. The remaining impairment related to other factors, the difference between the present value of cash flows expected to be collected and fair value, is recognized as a charge to other comprehensive income ("OCI"). Impairment losses related to all other factors are presented as separate categories within OCI. Purchase premiums and discounts are recognized in interest income using the interest method over the expected life of the security. For certain securities such as mortgage-backed securities, the average life can fluctuate based on the amount of prepayments received on the collateral underlying the securities.

Income Taxes

Coast Bancorp uses the asset and liability method to account for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the income tax basis of Coast Bancorp's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Coast Bancorp's annual tax rate is based on its income, statutory tax rates and tax planning opportunities available in which it operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties. Benefits from tax positions are recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. Coast Bancorp reviews its tax positions periodically and adjusts the balances as new information becomes available. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carry-forwards. Coast Bancorp evaluates the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates. Coast Bancorp uses historical experience and short and long-range business forecasts to provide insight. Although realization is not assured for the remaining deferred income tax assets, Coast Bancorp believes it is more likely than not the deferred tax assets will be fully recoverable within the applicable statutory expiration periods. However, deferred tax assets could be reduced in the near term if estimates of taxable income are significantly reduced or available tax planning strategies are no longer viable.

As of and for the Year Ended December 31, 2015 Compared to the Years Ended December 31, 2014

Summary of Performance

Coast Bancorp had net income of $6,757,000 in 2015 or $1.20 per dilutive common share, compared to $183,000 or $0.05 per dilutive common share in 2014. The increase in net income was primarily the result of three significant events that occurred during the third quarter of 2015. First, both Coast Bancorp and Coast National Bank reversed deferred tax asset valuation allowances during the third quarter resulting in a combined tax benefit of $4.3 million. In addition, the Bank sold two buildings, an OREO property and a surplus administrative office building for a combined gain on sale of approximately $1.5 million. Lastly, a reverse provision for loan losses of $500,000 reduced the Allowance for Loan Losses based on management's analysis of the level of probable loan losses. Noninterest income, excluding the gain on sale of the real estate of $1.5 million, declined $131,000 primarily due to lower gain on sale of the guaranteed portion of SBA loans. Noninterest expense increased $44,000 mainly as a result of higher salary and benefit costs and technology expenses. Coast Bancorp's return on average assets and return on average equity were 4.85% and 174.60%, heavily influenced by the non-recurring items mentioned above, respectively, in 2015, as compared to 0.15% and 11.66%, respectively, in 2014. Aside from the significant events of 2015, Coast Bancorp's core financial performance improved in 2015 compared to recent years due, in part, to increased lending activity, strong core deposit growth, reductions in nonperforming assets and expense controls. Those trends were evident to a lesser extent in 2014.

The following are some of the major factors impacting Coast Bancorp's results of operations for the years presented in the consolidated financial statements.

- Coast Bancorp and Coast National Bank reversed deferred tax asset valuation allowances during the third quarter of 2015 resulting in a combined tax benefit of $4.3 million for the year. Coast Bancorp has net operating loss carryforwards of approximately $8.5 million for federal income and $15.0 million for California Franchise tax purposes. Based on an analysis of its present and future earnings, Coast Bancorp deemed it more likely than not that these loss carryforwards would be fully realized from future taxable income. Accordingly, the valuation allowances were reversed and the tax benefits recognized in 2015.
- Coast National Bank was able to take advantage of improving real estate values and sold two buildings in 2015, an OREO property and a surplus administrative office building, for a combined gain on sale of $1.5 million. The OREO property was a former bank facility not used for bank purposes for a number of years. The administrative office building was also underutilized in recent years. Both buildings were acquired in 2000 when Coast Bancorp had plans for expansion.
- Net interest income increased 22% in 2015 due to growth in average loans and investments. Average interest-earning assets were higher in 2015 due to growth in loans and investments that were funded primarily by low-cost non-maturing demand deposits. In 2015, net loans increased $19.4 million or 26.6% and total investment securities increased $3.2 million or 15.0%. Noninterest bearing deposits increased $7.9 million or 16.3% in 2015 and yields on interest-bearing deposits decreased to 0.26% in 2015 from 0.31% in 2014. Coast Bancorp's net interest margin

increased to 3.66% in 2015 from 3.51% in 2014.

- Non-interest income increased in 2015 from the sale of the buildings, but gains on sale of SBA loans and other non-interest income categories were lower. Excluding the gain on sale of the buildings for $1.5 million, noninterest income declined $131,000 due primarily to lower gains on the sale of the guaranteed portion of SBA loans and net servicing revenues. Gains on sale of SBA loans were 31.2% lower in 2015 compared to 2014 due to smaller transaction size in 2015 and lower premiums. Net servicing revenue was lower due to servicing costs related to several older loans. Deposit service charge income was 4.5% lower in 2015 due to depositors maintaining higher average balances, and lower fees earned from nonsufficient funds. These declines were partially offset by $90,000 in gains on the sale of investment securities in 2015 compared to $32,000 in 2014. In 2014 Coast Bancorp incurred losses on sale of OREO of $255,000, but received funds from an insurance claim on a charged-off loan that resulted in other income of $231,000.

- Non-interest expense was 1% higher in 2015. Total noninterest expense was $44,000 or approximately 1.0% higher in 2015 compared to 2014. Salaries and benefits increased $87,000 or 3.2% in 2015, but full-time equivalent staff decreased to 35.5 from 40.0 between December 31, 2015 and 2014. Net occupancy expense increased approximately $36,000 or 9.6% in 2015 due to reduced rental income from the sale of OREO. Other professional services were approximately $93,000 or 17.4% higher in 2015 due to higher third-party audit fees. Stock-based compensation was approximately $36,000 in 2015 compared to no stock-based compensation in 2014. Offsetting these increases, regulatory assessments, OREO, and general office expenses were lower in 2015 compared to 2014. Noninterest expense as a percentage of average earning assets declined from 4.5% in 2014 to 3.9% in 2015.

Balance Sheet Highlights

As of December 31, 2015, Coast Bancorp had total assets of $146.9 million compared to $128.3 million at the end of 2014 for an increase of 14.4%. Net loans grew 26.6% to $92.4 million and investment securities increased 15.0% to $24.2 million during 2015. Total deposits increased to $126.4 million at December 31, 2015, or 9.9% over year end 2014. Senior notes payable were refinanced from $2.0 million at a rate of 10% per annum to $2.5 million at a rate of 6% per annum. Stockholders' equity increased $6.7 million to $10.3 million, or 184.9% at December 31, 2015 compared to December 31, 2014. The following is a summary of key balance sheet changes during 2015.

- Total assets increased by $18.5 million, or 14.4%. The increase in total assets resulted from increased loans, investment securities and reversal of deferred taxes, but offset by reductions in cash and cash equivalents, fixed assets, and other real estate owned.
- Net loans increased $19.4 million, or 26.6% in 2015. The Bank experienced strong organic growth in a number of loan categories. Commercial real estate increased $10.2 million or 21.0% in 2015 compared to an increase of $4.7 million or 10.8% in 2014. Construction loans increased $5.8 million in 2015 compared to an increase of $1.6 million in 2014. Commercial and industrial loans were $3.1 million higher in 2015 compared to an increase of $2.5 million in 2014. Part of this growth, however, was offset by lower yields on average loans outstanding, which decreased from 5.71% in 2014 to 5.58% in 2015.
- Nonperforming assets were 80.8% lower at the end of 2015 compared to 2014. Nonperforming loans of $279,000 at December 31, 2015, reflect a decrease of $417,000 from December 31, 2014. There was no other real estate owned at December 31, 2015 compared to $761,000 at December 31, 2014.
- Allowance for loan losses reduced to 1.51% of loans at year-end 2015 compared to 2.33% at year-end 2014. In 2015 and 2014 Coast Bancorp reduced the allowance for loan losses by $500,000 each year based on its analysis of past and current loan loss experience, the nature and volume of the loan portfolio, specific borrower situations, collateral values, economic conditions, and other factors. During this period, both credit quality improvement in the existing portfolio and net recoveries enabled us to make these reductions. Nonperforming assets, as noted above, were significantly lower in 2015 compared to 2014. Loan recoveries, net of charge-offs were $168,000 in 2015 and $628,000 in 2014.
- Deposits reflect an increase of $11.4 million or 9.9% in 2015 compared to $3.4 million or 3.1% in 2014. In the past two years, Coast Bancorp experienced strong organic growth in core deposits. In 2015 non-interest bearing demand deposits increased $7.9 million or 16.3%. Money market and NOW accounts increased $7.1 million or 18.3% while time deposits decreased $4.2 million or 22.0%. In 2014 non-interest bearing demand increased $5.5 million, money market and NOW accounts increased $1.4 million and time deposits declined $3.8 million.

- Total capital increased by $6.7 million or 184.9% to $10.3 million at December 31, 2015. The level of capital is well above regulatory minimum requirements. Coast National Bank's Tier 1 leverage capital ratio increased to 10.3% at December 31, 2015 compared to 9.4% at December 31, 2014. Total capital to risk-weighted assets was 14.0% at year-end 2015 compared to 15.3% at the end of 2014 due to the growth of higher risk-weighted loans and investments in 2015.

Results of Operations

Net Interest Income and Net Interest Margin

Net interest income before provision for loan losses increased $868,000 for the year ended December 31, 2015, or 21.9% over 2014, to $4,835,000, as a result of the growth of the loan portfolio and investments. Average loans outstanding increased $14.7 million or 21.0% in 2015 to $84.7 million. The low rate environment and competitive market place affected loan yields in both 2015 and 2014. The average yield on loans outstanding declined to 5.58% in 2015 from 5.71% in 2014. In 2014 average loans outstanding increased $4.9 million, or 7.6%, to $70.0 million, and the overall average loan yield declined from 6.13% in 2013 to 5.71% in 2014. In 2015 average investment securities increased $11.0 million or 91.6% to $23.1 million, compared to an average balance of $12.1 million in 2014. The average yield on the investment portfolio also increased 5 basis points to 1.85% in 2015 from 1.80% in 2014 as a result of purchases of higher yielding corporate and taxable municipal securities. Average interest-bearing deposits with other banks decreased from $9.7 million in 2014 to $7.5 million in 2015 as funds were allocated to investment securities. The average yield on interest-bearing deposits with other banks increased to 1.89% in 2015 from 1.71% in 2014 due to reinvestments at longer terms.

Interest expense increased in 2015 primarily as a result of the 10% per annum senior notes issued in mid-2014. These notes were paid off in June 2015 in exchange for $2.5 million of senior notes payable at 6% per annum. Interest expense on interest-bearing deposits was lower due to the decline in average time deposits of $100,000 or more. Interest expense on junior subordinated debt ("TRUPS") was lower in 2015 due to the low rate environment and from the payoff of the first interest deferral balance in mid-2014. The net interest margin increased from 3.51% in 2014 to 3.66% in 2015 due to the increase in outstanding loans and investments together with declines in time deposits of $100,000 or more and the reduction in long term borrowing costs. Interest income to earning assets increased to 4.05% in 2015 from 3.92% in 2014. Interest expense to earning assets decreased to 0.39% in 2015 from 0.41% in 2014.

The following table shows, for each of the past three years, the annual average balance for each principal balance sheet category, and the amount of interest income or expense associated with that category. This table also shows the yields earned on each major component of Coast Bancorp's investment and loan portfolio, the average rates paid on each key segment of Coast Bancorp's interest bearing liabilities, and the net interest margin.

Distribution, Yield and Rate Analysis of Net Income

	Years Ended December 31, 2015			2014			2013		
	Average Balance	Interest Income/ Expense	Average Rate/Yield	Average Balance	Interest Income/ Expense	Average Rate/Yield	Average Balance	Interest Income/ Expense	Average Rate/Yield
	(Dollars in thousands)								
Assets:									
Earning assets:									
Loans[1]	$84,726	$4,726	5.58 %	$70,040	$4,002	5.71 %	$65,097	$3,988	6.13 %
Investment Securities:	23,103	427	1.85 %	12,061	217	1.80 %	1,075	9	0.84 %
Interest-bearing deposits in other banks	7,470	141	1.89 %	9,654	165	1.71 %	8,458	141	1.67 %
Interest-bearing demand balances	16,690	56	0.34 %	21,155	47	0.22 %	30,215	73	0.24 %
Total interest-earning assets	131,989	5,350	4.05 %	112,910	4,431	3.92 %	104,845	4,211	4.02 %
Non-interest-earning assets	7,423			11,609			12,990		
Total assets	$139,412			$124,519			$117,835		
Liabilities and Shareholders' Equity:									
Interest-bearing liabilities:									
Deposits:									
NOW and money market accounts	$48,264	91	0.19 %	37,554	81	0.22 %	37,698	99	0.26 %
Savings	9,187	16	0.17 %	8,529	14	0.16 %	7,994	15	0.19 %
Time deposits under $100,000	3,931	15	0.38 %	5,125	20	0.39 %	6,169	32	0.52 %
Time deposits $100,000 and over	12,268	72	0.59 %	15,739	93	0.59 %	16,298	111	0.68 %
Total interest-bearing deposits	73,650	194	0.26 %	66,947	208	0.31 %	68,159	257	0.38 %
Long term borrowings	2,286	187	8.18 %	1,120	112	10.00 %	—	—	—
Junior subordinated debt ("TRUPS")	7,217	134	1.86 %	7,217	144	2.00 %	7,217	167	2.31 %
Total interest-bearing liabilities	83,153	515	0.62 %	75,284	464	0.62 %	75,376	424	0.56 %
Non-interest-bearing liabilities:									
Demand deposits	51,990			47,504			41,285		

Other liabilities	399		162		2,671	
Shareholders' equity	3,870		1,569		(1,497)	
Total liabilities and shareholders' equity	$139,412		$124,519		$117,835	
Net interest income	$4,835		$3,967		$3,787	
Net interest spread[3]		3.43 %		3.31 %		3.45 %
Net interest margin[4]		3.66 %		3.51 %		3.61 %

1. Loan fees have been included in the calculation of interest income. Loan fees were approximately $97,000, $16,000, and $83,000 for the years ended December 31, 2015, 2014 and 2013, respectively. Loans are net of deferred fees and related direct costs.
2. Yields on tax-exempt income have not been computed on a tax equivalent basis.
3. Represents the weighted average yield on interest-earning assets less the weighted average cost of interest-bearing liabilities.
4. Represents net interest income (before provision for loan losses) as a percentage of average interest-earning assets.

The Volume and Rate Variances table below sets forth the dollar difference in interest earned and paid for each major category of interest-earning assets and interest-bearing liabilities for the noted periods, and the amount of such change attributable to changes in average balances (volume) or changes in average interest rates. Volume variances are equal to the increase or decrease in average balance multiplied by prior period rates, and rate variances are equal to the increase or decrease in rate multiplied by prior period average balances. Variances attributable to both rate and volume changes are calculated by multiplying the change in rate by the change in average balance, and are allocated to the rate variance.

Rate/Volume Analysis of Net Interest Income

	Years Ended December 31,					
	2015 vs. 2014			2014 vs. 2013		
	Increase (Decrease) Due to Change in			Increase (Decrease) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(Dollars in thousands)					
Earning Assets:						
Interest income:						
Loans	$839	$(115)	$724	$303	$(289)	$14
Investment securities:	199	11	210	92	116	208
Interest-bearing deposits in other banks	(37)	13	(24)	20	4	24
Interest-bearing demand balances	(10)	19	9	(22)	(4)	(26)
Total	991	(72)	919	393	(173)	220
Deposits and borrowed funds:						
Interest expense:						
NOW and money market accounts	23	(13)	10	—	(18)	(18)
Savings	1	1	2	1	(2)	(1)
Time deposits under $100,000	(5)	—	(5)	(5)	(7)	(12)
Time deposits $100,000 and over	(21)	—	(21)	(4)	(14)	(18)
Total interest-bearing deposits	(2)	(12)	(14)	(8)	(41)	(49)
Long term borrowings	117	(42)	75	—	112	112
Junior subordinated debt (“TRUPS”)	—	(10)	(10)	—	(23)	(23)
Total interest-bearing deposits	115	(64)	51	(8)	48	40
Change in net interest income	$876	$(8)	$868	$401	$(221)	$180

Interest income increased $919,000 to $5,350,000 in 2015 and $220,000 to $4,431,000 in 2014 primarily as a result of the volume growth of loans and investments. Declining yields on loans resulted in lower interest revenue of approximately $72,000 and $173,000 in 2015 and 2014, respectively. The decline in loan yield in 2015, and more so in 2014, resulted from a combination of lower yields on new loans along with the payoff of existing loans accruing at higher rates. The interest income from investment securities increased $210,000 to $427,000 in 2015 and $208,000 to

$217,000 in 2014 primarily due to higher volume in 2015 and higher yields in 2014. Interest income from investments was also impacted by a change in the composition of the portfolio. Higher yielding corporate securities were added in the latter half of 2014 and in 2015 along with taxable municipals in the second half of 2015. Interest income from interest-bearing deposits with other banks declined $24,000 in 2015 to $141,000 compared to an increase of $24,000 in 2014 due to lower average volume in 2015 together with higher yields. In 2014 the increase in interest income was largely due to higher volume. Interest-bearing demand accounts also declined in average volume in both 2015 and 2014, as funds were invested in loans and investment securities. Higher yields in 2015 offset the decline in volume, but not in 2014.

Interest expense on interest-bearing deposits decreased in 2015 and 2014 as a result of declines in the average rates paid; especially for NOW and money market deposits. A further reduction in interest expense on interest-bearing deposits in both years was due to the decline in the volume of average time deposits. Interest expense on long term debt increased in 2015 due to the $500,000 increase in outstanding debt beginning in June 2015. The increase in interest expense on long term debt in 2014 resulted from Coast Bancorp obtaining $2.0 million of new debt in June 2014 at the rate of 10% per annum. This debt was repaid in full in June 2015 and replaced with $2.5 million of new debt at the rate of 6% per annum. Interest expense on trust preferred junior subordinated debt decreased in both 2015 and 2014 as a result of lower interest rates and from the payoff of the first interest deferral balance in June 2014. Interest accrued on the unpaid deferral balance compounds on a quarterly basis so the repayment of the first interest deferral balance reduced interest expense beginning in July 2014.

Provision for Loan Losses

Coast Bancorp posted a reverse provision for loan losses of $500,000 in both 2015 and 2014 based on management's analysis of loan loss experience, the size and composition of the loan portfolio, the level of specific borrower delinquencies, collateral valuations, economic conditions, and other factors that affect the allowance for loan losses. The amount of loan charge-offs and recoveries also played a significant role in the decision to lower the allowance for loan losses in 2015 and 2014. Recoveries, net of loan charge-offs, were $168,000 in 2015 and $628,000 in 2014. Coast Bancorp's allowance for loan losses, in management's judgment, is at a level that is sufficient to absorb probable losses related to specifically identified impairment loans, as well as the probable incurred losses on the remaining loan portfolio. The process to establish an appropriate allowance for loan loss is discussed further below under "Allowance for Loan Losses."

Non-interest Income

Noninterest income rose significantly in 2015 as a result of the sale of two buildings, one classified other real estate owned ("OREO") and the other an administrative office building generating a combined gain on sale of approximately $1.5 million. In 2014, by comparison, one OREO property was sold for a loss of $255,000. Service charges on deposit accounts were lower in 2015 as a result of accountholders maintaining higher average balances and fewer fees collected from depositors with nonsufficient funds. Servicing revenue, net of costs, was lower in 2015 compared to 2014 due to the increased expense of a number of older loans. Gain on sale of the guaranteed portion of SBA loans was lower in 2015 generally due to shorter-term, smaller loans sold, generating lower sale premiums. Other income was lower in 2015 compared to 2014 as a result of monies collected in 2014 from an insurance claim associated with a charged-off loan that exceeded the charged-off loan amount, plus all interest and fees due, with the excess amount posted to other income.

The following table sets forth the various components of Coast Bancorp's non-interest income for the periods indicated:

Noninterest Income

	Years Ended December 31,			
	2015		2014	
	Amount	Percent of Total	Amount	Percent of Total
Service charges on deposit accounts	$318,000	14.0 %	$333,000	39.4 %

Servicing revenue, net	(15,000)	(0.7)%	79,000	9.3 %
Gain on sale of loans	293,000	12.9 %	426,000	50.4 %
Gain (loss) on sale of OREO	725,000	31.9 %	(255,000)	(30.1)%
Gain (loss) on sale of premises, equip, other assets	836,000	36.7 %	-	0.0 %
Gain on sale of AFS investments	90,000	4.0 %	32,000	3.8 %
Other income	29,000	1.3 %	231,000	27.3 %
Total noninterest income	$2,276,000	100.0 %	$846,000	100.0 %

Non-interest Expense

Noninterest expense was $44,000 higher in 2015 compared to 2014. The largest component of non-interest expense is salaries and benefits, which increased by approximately $87,000 or 3% in 2015 due to cost-of-living and promotional salary adjustments, as well as higher stock-based compensation and group health insurance costs. The number of full-time equivalent staff decreased from 40.0 as of December 31, 2014 to 35.5 at the end of 2015. Net occupancy expense increased approximately $36,000 in 2015 due to the loss of rental income from sold OREO properties. Other professional services were approximately $93,000 higher in 2015 compared to 2014 as a result of higher third-party audit and review fees. In 2015 the Bank incurred an unanticipated expense related to the review of its Small Business Administration 7(a) guaranteed loan program that totaled approximately $41,000. In 2015 compared to 2014, regulatory assessments declined by $90,000, OREO expenses declined $36,000 and director and officer liability insurance costs declined $21,000 due to the improved financial condition of Coast Bancorp. Office expenses and other expenses were $33,000 and $28,000 lower in 2015 compared to 2014, respectively, generally as a result of greater operating efficiencies. Noninterest expense as a percentage of average earnings assets declined from 4.54% in 2014 to 3.92% in 2015.

The following table sets forth Coast Bancorp's non-interest expenses for the periods indicated:

Noninterest Expense

	Years Ended December 31,			
	2015		2014	
	Amount	Percent of Total	Amount	Percent of Total
Salaries and benefits	$2,831,000	54.7 %	$2,744,000	53.5 %
Net occupancy expense (net of rental income)	410,000	7.9 %	374,000	7.3 %
Equipment expense	124,000	2.4 %	116,000	2.3 %
Data processing	414,000	8.0 %	409,000	8.0 %
Director fees and expenses	43,000	0.8 %	23,000	0.4 %
Insurance	48,000	0.9 %	69,000	1.3 %
Marketing and business promotion	135,000	2.6 %	132,000	2.6 %
Other professional expenses	628,000	12.1 %	535,000	10.4 %
Office expenses	90,000	1.7 %	123,000	2.4 %
Regulatory assessments	139,000	2.7 %	229,000	4.5 %
OREO expense	9,000	0.2 %	45,000	0.9 %
Other expense	301,000	5.8 %	329,000	6.4 %
Total noninterest expense	$5,172,000	100.0 %	$5,128,000	100.0 %
Noninterest expense to average earning assets	3.92 %		4.54 %	

Provision for Income Taxes

In 2015 Coast Bancorp reversed deferred tax asset valuation allowances and received a tax benefit of approximately $4.3 million. At December 31, 2015 Coast Bancorp had net operating loss carryforwards of approximately $8.5 million for federal income and $15.0 million for California Franchise tax purposes. Based on an analysis of its present and future earnings, Coast Bancorp deemed it more likely than not that these loss carryforwards would be fully realized from future taxable income. In 2014 the minimum California Franchise tax of $2,000 was paid.

Financial Condition

Total assets grew by $18.5 million to $146.9 million as of December 31, 2015, compared to $128.3 million as of December 31, 2014. The increase in total assets over the past two years was primarily due to loan growth, and net of allowance for loan losses, of $19.4 million or 26.6% in 2015 and $8.5 million or 13.3% in 2014. In 2015, investment securities increased $3.2 million or 15.0% and in 2014 investment securities increased $14.1 million or 203.8%. In 2015, interest-bearing deposits with other banks decreased by $245,000 or 3.0%, to $7.8 million and in 2014 decreased by $2.0 million or 19.5% to $8.1 million. Substantially all of Coast Bancorp's funding comes from deposits maintained by core customer relationships. In 2015, deposits grew by $11.4 million or 9.9% to $126.4 million, of which $7.9 million was growth from non-interest bearing demand accounts. In 2014, deposits grew by $3.4 million or 3.1% to $115.0 million, of which $5.5 million was growth from non-interest bearing demand accounts. In 2015 Coast Bancorp refinanced it long-term debt, reducing the interest rate from 10% per annum to 6% per annum, and increased the balance outstanding to $2.5 million. Coast Bancorp's capital grew by $6.7 million in 2015, as the accumulated deficit was reduced by approximately the same amount due largely to the reversal of deferred tax asset valuation allocations, gains on sale of real property, and a $500,000 reversal from the allowance for loan and lease losses. Additional paid-in capital increased $36,000 from stock-based compensation. Due to the change in the unrealized gains and losses on available for sale investments, accumulated other comprehensive income declined by approximately $89,000. In 2014, total shareholders' equity grew by $4.5 million to $3.6 million, including a $4.2 million increase in common stock resulting from the sale of 4.8 million common shares through a private stock placement in June 2014. The accumulated deficit was reduced by net income of $183,000 and due to the change in the unrealized gains and losses on available for sale investments, accumulated other comprehensive income increased by approximately $93,000.

Loan Portfolio

The largest percentage of the loan portfolio is represented by real estate loans. Real estate construction represents 14.3% of the loan portfolio. The real estate other category is comprised of commercial real estate, 1 to 4 family residential real estate, including home equity lines of credit, which together represents 62.2% of the loan portfolio. Commercial real estate loans are the largest group within the real estate category. As of December 31, 2015 approximately 45.6% of commercial real estate loans were owner occupied, down from 55.7% at the end of 2014. The second largest category of loans is commercial and industrial comprising approximately 23.3% and 25.0% of total loans as of December 31, 2015 and 2014, respectively. Coast Bancorp's senior management is actively involved in its lending, underwriting, and collateral valuation processes. Higher dollar loans or loan commitments are also approved through a director's loan committee comprised of executives and outside board members.

The following tables set forth the composition of Coast Bancorp's loan portfolio as of the dates indicated:

Loan Portfolio Composition

	Amount Outstanding as of December 31,					
	2015		2014		2013	
Loan Category	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans
Real estate-construction	$13,457	14.3 %	$7,680	10.2 %	$6,095	9.2 %
Real estate-other	58,551	62.2 %	48,388	64.4 %	43,669	65.8 %
Commercial and industrial	21,939	23.3 %	18,793	25.0 %	16,314	24.6 %
Consumer loans	191	0.2 %	255	0.4 %	298	0.4 %
Total loans	94,138	100.0%	75,116	100.0%	66,376	100.0%
Less allowance for loan losses	(1,417)		(1,749)		(1,621)	
Less deferred loan fees	(294)		(377)		(310)	
Total loans, net	$92,427		$72,990		$64,445	

Loan Maturities

The following table shows the maturity distribution for total loans outstanding as of December 31, 2015. The maturity distribution is grouped by remaining scheduled principal payments that are due within one year, after one but within five years, or after five years. The principal balance of loans due after one year is indicated by both fixed and floating rate categories.

Loans Repricing or Maturing

As of December 31,2015

(Dollars in thousands)

	Repricing or Maturing in						
Loan Category:	**One Year or less**	**Over 1 to 5 years**	**Over 5 years**	Total	**Floating rate due after one year**	**Fixed rate due after one year**	Total
Real estate-construction	$9,886	$3,571	$-	$13,457	$ 2,920	$ 651	$3,571
Real estate-other	6,482	13,775	38,294	58,551	42,909	9,160	52,069
Commercial and industrial	3,673	6,167	12,099	21,939	12,951	5,315	18,266
Consumer loans	24	111	56	191	134	33	167
Total	$20,065	$23,624	$50,449	$94,138	$ 58,914	$ 15,159	$74,073

Off-Balance Sheet Arrangements

In the normal course of business, Coast Bancorp makes commitments to extend credit to its customers as long as there are no violations of any conditions established in contractual arrangements. These commitments are obligations that represent a potential credit risk to Coast Bancorp, and a $32,000 reserve for unfunded commitments is reflected as a liability in Coast Bancorp's balance sheet at December 31, 2015. Total unused commitments to extend credit were $26.1 million at December 31, 2015, as compared to $18.9 million at December 31, 2014. Unused commitments represented 27.7% and 25.1% of gross loans outstanding at December 31, 2015 and 2014, respectively. In addition, Coast Bancorp had $340,000 and $734,000 in standby letters of credit at December 31, 2015 and 2014, respectively.

The effect on Coast Bancorp's revenues, expenses, cash flows and liquidity from the unused portion of the commitments to provide credit cannot be reasonably predicted, because there is no certainty that lines of credit will ever be fully utilized. For more information regarding Coast Bancorp's off-balance sheet arrangements, see Note 11 to the financial statements.

Contractual Obligations

At the end of 2015, Coast Bancorp had contractual obligations for the following payments, by type and period due:

	Payments Due by Period		
	2016	2017 and Thereafter	Total
Operating lease obligations	$117,000	$ 42,000	$159,000

Non-performing Assets

Non-performing assets are comprised of loans on non-accrual status, loans 90 days or more past due and still accruing interest, and other real estate owned ("OREO"). Coast Bancorp currently has no loans 90 days or more past due and still accruing interest, and no OREO. A loan is placed in non-accrual status if there is concern that principal and interest may not be fully collected or if the loan has been past due for a period of 90 days or more, unless the obligation is both well secured and in process of legal collection. When loans are placed on non-accrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on non-accrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Loans are returned to accrual status when they are brought current with respect to principal and interest payments and future payments are reasonably assured. Loans in which the borrower is encountering financial difficulties and Coast Bancorp has modified the terms of the original loan are evaluated for impairment and classified as troubled debt restructured loans ("TDR").

The following table presents information concerning Coast Bancorp's nonperforming and restructured loans as of the dates indicated:

Nonaccrual and Past Due Loans		
	December 31,	
	2015	2014
Nonaccrual loans:		

Real estate-construction	$103	$458
Real estate-other	-	1
Commercial and industrial	170	230
Consumer loans	6	-
Total	279	689
Loans past due 90 days or more:		
Commercial and industrial	-	7
Total	-	7
Total nonperforming loans	$279	$696
Performing TDRs	$7	$10
Nonperforming loans to total loans[1]	0.30%	0.93%

1. Performing TDRs are not included in nonperforming loans and are therefore not included in the numerators used to calculate this ratio.

76

Allowance for Loan Losses

Coast Bancorp establishes an allowance for loan loss, through a provision for loan losses, for both specific losses on impaired loans and the inherent risk of probable loss for non-impaired loans based on loan grades, loan characteristics, and economic trends. The allowance consists of specific, general, and qualitative components. The allowance for loan losses is evaluated on a regular basis by management and the estimate is based upon management's periodic review of the collectability of the loans that considers historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. The specific component relates to loans that are considered impaired for which an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Coast Bancorp's allowance for loan loss was $1.4 million and $1.7 million, as of December 31, 2015 and 2014, respectively. In 2015 and 2014 Coast Bancorp reduced the allowance for loan losses by means of a $500,000 reverse provision based on our analysis of past and current loan loss experience, credit quality factors, the size and composition of the loan portfolio, and other factors including net recoveries in 2015 and 2014 of $168,000 and $628,000, respectively. The allowance for loan losses to net loans as of December 31, 2015 was 1.51% and 2.33% as of December 31, 2014, which is consistent with banks of similar size. The allowance for loan loss is maintained at a level that management believes is adequate to provide for loan losses based on currently available information. A comprehensive discussion concerning Coast Bancorp's allowance for loan loss is included in Note 3 of the accompanying Financial Statements.

As of December 31, 2015, the allowance for loan losses includes $22,000 of specific reserves for impaired loans, representing an increase from $12,000 at December 31, 2014. A loan is considered impaired when, based on current information and/or events, it is probable Coast Bancorp will be unable to collect all amounts due (principal and interest) according to the original contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and probability of collecting scheduled principal and interest payments. Measurement of impairment is based on the present value of expected future cash flows of the impaired loan, which are discounted at the loan's effective interest rate. For collateral-dependent loans, Coast Bancorp uses the fair value of the collateral for the impaired loan to measure impairment. An impairment allowance is established to record the difference between the carrying amount of the loan and the present value, or in the case of a collateral-dependent loan, the fair value of the collateral.

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

Analysis of Allowance for Loan Losses

	Years Ended December 31, 2015	2014
Balance at beginning of period	$1,749,000	$1,621,000
Charge-offs:		
Real estate-construction	(3,000)	-
Real estate-other	-	(60,000)
Commercial and industrial	(18,000)	(52,000)
Consumer loans	(1,000)	(8,000)
Total	(22,000)	(120,000)
Recoveries:		
Real estate-construction	-	-
Real estate-other	20,000	275,000
Commercial and industrial	159,000	467,000
Consumer loans	11,000	6,000
Total	190,000	748,000
Net (charge-offs) recoveries	168,000	628,000
Provision for credit losses (benefit)	(500,000)	(500,000)
Balance at end of period	$1,417,000	$1,749,000
Net charge-offs (recoveries) to average loans	(0.20)%	(0.90)%
Allowance for loan losses to average loans at period end	1.67%	2.50%
Allowance for loan losses to total loans at period end	1.51%	2.33%
Allowance for loan losses to non-performing loans	507.89%	251.29%

Allocation of Allowance for Loan Losses

Provided below is a summary of the allocation of the allowance for loan losses for specific loan categories at the dates indicated. The allocation presented should not be viewed as an indication that charges to the allowance will be incurred in these amounts or proportions, or that the portion of the allowance allocated to each loan category represents the total amounts available for charge-offs that may occur within these categories.

Allocation of the Allowance for Loan Losses

	2015 Amount	**Percent**	2014 Amount	**Percent**

		of Loans to Total Loans			of Loans to Total Loans	
Real estate-construction	$ 232,000	14.3	%	$ 57,000	10.2	%
Real estate-other	475,000	62.2	%	782,000	64.4	%
Commercial and industrial	691,000	23.3	%	900,000	25.0	%
Consumer loans	19,000	0.2	%	10,000	0.4	%
Unallocated	-	N/A		-	N/A	
Total	$ 1,417,000	100.0	%	$ 1,749,000	100.0	%

Investment Portfolio

Coast Bancorp uses two classifications for its investment portfolio: available-for-sale (AFS) and held-to-maturity (HTM). Securities that Coast has the positive intent and ability to hold to maturity are classified as “held-to-maturity securities” and reported at amortized cost. Securities not classified as held-to-maturity securities are classified as “investment securities available-for-sale” and reported at fair value. At December 31, 2015 and 2014, Coast Bancorp’s held-to-maturity investments totaled $2.9 million and $4.4 million, respectively. Available-for sale securities had a total fair value of $21.3 million and $16.6 million at the end of 2015 and 2014, respectively. Coast Bancorp also maintains surplus liquidity in interest bearing deposits with other banks. As of December 31, 2015 and 2014, these assets totaled approximately $7.8 million and $8.1 million, respectively. Coast Bancorp’s investments provide a substantial source of liquidity as they can be pledged to support borrowed funds or can be liquidated to generate cash proceeds. The investment portfolio is also a significant resource to Coast Bancorp in managing interest rate risk, as the maturity and interest rate characteristics of this asset class can be readily changed to match changes in the loan and deposit portfolios. The majority of Coast Bancorp’s available-for-sale investment portfolio is comprised of short-term investment grade corporate securities, taxable municipal securities and mortgage-backed securities (MBSs) with average lives of less than five years. During 2015, Coast Bancorp increased its allocation of corporate and taxable municipal securities to increase yield while reducing the portfolios average life. Mortgage-backed securities were sold to generate gains and increase the predictability of cash flows from the security portfolio. During 2015, Coast Bancorp purchased $10.8 million in AFS securities, primarily corporate and taxable municipal securities, and sold $4.9 million, primarily mortgage-backed securities realizing gains of $90,000 on those sales. For 2014 AFS security purchases totaled $13.3 million, while sales of AFS mortgage-backed securities totaled $1.9 million generating realized gains of $32,000. As a result of rising short term rates in late 2015, the unrealized loss, before taxes, on the available-for-sale portfolio was approximately $107,000 at December 31, 2015. The unrealized gain, before taxes, on the available-for-sale portfolio was $43,000 at December 31, 2014. The HTM portfolio is comprised mostly of short term redeemable U.S. Government Agency securities, of which $4.5 million were redeemed prior to maturity in 2015.

The following Investment Portfolio table reflects the amortized cost and fair market values for the total portfolio for each category of investments for the past three years:

Investment Portfolio
(Dollars in thousands)

	December 31,			
	2015		2014	
Available for Sale:	Amortized Costs	Fair Value	Amortized Costs	Fair Value
Mortgage backed securities	$4,183	$4,172	$8,386	$8,460
Corporate securities	12,889	12,824	8,203	8,172
Taxable municipal securities	4,356	4,325	-	-
Total investments	$21,428	$21,321	$16,589	$16,632

Held to Maturity:				
U.S. Government Agency	$2,894	$2,893	$4,425	$4,434
Total investments	$24,322	$24,214	$21,014	$21,066

The investment maturities table below summarizes contractual maturities for Coast Bancorp’s investment securities and their weighted average yields at December 31, 2015. The actual timing of principal payments may differ from remaining contractual maturities, because obligors may have the right to repay certain obligations with or without penalties.

Analysis of Investment Yields and Maturities

December 31, 2015

(Dollars in thousands)

	One year or less		**One year through five years**		**Over five years through ten years**		Over ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available for Sale:										
Mortgage-backed securities	$ -	0.00 %	$ -	0.00 %	$ 337	1.79 %	$ 3,835	1.81 %	$ 4,172	1.81 %
Corporate bonds	-	0.00 %	12,824	1.90 %	-	0.00 %	-	0.00 %	12,824	1.90 %
Taxable municipal securities	-	0.00 %	4,325	1.84 %	-	0.00 %	-	0.00 %	4,325	1.84 %
Total available for sale	$ -	0.00 %	$ 17,149	1.89 %	$ 337	1.79 %	$ 3,835	1.81 %	$ 21,321	1.87 %
Held to Maturity:										
U.S. Government & Agency	$ -	0.00 %	$ 2,894	1.43 %	$ -	0.00 %	$ -	0.00 %	$ 2,894	1.43 %
Total investment securities	$ -	0.00 %	$ 20,043	1.83 %	$ 337	1.79 %	$ 3,835	1.81 %	$ 24,215	1.82 %

Deposits

Coast National Bank deposits are primarily generated through local core customer relationships, predominantly made up of local small businesses, non-profit organizations and senior individuals who are attracted by Coast Bancorp’s attention to personal service. These customers maintain a large percentage of their available liquid assets in core demand, savings and money market accounts. As of December 31, 2015 and 2014 noninterest bearing demand deposits represented 44.4% and 41.9% of total deposits, respectively. Furthermore, at December 31, 2015, 36.5% of total deposits were held in NOW and money market accounts, and 33.9% at December 31, 2014. Total core deposits, excluding time deposits of $100,000 or more, were 90.9% and 87.2% of total deposits at December 31, 2015 and 2014, respectively. In 2015 total deposits grew $11.4 million to $126.4 million, with noninterest-bearing demand deposits increasing $7.9 million, NOW and money market accounts increasing $7.1 million and time deposits decreasing $4.2 million. In 2014 the same trend occurred, but to a lesser extent with total deposit growth of $3.4 million to $115.0 million, including noninterest-bearing demand deposits growth of $5.5 million, NOW and money market growth of $1.4 million and time deposits declining by approximately $3.8 million.

Information concerning average balances and rates paid on deposits by deposit type for the past three fiscal years is contained in the Distribution, Yield and Rate Analysis of Net Income table located in the previous section on Results of Operations – Net Interest Income and Net Interest Margin. The following table provides a comparative distribution of Coast Bancorp's deposits by outstanding balance as well as by percentage of total deposits at the dates indicated:

Deposit Distribution

(Dollars in thousands)

	December 31,								
	2015			2014			2013		
	Amount	Percentage		Amount	Percentage		Amount	Percentage	
Noninterest-bearing	$56,107	44.4	%	$48,227	41.9	%	$42,747	38.3	%
NOW and money market	46,144	36.5	%	38,998	33.9	%	37,611	33.7	%
Savings	9,151	7.2	%	8,545	7.4	%	8,209	7.3	%
Time deposits<$100,000	3,515	2.8	%	4,567	4.0	%	5,776	5.2	%
Time deposits>$100,000	11,521	9.1	%	14,707	12.8	%	17,285	15.5	%
Total deposits	$126,438	100.0	%	$115,044	100.0	%	$111,628	100.0	%

The scheduled maturity distribution of Coast Bancorp's time deposits at the end of 2015 and 2014 was as follows:

Maturities of Time Deposits of $100,000 or More

(Dollars in thousands)

	December 31,	
	2015	2014
Three months or less	$2,308	$1,602
Four through six months	1,434	2,291
Six through twelve months	3,428	8,086
Over twelve months	4,351	2,728
Total	$11,521	$14,707

Other Borrowings

As of December 31, 2015 Coast Bancorp had unsecured overnight lines of credit with two correspondent banks totaling $4.5 million with no amounts outstanding under these arrangements.

Coast Bancorp is a member of the Federal Home Loan Bank of San Francisco ("FHLBSF") and has financing availability of approximately $14.7 million as of December 31, 2015, which was secured by specific loans and investment securities. The amount of funds available to borrow is determined by the collateral value of the assets pledged, which amounted to $10.5 million in loans and $7.1 million of investment securities at December 31, 2015. As of December 31, 2015, there were no outstanding borrowings with FHLBSF.

As of December 31, 2015, Coast Bancorp has financing availability of approximately $3.7 million from the Federal Reserve Bank of San Francisco ("Federal Reserve"). The amount of funds borrowed from the Federal Reserve is determined by the collateral value of the assets pledged to Federal Reserve. As of December 31, 2015, the Bank had $8.9 million in loans pledged as collateral to the Federal Reserve with no outstanding borrowings.

On September 20, 2007 Coast Bancorp issued $7,217,000 of junior subordinated debt securities (the "debt securities") to Coast Bancorp Statutory Trust II, a statutory trust created under the laws of the State of Delaware. These debt securities are subordinated to effectively all borrowings of Coast Bancorp and are due and payable on September 20, 2037. The debt securities can be redeemed in whole or in part, without penalty, at the option of Coast Bancorp after five years. The debt securities can also be redeemed at par if certain events occur that impact the tax treatment or the capital treatment of the issuance.

Interest is payable quarterly on these debt securities at a fixed rate of 6.388% per annum for the first five years and thereafter at a variable rate which will reset quarterly at the three-month LIBOR plus 1.5% per annum. As of December 31, 2015, the rate was 2.012%. Pursuant to its right under the indenture agreement, Coast Bancorp has elected to defer interest payments on the debt securities and may continue this election for up to twenty consecutive quarterly periods without defaulting on the instrument. The last quarter that Coast Bancorp can defer interest is March 15, 2019 payable on June 16, 2019. Coast Bancorp paid the interest for the first deferral period ended June 15, 2014 of approximately $2.2 million.

Coast Bancorp also purchased a 3% minority interest, or $217,000, in Coast Bancorp Statutory Trust II. The balance of the equity of Coast Bancorp Statutory Trust II is comprised of mandatorily redeemable preferred securities. Coast Bancorp does not consolidate Coast Bancorp Statutory Trust II into Coast Bancorp financial statements. As of December 31, 2015, Coast Bancorp has included the net junior subordinated debt in its Tier 1 Capital for regulatory capital purposes.

On June 11, 2014 Coast Bancorp issued $2,000,000 of senior secured notes, due June 11, 2016 with interest payable annually, in arrears, at the fixed rate of 10% per annum through June 10, 2015 and thereafter at a fixed rate of 12% per annum. Net proceeds were used to pay the accrued and unpaid interest for the first deferral period on the debt securities. The senior secured notes were refinanced on June 5, 2015.

On June 5, 2015 Coast Bancorp issued a senior secured note for $2,500,000, due June 5, 2018 with interest payable quarterly, in arrears, at the fixed rate of 6% per annum. Under the terms of the note agreement, the sum of $300,000 is held by the lender in a reserve account to pay the interest on the note for the first two years. The principal may be prepaid in whole or in part at any time provided, however, that if any prepayment is made within the first twelve months after the date of the note, then a prepayment fee of one and one-half percent (1.5%) of the principal outstanding is immediately due and payable. The notes are secured by 100% of the common stock of Coast National Bank.

Capital Resources

As of December 31, 2015 Coast Bancorp had total shareholders' equity of $10.3 million, compared to $3.6 million at the end of 2014. The $6.7 million increase during 2015 was the result of net income of $6.8 million. Also, during 2015 additional paid-in capital increased $36,000 from stock-based compensation expense and accumulated other comprehensive income decreased $89,000 resulting from net unrealized losses on available-for-sale securities.

On June 16, 2014 Coast Bancorp issued 4,800,000 common shares with net proceeds of $4.2 million under a private placement offering. Net proceeds from the offering and the senior note described above were used to invest $3.5 million in Coast National Bank, satisfy the accrued and unpaid interest on the junior subordinated debt securities and for working capital for Coast Bancorp. Shareholders' equity also increased in 2014 from net income of $183,000 and accumulated other comprehensive income of $93,000 resulting from net unrealized gains on available-for-sale securities.

Under a 2009 private placement stock offering, Coast Bancorp issued one warrant to purchase an additional one share of common stock for every one share purchased. These warrants may be exercised at any time for ten years from the date of issuance, which was December 31, 2009; the exercise price is $5.50 per share. There were 123,181 warrants outstanding as of December 31, 2015 and 2014. No warrants have been exercised.

In July, 2013, the federal bank regulatory agencies approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. The phase-in period for the final rules began on January 1, 2015, with full compliance with all of the final rule's requirements phased in over a multi-year schedule. Under the final rules, minimum requirements increased for both the quantity and quality of capital held by Coast Bancorp and Coast National Bank. The rules include a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5% and a capital conservation buffer of 2.5% of risk-weighted assets. The final rules also raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0% and require a minimum leverage ratio of 4.0%. The final rules also implement strict eligibility criteria for regulatory capital instruments.

The Board of Governors of the Federal Reserve System has adopted final amendments to the Small Bank Holding Company Policy Statement (Regulation Y, Appendix C) (the “Policy Statement”) that , among other things, raised from $500 million to $1 billion the asset threshold to qualify for the Policy Statement. Coast Bancorp qualifies for treatment under the Policy Statement and is no longer subject to consolidated capital rules at the bank holding company level.

The following table sets forth Coast National Bank’s actual capital amount and ratios for the periods indicated:

	Actual Capital		**Standard Amount of Capital Required** To Be Adequately Capitalized		To Be Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015						
Total capital to risk-weighted assets	$16,472	14.0 %	$9,391	8.0 %	$11,738	10.0 %
Tier 1 capital to risk-weighted assets	$15,023	12.8 %	$7,043	6.0 %	$9,391	8.0 %
Tier 1 capital to average assets	$15,023	10.3 %	$5,811	4.0 %	$7,264	5.0 %
Common equity tier 1 to risk-weighted assets	$15,023	12.8 %	$5,282	4.5 %	$7,630	6.5 %
As of December 31, 2014						
Total capital to risk-weighted assets	$13,336	15.3 %	$6,977	8.0 %	$8,721	10.0 %
Tier 1 capital to risk-weighted assets	$12,237	14.0 %	$3,488	4.0 %	$5,233	6.0 %
Tier 1 capital to average assets	$12,237	9.4 %	$5,228	4.0 %	$6,535	5.0 %
Common equity tier 1 to risk-weighted assets	N/A	N/A	N/A	N/A	N/A	N/A

Coast National Bank’s current capital position exceeds all current guidelines established by the regulatory agencies. For additional details on risk-based and leverage capital guidelines, requirements, and calculations and for a summary of recent changes to risk-based capital calculations, see Note #14 to Coast Bancorp’s audited financial statements which are included elsewhere in this proxy statement/prospectus.

Liquidity and Market Risk Management

Liquidity

Coast Bancorp’s primary source of funding is deposits from its core banking relationships. The majority of Coast Bancorp’s deposits are transaction, NOW or money market accounts that are payable on demand. Coast Bancorp manages its liquidity in a manner that enables it to meet expected and unexpected liquidity needs under both normal and adverse conditions. Coast Bancorp maintains significant on-balance sheet and off-balance liquidity sources, including a marketable securities portfolio and borrowing capacity through various secured and unsecured sources. Coast Bancorp maintains overnight federal funds borrowing lines of $4.5 million, in addition to its secured borrowing capacities with the FHLB and Federal Reserve, which had unused capacity of $14.7 million and $3.7 million at December 31, 2015, respectively. As of December 31, 2015, Coast Bancorp had no borrowings under its lines with the

FHLB, Federal Reserve or with correspondent banks. The board of directors reviews the liquidity position and key liquidity measurements on a monthly basis. As of December 31, 2015, Coast Bancorp had sufficient liquidity with a ratio of cash and cash equivalents, interest-bearing balances with other banks and AFS securities equal to 33% of core deposits, down from 44% at December 31, 2014 as a result of loan growth during 2015.

Interest Rate Risk Management

Market risk can arise from changes in interest rates, exchange rates, commodity prices, or equity prices. Coast Bancorp does not engage in any trading of financial instruments and does not have any exposure to currency exchange rates, or price changes for commodities or equities. Interest rate risk arises from the maturity and re-pricing characteristics of its loans and deposits. Coast Bancorp is able to balance its interest rate sensitivity through the composition of its security portfolio.

Coast Bancorp measures its interest rate sensitivity through the use of a simulation model. The model incorporates the contractual cash flows and re-pricing characteristics from each financial instrument, as well as certain management assumptions. The model also captures the estimated impacts of optionality and duration and their expected change due to changes in interest rates and the shape of the yield curve. Coast Bancorp manages its interest rate risk through established policies and procedures. Coast Bancorp measures both the potential short term change in earnings ("earnings at risk") and the long term change in market value of equity ("EVE") on a quarterly basis. Both measurements use immediate rate shocks that assume parallel shifts in interest rates up and down the yield curve in 100 basis point increments. There are eight scenarios comprised of rate changes up or down to 400 basis points. Coast Bancorp has established policy thresholds for each of these eight scenarios. In the current interest rate environment, however, Coast Bancorp does not consider a decrease in interest rates that is greater than 200 basis points to be realistic and therefore only evaluates rate declines of 100 and 200 basis points.

Policy thresholds for earnings at risk for one year are limited to a change of no more than 10% for rate changes of 100 basis points, no more than 15% for changes of 200 basis points, 17.5% for changes of 300 basis points an no more than 20% for rate changes of 400 basis points. Policy thresholds for the change in EVE are limited to a change of no more than 10% for rate changes of 100 basis points, no more than 15% for changes of 200 basis points, and no more than 20% for rate changes of 300 and 400 basis points.

In addition Coast Bancorp performs a dynamic simulation of forecasted earnings for two years forward. This simulation entails a variety of assumptions comprising changes in growth rates, changes in the composition of the balance sheet, and various changes to interest rates over periods of time. The objective of these various simulation scenarios is to optimize the risk/reward equation for Coast Bancorp's future earnings and capital. Based upon the results of these various simulations and evaluations, Coast Bancorp is positioned to be asset sensitive, with earnings increasing in a rising rate environment. If interest rates were to increase by 100 basis points on an immediate, parallel and sustained basis, its net interest income would increase by $143,000 or 2.3% over the next 12 months. The following reflects the estimated net interest income sensitivity as of December 31, 2015:

	Immediate Change in Rate					
	-200 b.p.	-100 b.p.	+100 b.p.	+200 b.p.	+300 b.p.	+400 b.p.
	(Dollars in thousands)					
Change in net interest income	$(555)	$(281)	$ 143	$ 344	$ 542	$ 641
Percentage (%) change	(8.96)%	(4.54)%	2.30%	5.56%	8.74%	10.35%

In an effort to measure the long-term impact of interest rate risk, Coast Bancorp uses a technique called the economic value of equity (EVE), which calculates the net present value of Coast Bancorp's assets and liabilities, based on a discount rate derived from current replacement rates. The market value of equity is obtained by subtracting the market value of liabilities from the market value of assets. The change in market value of equity will differ based on the characteristics of each financial instrument and type of deposit. The longer the duration of a financial instrument, the greater the impact a rate change will have on its market value. As Coast Bancorp has minimal deposits with contractual maturities, the decay rate assumptions used for non-maturity deposits can have a significant impact on the market value of equity. The following reflects the estimated changes in EVE as of December 31, 2015:

	Immediate Change in Rate					
	-200 b.p.	-100 b.p.	+100 b.p.	+200 b.p.	+300 b.p.	+400 b.p.
	(Dollars in thousands)					
Change in EVE	$(3,586)	$(1,785)	$ 670	$ 1,482	$ 1,990	$ 2,107
Percentage (%) change	(16.46)%	(8.19)%	3.08%	6.80%	9.13%	9.67%

84

DESCRIPTION OF SIERRA BANCORP COMMON STOCK

General

The authorized capital stock of Sierra Bancorp consists of 24,000,000 shares of common stock, no par value, and 10,000,000 shares of serial preferred stock, no par value. As of March 1, 2016, there were 13,268,928 shares of common stock, and no shares of preferred stock, issued and outstanding. As of that same date there were options outstanding to purchase an aggregate of 555,760 shares of Sierra's common stock and an additional 737,980 shares available remaining for grant under its 2007 Stock Incentive Plan. The Sierra Bancorp preferred stock may be divided into such number of series as Sierra Bancorp's board of directors may determine. Sierra Bancorp's board of directors is authorized to determine and alter the rights, preferences, privileges and restrictions granted to and imposed upon any wholly unissued series of Sierra Bancorp preferred stock, and to fix the number of shares of any series of Sierra Bancorp preferred stock and the designation of any such series of Sierra Bancorp preferred stock. Sierra Bancorp's board of directors, within the limits and restrictions stated in any resolution or resolutions of Sierra Bancorp's board of directors originally fixing the number of shares constituting any series, may increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issue of shares of that series.

Voting Rights

All voting rights are vested in the holders of Sierra Bancorp's common stock. Each shareholder is entitled to one vote per share on any issue requiring a vote at any meeting, and will be entitled to participate in any liquidation, dissolution, or winding up on the basis of his or her pro rata share holdings. Shareholders are not entitled to cumulative voting in the election of directors.

Dividends

After the preferential dividends upon all other classes and series of stock entitled thereto shall have been paid or declared and set apart for payment and after Sierra Bancorp shall have complied with all requirements, if any, with respect to the setting aside of sums as a sinking fund or for a redemption account on any class of stock, then the holders of Sierra Bancorp's common stock are entitled to such dividends as may be declared by Sierra Bancorp's board of directors out of funds legally available therefore under the laws of the State of California. For more information on Sierra Bancorp's dividend policy and historical dividend practices, as well as legal restrictions on the payment of dividends by Sierra Bancorp, see "COMPARATIVE MARKET PRICE DATA AND DIVIDEND INFORMATION – Dividends" above.

Miscellaneous

Sierra Bancorp’s common stock has no conversion or redemption rights or sinking fund provisions applicable to it. The common stock does not have preemptive rights; therefore, future shares of common stock may be offered to the investing public or to existing shareholders, in the discretion of Sierra’s Board of Directors, and existing shareholders will not have the right to maintain their current percentage ownership in our common stock. In addition, the shares of common stock:

- are not deposit accounts and are subject to investment risk;
- are not insured or guaranteed by the FDIC or any other government agency; and
- are not guaranteed by Sierra Bancorp or Bank of the Sierra.

COMPARISON OF THE RIGHTS OF COMMON STOCK SHAREHOLDERS OF SIERRA BANCORP AND COAST BANCORP

When the merger becomes effective, the shareholders of Coast Bancorp may receive shares of Sierra Bancorp common stock in exchange for their shares of Coast Bancorp common stock and become shareholders of Sierra Bancorp. The following is a summary of material differences between the rights of holders of Sierra Bancorp common stock and the holders of Coast Bancorp common stock.

The following summary does not purport to be a complete statement of the provisions affecting, and differences between, the rights of holders of Sierra Bancorp common stock and holders of Coast Bancorp common stock. This summary is intended to provide a general overview of the differences in shareholders' rights under applicable law and the governing corporate instruments of Sierra Bancorp and Coast Bancorp, and other known material differences. Sierra Bancorp and Coast Bancorp are both California corporations incorporated under the laws of California and the California General Corporation Law, or CGCL, and therefore subject to all of the provisions of the CGCL.

We urge you to carefully read this entire proxy statement/prospectus, the relevant provisions of the CGCL and the other documents to which we refer in this proxy statement/prospectus for a more complete understanding of the differences between being a Sierra Bancorp common stock shareholder and a Coast Bancorp common stock shareholder.

	Sierra Bancorp	**Coast Bancorp**
Authorized Capital Stock	The authorized capital stock of Sierra Bancorp consists of 24,000,000 shares of common stock, no par value, and 10,000,000 shares of preferred stock, no par value. As of March 1, 2016, there were 13,268,928 shares of common stock, and no shares of preferred stock, issued and outstanding.	The authorized capital stock of Coast Bancorp consists of 10,000,000 shares of common stock, no par value, and 10,000,000 shares of preferred stock, no par value. As of March 1, 2016, there were 5,646,881 shares of common stock, and no shares of preferred stock, issued and outstanding.
Indemnification and Liability Exculpation of Directors and Officers	Sierra Bancorp's articles of incorporation authorize Sierra Bancorp to provide indemnification of directors and officers in excess of the indemnification provided under	Same.

	the CGCL, subject to certain exceptions. Sierra Bancorp's articles of incorporation also provide for the elimination of director liability for monetary damages to the maximum extent allowed by California law.	
Cumulative Voting for Election of Directors	Sierra Bancorp shareholders do not have cumulative voting rights with respect to the election of directors.	Shareholders are entitled to cumulate votes with respect to the election of directors at a shareholders' meeting for any candidate or candidates' whose names have been placed in nomination prior to the voting if the shareholder has given notice prior to the voting of the shareholder's intention to cumulate votes. If any shareholder has given such notice, then every shareholder entitled to vote may cumulate such shareholder's votes for candidates in nomination and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which such shareholder's shares are entitled, or distribute the shareholder's votes on the same principle among any or all of the candidates, as the shareholder thinks fit.

	Sierra Bancorp	Coast Bancorp
Number and Classes of Directors	Sierra Bancorp's bylaws provide that the number of directors shall be no less than six and no more than eleven, with the exact number to be fixed by resolution of the board of directors or the shareholders. The current number of directors is seven. Sierra Bancorp's board of directors is divided into two classes having staggered two-year terms of office.	Same, except that Coast Bancorp's board of directors is elected annually to one-year terms of office.
Removal of Directors	Any or all of the directors may be removed without cause if such removal is approved by a majority of the outstanding shares entitled to vote; provided, however, that no director may be removed if the votes cast against removal of the director would be sufficient to elect the director if voted cumulatively (without regard to whether shares may otherwise be voted cumulatively) at an election at which the same total number of votes were cast (or, if the action is taken by written consent, all shares entitled to vote were voted) and either the number of directors elected at the most recent annual meeting of shareholders, or if greater, the number of directors for whom removal is being sought, were then being elected.	Same, except that for Coast Bancorp these provisions apply only through the CGCL and not through the Bylaws as well; and the caveat about whether shares may otherwise be voted cumulatively does not apply since Coast shareholders have cumulative voting rights in the election of directors.
Notice of Shareholder Proposals and Director Nominations	In order for a shareholder of Sierra Bancorp to make a proposal for action or nominate a director, notice by such shareholder must be received by Sierra Bancorp not less than 120 days before the date corresponding to that on which Sierra Bancorp's proxy statement was released to the shareholders in connection with the previous year's annual meeting of shareholders. If the date of the annual meeting is more than 30 days before or after the anniversary date of the previous annual meeting, notice by the shareholder must be received by Sierra Bancorp not later than the close of business on the tenth day following the day on which notice of the meeting is sent to shareholders.	Notice of intention to make any nominations shall be made to the President of Coast Bancorp not less than not less than 14 days nor more than 50 days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than 21 days' notice of the meeting is given to shareholders, the time period is seven days after the notice of the meeting is sent to shareholders. Coast Bancorp does not have any specific requirements for the submission of shareholder proposals.

	Sierra Bancorp	Coast Bancorp
Payment of Dividends	The shareholders of Sierra Bancorp will be entitled to receive dividends when and as declared by its board of directors, out of funds legally available for the payment of dividends, as provided in the CGCL. The CGCL provides that a corporation may make a distribution to its shareholders if retained earnings immediately prior to the dividend payout is at least equal to the amount of the proposed distribution. For additional information on legal restrictions on the ability to pay dividends if this requirement is not met, as well as concerning Sierra Bancorp's dividend policy, see "COMPARATIVE MARKET PRICE DATA AND DIVIDEND INFORMATION – Dividends" above.	Same, but see information concerning Coast rather than Sierra referenced in "Dividends" section.
Dissenters' Rights	Under the CGCL, because Sierra Bancorp's common stock is listed on the Nasdaq Global Select Market, which is a "national securities exchange" under the CGCL, Sierra Bancorp shareholders do not have dissenters' rights with respect to a business combination or other reorganization requiring their vote unless their shares are subject to transfer restrictions.	Since Coast Bancorp common stock is not listed on a national securities exchange, Coast Bancorp shareholders generally have dissenters' rights with respect to a business combination or other reorganization requiring their vote.
Amendment of Articles of Incorporation	Generally the CGCL requires a vote of the majority of the outstanding shares entitled to vote to amend the articles of incorporation.	Same.
Amendment of Bylaws	Subject to the right of shareholders to adopt, amend or repeal bylaws, the board of directors may adopt, amend or repeal bylaws other than a bylaw or an amendment thereof changing the authorized number of directors.	Same.
Required Vote for Mergers	The CGCL requires the affirmative vote of the majority of outstanding shares entitled to vote of each class of shares.	Same.

	Sierra Bancorp	Coast Bancorp
Meetings of Shareholders	Sierra Bancorp's bylaws provide that an annual meeting of shareholders is to be held on a date and time determined by the board of directors. Special meetings of shareholders may be called at any time by the Chairman of the Board, the President, the board of directors or shareholders holding in the aggregate 10% or more of the outstanding shares entitled to vote.	Same.
Anti-takeover Provisions	The CGCL does not provide for any specific anti-takeover provisions. Sierra Bancorp's Articles of Incorporation provide for staggered terms of office for members of the board of directors; no cumulative voting in the election of directors; and the requirement that its board of directors consider the potential social and economic effects on our employees, depositors, customers and the communities we serve as well as certain other factors, when evaluating a possible tender offer, merger or other acquisition of Sierra Bancorp. These provisions make it more difficult for another company to acquire Sierra Bancorp, which could cause shareholders to lose an opportunity to be paid a premium for their shares in an acquisition transaction and reduce the current and future market price of Sierra Bancorp common stock.	The CGCL does not provide for any specific anti-takeover provisions, and Coast Bancorp's Articles of Incorporation and Bylaws do not contain any provisions that make it more difficult for another company to acquire Coast Bancorp.

PROPOSAL NO. 2
DISCRETIONARY AUTHORITY TO ADJOURN

General

If there are not sufficient shares of Coast Bancorp stock represented to constitute a quorum at the special meeting or the number of shares of Coast Bancorp common stock voting “FOR” approval of the merger proposal is not sufficient to approve that proposal at the meeting, then the person(s) designated as the proxy holder stated in the proxy card of Coast Bancorp intends to move to adjourn the special meeting in order to enable the Coast Bancorp board of directors to solicit additional proxies for approval of the merger proposal.

In this proposal, Coast Bancorp is asking its shareholders to grant discretionary authority to the person(s) designated as the proxy holder stated in the proxy card to move to adjourn the special meeting if there are not sufficient shares represented to constitute a quorum at the meeting or if the number of shares voting for approval of the merger proposal is not sufficient to approve that proposal at the meeting. If the shareholders of Coast Bancorp approve the adjournment proposal, Coast Bancorp could adjourn the special meeting to another time and use the additional time to solicit additional proxies, including the solicitation of proxies from shareholders that have previously voted on the merger proposal. Among other things, approval of the adjournment proposal could mean that, even if Coast Bancorp has received proxies representing a sufficient number of votes against approval and adoption of the merger proposal, Coast Bancorp could adjourn the special meeting without a vote on the merger proposal and seek to convince the holders of those shares to changes their votes to votes in favor of the approval and adoption of the merger proposal.

If the special meeting is adjourned so that the board can solicit additional proxies to approve the merger proposal, Coast Bancorp is not required to give any notice of the adjourned meeting other than an announcement of the place, date and time provided at the special meeting.

Vote Required

At the special meeting, the adjournment proposal requires the affirmative vote of at least a majority of the shares of Coast Bancorp stock voted in person or represented by proxy and entitled to vote on the adjournment proposal. Abstentions and broker non-votes will have no effect on the proposal to adjourn the special meeting, but will be treated as present at the meeting for purposes of determining a quorum.

Brokers may not vote on the adjournment proposal without specific instructions from the person who beneficially owns the shares. However, shares held by a broker to whom you do not give instructions on how to vote will have no effect on the outcome of the vote on the adjournment proposal.

Recommendation of the Board of Directors of Coast Bancorp

The Coast Bancorp board of directors recommends a vote "FOR" adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger proposal.

LEGAL MATTERS

The validity of the Sierra Bancorp common stock to be issued in the merger will be passed upon by King, Holmes, Paterno & Soriano, LLP, Los Angeles, California, legal counsel to Sierra Bancorp. As of the date of this proxy statement/prospectus, members of King, Holmes, Paterno & Soriano, LLP, owned [__] shares of Sierra Bancorp common stock.

Certain U.S. federal income tax consequences relating to the merger will also be passed upon for Sierra Bancorp by Katten Muchin Rosenman LLP, 575 Madison Avenue, New York, New York 10022.

EXPERTS

The consolidated financial statements of Sierra Bancorp as of December 31, 2015 and 2014, and for each of the years in the three-year period ended December 31, 2015, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2015 have been incorporated by reference herein and in the registration statement in reliance upon the reports of Vavrinek, Trine, Day & Co., LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of Coast Bancorp as of December 31, 2015 and 2014, and for each of the years in the two-year period ended December 31, 2015, included in this proxy statement/prospectus, have been so included in reliance on the report of Vavrinek, Trine, Day & Co. LLP, an independent public accounting firm, given on the authority of such firm as experts in accounting and auditing.

OTHER MATTERS

Management of Coast Bancorp is not aware of any other matters to come before the special meeting. If any other matter not mentioned in this proxy statement/prospectus is brought before the special meeting, the persons named in the enclosed form of proxy for such meeting will have discretionary authority to vote all proxies with respect thereto in accordance with their judgment.

WHERE YOU CAN FIND MORE INFORMATION

Sierra Bancorp files annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may read a copy of this information at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including Sierra Bancorp, who files electronically with the SEC. The address of that site is http://www.sec.gov.

Investors may also consult Sierra Bancorp's website for more information about Sierra Bancorp. Sierra Bancorp's website is www.sierrabancorp.com. Information included on these websites is not incorporated by reference into this proxy statement/prospectus.

Sierra Bancorp has filed a registration statement under the Securities Act of 1933 with the SEC on Form S-4 with respect to Sierra Bancorp's common stock to be issued in connection with the merger. This proxy statement/prospectus constitutes the prospectus of Sierra Bancorp that was filed as part of the registration statement. The registration statement and its exhibits are available for inspection and copying as described above.

This proxy statement/prospectus is part of a registration statement and constitutes a prospectus of Sierra Bancorp in addition to being a proxy statement of Coast Bancorp for its shareholders' meeting. As allowed by SEC rules, this proxy statement/prospectus does not contain all of the information you can find in the registration statement or all of the exhibits to the registration statement. You may inspect and copy the registration statement at any of the addresses listed above. The SEC allows Sierra Bancorp to "incorporate by reference" information relating to Sierra Bancorp into this proxy statement/prospectus. This means that Sierra Bancorp can disclose important information to you by referring you to another document separately filed by Sierra Bancorp with the SEC. The information incorporated by reference is considered a part of this proxy statement/prospectus, except for any information superseded by information in this proxy statement/prospectus. In addition, any later information that Sierra Bancorp files with the SEC will automatically update and supersede this information.

This proxy statement/prospectus incorporates by reference the documents listed below that Sierra Bancorp has previously filed with the SEC. These documents contain important information about Sierra Bancorp, its financial condition and other matters.

Sierra Bancorp SEC Filings (File No. 001-35683)	**Period or File Date**
Annual Report on Form 10-K	Year ended December 31, 2015, filed March 11, 2016
Current Report on Form 8-K	January 5, 2016
Definitive Schedule 14A	April [ ], 2016

In addition, Sierra Bancorp incorporates by reference any future filings it makes with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement/prospectus and before the date of the special meeting (excluding any Current Reports on Form 8-K to the extent disclosure is furnished and not filed). Such documents are considered to be a part of this proxy statement/prospectus, effective as of the date such documents are filed. In the event of conflicting information in this proxy statement/prospectus in comparison to any document incorporated by reference into this proxy statement/prospectus, or among documents incorporated by reference, the information in the latest filed document controls.

You can obtain any of these documents from the SEC, through the SEC's website at the address described above, or Sierra Bancorp will provide you with copies of these documents, without charge to you, upon written or oral request to:

Sierra Bancorp

86 North Main Street

Porterville, CA 93257

Attention: Diane Renois, Corporate Secretary

(559) 782-4900

You should rely only on the information contained in this proxy statement/prospectus or that we have referred to you. Neither Sierra Bancorp nor Coast Bancorp has authorized anyone to provide you with any additional information. This proxy statement/prospectus is dated as of the date listed on the cover page. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than such date, and neither the posting or mailing of this proxy statement/prospectus to shareholders of Coast Bancorp nor the issuance of common stock of Sierra Bancorp in the merger shall create any implication to the contrary.

92

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders of

Coast Bancorp and Subsidiary

Report the Financial Statements

We have audited the accompanying consolidated financial statements of Coast Bancorp and Subsidiary, which are comprised of the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Coast Bancorp and Subsidiary as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California

February 26, 2016

25231 Paseo De Alicia, Suite 100   Laguna Hills, CA 92653   Tel: 949.768.0833   Fax: 949.768.8408   www.vtdcpa.com

FRESNO · LAGUNA HILLS · PALO ALTO · PLEASANTON · RANCHO CUCAMONGA · SACRAMENTO

COAST BANCORP AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and due from banks	$11,343,000	$18,343,000
Federal funds sold	-	100,000
TOTAL CASH AND CASH EQUIVALENTS	11,343,000	18,443,000
Interest-bearing deposits with other banks	7,840,000	8,085,000
Investment securities available-for-sale, at fair value	21,321,000	16,632,000
Investment securities held-to-maturity	2,894,000	4,425,000
Loans held for investment:		
Real estate - construction & land development	13,457,000	7,680,000
Real estate – other	58,551,000	48,388,000
Commercial	21,939,000	18,793,000
Consumer	191,000	255,000
	94,138,000	75,116,000
Net deferred loan fees	(294,000)	(377,000)
Allowance for credit losses	(1,417,000)	(1,749,000)
NET LOANS HELD FOR INVESTMENT	92,427,000	72,990,000
Other real estate owned	-	761,000
Federal Reserve Bank and Federal Home Loan Bank stock, at cost	894,000	726,000
Premises and equipment	4,417,000	5,286,000
Deferred tax asset	4,471,000	-
Accrued interest and other assets	1,259,000	994,000
TOTAL ASSETS	$146,866,000	$128,342,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing demand	$56,107,000	$48,227,000
Money market and NOW	46,144,000	38,998,000

Savings	9,151,000	8,545,000
Time deposits of $250,000 or more	5,482,000	6,556,000
Other time deposits	9,554,000	12,718,000
TOTAL DEPOSITS	126,438,000	115,044,000
Notes payable	2,500,000	2,000,000
Junior subordinated debt securities	7,217,000	7,217,000
Other liabilities	382,000	456,000
TOTAL LIABILITIES	136,537,000	124,717,000
Commitments and contingencies	-	-
Stockholders' equity		
Preferred stock - 10,000,000 shares authorized, none outstanding	-	-
Common stock no par value; 10,000,000 shares authorized; issued and outstanding: 5,646,881 at December 31, 2015 and 2014	12,494,000	12,494,000
Additional paid-in capital	329,000	293,000
Accumulated deficit	(2,431,000)	(9,188,000)
Other comprehensive income (loss), net of taxes	(63,000)	26,000
TOTAL STOCKHOLDERS' EQUITY	10,329,000	3,625,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$146,866,000	$128,342,000

The accompanying notes are an integral part of these consolidated financial statements.

COAST BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2015 and 2014

	2015	2014
INTEREST INCOME		
Interest and fees on loans	$4,726,000	$4,002,000
Interest on investment securities	427,000	217,000
Other interest income	197,000	212,000
TOTAL INTEREST INCOME	5,350,000	4,431,000
INTEREST EXPENSE		
Interest on money market and NOW accounts	91,000	81,000
Interest on savings deposits	16,000	14,000
Interest on time deposits	87,000	113,000
Interest on notes payable	187,000	112,000
Interest on junior subordinated debt securities	134,000	144,000
TOTAL INTEREST EXPENSE	515,000	464,000
NET INTEREST INCOME	4,835,000	3,967,000
Provision for credit losses (benefit)	(500,000)	(500,000)
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	5,335,000	4,467,000
NON-INTEREST INCOME		
Service charges on deposits accounts and other non-interest income	303,000	412,000
Gain on sale of loans	293,000	426,000
Gain (loss) on sale of other real estate owned	725,000	(255,000)
Gain on sale of premises, fixed and other assets	836,000	-
Gain on sale of AFS investment securities	90,000	32,000
Other income	29,000	231,000
TOTAL NON-INTEREST INCOME	2,276,000	846,000
NON-INTEREST EXPENSE		
Salaries and benefits	2,831,000	2,744,000
Net occupancy expense (net of rental income)	410,000	374,000
Equipment expense	124,000	116,000
Data processing	414,000	409,000
Director fees and expenses	43,000	24,000
Insurance	48,000	69,000

Marketing and business promotion	135,000	132,000
Other professional expenses	628,000	535,000
Office expenses	90,000	123,000
Regulatory assessments	139,000	229,000
OREO expense	9,000	45,000
Other expense	301,000	328,000
TOTAL NON-INTEREST EXPENSE	5,172,000	5,128,000
INCOME BEFORE INCOME TAXES	2,439,000	185,000
Income tax expense (benefit)	(4,318,000)	2,000
NET INCOME	$6,757,000	$183,000
Per Share Data		
Net income - basic and diluted	$1.20	$0.05

The accompanying notes are an integral part of these consolidated financial statements.

COAST BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2015 and 2014

	2015	2014
Net Income	$6,757,000	$183,000
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized holding gains (losses) on securities available-for-sale		
Change in net unrealized holding gains (losses)	(60,000)	142,000
Reclassification of gains recongnized in net income	(90,000)	(32,000)
	(150,000)	110,000
Income tax expense (benefit)		
Change in net unrealized holding gains (losses)	(25,000)	30,000
Reclassification of gains recongnized in net income	(36,000)	(13,000)
	(61,000)	17,000
Total other comprehensive income (loss)	(89,000)	93,000
Total Comprehensive Income	$6,668,000	$276,000

The accompanying notes are an integral part of these consolidated financial statements.

COAST BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2015 and 2014

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2014	846,881	$8,277,000	$293,000	$(9,371,000)	$(67,000)	$(868,000)
Issuance of common stock, net of expenses of $583,000	4,800,000	4,217,000				4,217,000
Net income				183,000		183,000
Other comprehensive income					93,000	93,000
Balance at December 31, 2014	5,646,881	12,494,000	293,000	(9,188,000)	26,000	3,625,000
Stock-based compensation expense			36,000			36,000
Net Income				6,757,000		6,757,000
Other comprehensive (loss)					(89,000)	(89,000)
Balance at December 31, 2015	5,646,881	$12,494,000	$329,000	$(2,431,000)	$(63,000)	$10,329,000

The accompanying notes are an integral part of these consolidated financial statements.

COAST BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$6,757,000	$183,000
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	194,000	177,000
Provision for credit losses (benefit)	(500,000)	(500,000)
Origination of loans held for sale	(3,572,000)	(3,878,000)
Proceeds from loans sold	3,977,000	4,342,000
Gain on sale of loans	(293,000)	(426,000)
Gain on sale of investment securities, available-for-sale	(90,000)	(32,000)
Amortization and accretion of securities	89,000	49,000
Gain on sale of premises and fixtures	(820,000)	-
Net interest paid on junior subordinated debt securities	-	(2,119,000)
(Gain) loss on sale and write-down of OREO	(725,000)	255,000
Deferred income tax benefit	(4,471,000)	-
Stock-based compensation	36,000	-
Other, net	(224,000)	488,000
NET CASH FROM OPERATING ACTIVITIES	358,000	(1,461,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in interest-bearing deposits with other banks	245,000	1,962,000
Purchases of available-for-sale securities	(10,800,000)	(13,252,000)
Sale of available-for-sale securities	4,904,000	1,862,000
Maturities and redemptions of available-for-sale investment securities	1,054,000	1,388,000
Purchases of held-to-maturity investment securities	(2,997,000)	(4,030,000)
Maturities and redemptions of held-to-maturity investment securities	4,532,000	-
Net increase in loans	(19,103,000)	(8,153,000)
Net increase in Federal Reserve Bank and Federal Home Loan Bank stock	(168,000)	(193,000)
Purchase of premises and equipment	(188,000)	(32,000)
Proceeds from sale of premises and equipment	1,683,000	-
Improvement of other real estate owned	-	(415,000)
Proceeds from the sale of other real estate owned	1,486,000	1,524,000
NET CASH FROM INVESTING ACTIVITIES	(19,352,000)	(19,339,000)
CASH FLOWS FROM FINANCING ACTIVITIES		

Net increase in demand deposits and savings accounts	15,632,000	7,203,000
Net decrease in time deposits	(4,238,000)	(3,787,000)
Issuance of senior notes payable	2,500,000	2,000,000
Repayments of senior notes payable	(2,000,000)	-
Net proceeds from common stock issuance	-	4,217,000
NET CASH FROM FINANCING ACTIVITIES	11,894,000	9,633,000
Net decrease in cash and cash equivalents	(7,100,000)	(11,167,000)
Cash and cash equivalents at beginning of year	18,443,000	29,610,000
Cash and cash equivalents at end of year	$11,343,000	$18,443,000
Supplemental disclosure of cash flow information		
Interest paid	$494,000	$2,395,000
Income taxes paid	$2,000	$2,000
Transfer of premises and equipment to other real estate owned	$-	$761,000

The accompanying notes are an integral part of these consolidated financial statements.

F-6

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements include the accounts of Coast Bancorp and its wholly owned subsidiary, Coast National Bank (“Bank”), collectively referred to herein as the “Company.” All significant intercompany transactions have been eliminated.

Nature of Operations

Coast Bancorp operates Coast National Bank. The Bank has been organized as a single operating segment and operates three full service branches in San Luis Obispo, Arroyo Grande, and Paso Robles, California. The Bank's primary source of revenue is providing loans to customers, who are predominantly small and middle-market businesses and individuals.

Subsequent Events

The Bank has evaluated subsequent events for recognition and disclosure through February 26, 2016, which is the date the financial statements were available to be issued.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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.

Presentation of Cash Flows

For the purposes of reporting cash flows, cash and cash equivalents includes cash, non-interest-earning deposits and federal funds sold. Generally, federal funds are sold for one day periods.

Cash and Due From Banks

Banking regulations require that all banks maintain a percentage of their deposits as reserves in cash or on deposit with the Federal Reserve Bank. The Bank complied with the reserve requirements as of December 31, 2015 and 2014.

The Company for the most part, does not maintain amounts due from banks which exceed federally insured limits. As such, the Company has not experienced any losses in such accounts.

Investment Securities

Bonds, notes, and debentures for which the Company has the positive intent and ability to hold to maturity are reported at cost, and adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investment Securities – Continued

Investments not classified as trading securities nor as held to maturity securities are classified as available-for-sale securities and recorded at fair value. Unrealized gains or losses on available-for-sale securities are excluded from net income (loss) and reported as an amount net of taxes as a separate component of other comprehensive income included in stockholders' equity. Premiums or discounts on held-to-maturity and available-for-sale securities are amortized or accreted into income using the interest method. Realized gains or losses on sales of held-to-maturity or available-for-sale securities are recorded using the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost, which are other than temporary, result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other than temporary impairment losses, management considers the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows; OTTI related to credit loss, which must be recognized in the income statement and; OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan.

Interest income is accrued daily as earned on all loans. Loans on which the accrual of interest has been discontinued are designated as non-accrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days based on contractual terms of the loan or when, in the opinion of management, there is reasonable doubt as to collectibility. When loans are placed on non-accrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on non-accrual loans is subsequently recognized only to the extent that cash is received and the loan’s principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Provision and Allowance for Credit Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Amounts are charged-off when available information confirms that specific loans or portions thereof, are uncollectible. This methodology for determining charge-offs is consistently applied to each segment.

The Company determines a separate allowance for each portfolio segment. The allowance consists of specific and general reserves. Specific reserves relate to loans that are individually classified as impaired. The Company considers a loan to be impaired when it is probable that the Company will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Factors considered in determining impairment include payment status, collateral value and the probability of collecting all amounts when due. Measurement of impairment is based on the expected future cash flows of an impaired loan which are to be discounted at the loan's effective interest rate, or measured by reference to an observable market value, if one exists, or the fair value of the collateral for a collateral-dependent loan. The Company selects the measurement method on a loan-by-loan basis except when collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral.

The Company recognizes interest income on impaired loans based on its existing methods of recognizing interest income on non-accrual loans. Loans, for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are generally considered troubled debt restructurings and classified as impaired with measurement of impairment as described above. Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Company determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

General reserves cover non-impaired loans and are based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Provision and Allowance for Credit Losses - Continued

Portfolio segments identified by the Company include real estate - construction and land development, real estate - other, commercial and consumer loans. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to income, collateral type and loan-to-value ratios for consumer loans.

There have been no significant changes to the Company's methodology or policies in the periods presented.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

SBA Loans Sold and Other Government Loans

Small Business Administration ("SBA") loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income. Gains or losses realized on the sales of loans are recognized at the time of sale and are determined by the difference between the net sales proceeds and the carrying value of the loans sold, adjusted for any servicing asset or liability. Gains and losses on sales of loans are included in non-interest income.

Servicing Rights

Servicing rights are recognized separately when they are acquired through sale of loans. Servicing rights are initially recorded at fair value with the income statement effect recorded in gain on sale of loans. Fair value is based on a valuation model that calculates the present value of estimated future cash flows from the servicing assets. The valuation model uses assumptions that market participants would use in estimating cash flows from servicing assets, such as the cost to service, discount rates and prepayment speeds. The Company compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. For purposes of measuring impairment, the Company has identified each servicing asset with the underlying loan being serviced. A valuation allowance is recorded where the fair value is below the carrying amount of the asset. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and changes in the discount rates.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Servicing Rights - Continued

Servicing fee income which is reported on the income statement with service charges on deposits and other non-interest income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and recorded as income when earned. The amortization of servicing rights and changes in the valuation allowance are netted against loan servicing income.

Federal Home Loan Bank ("FHLB") Stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

Other Real Estate Owned ("OREO")

Real estate acquired by foreclosure or deed in lieu of foreclosure is recorded at fair value at the date of the foreclosure, establishing a new cost basis by a charge to the allowance for loan losses, if necessary. Other real estate owned is carried at the lower of the Bank's carrying value of the property or its fair value, less estimated carrying costs and costs of disposition. Fair value is based on current appraisals less estimated selling costs. Any subsequent write-downs are charged against operating expenses and recognized as a valuation allowance. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in other operating expense.

Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives, which ranges from three to ten years for furniture and fixtures and forty years for buildings. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the remaining lease term, whichever is shorter. Expenditures for betterments or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred.

Advertising Costs

The Company expenses the costs of advertising in the period incurred.

Income Taxes

Deferred income taxes are computed using the asset and liability method, which recognizes a liability or asset representing the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the consolidated financial statements. A valuation allowance is established to reduce the deferred tax asset to the level at which it is “more likely than not” that the tax asset or benefits will be realized. Realization of tax benefits of deductible temporary differences and operating loss carry forwards depend on having sufficient taxable income of an appropriate character within the carry forward periods.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes – Continued

The Bank has adopted guidance issued by the Financial Accounting Standards Board ("FASB") that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

Comprehensive Income

Changes in unrealized gain or loss on available-for-sale securities are the only components of accumulated other comprehensive income for the Company. The amount reclassified out of other accumulated comprehensive income relates to realized gains and losses on available-for-sale securities

Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit, and standby letters of credit, as described in Note #12. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Earnings per Share ("EPS")

Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The outstanding stock options and warrants were not considered in computing diluted income per share for 2015 and 2014 because they were antidilutive.

	2015	2014
Weighted average common shares outstanding	5,646,881	3,503,319
Weighted average diluted shares outstanding	5,646,881	3,503,319

Stock-based Compensation

The Company recognizes the cost of employee services received in exchange for awards of stock options, or other equity instruments, based on the grant-date fair value of those awards. This cost is recognized over the period which an employee is required to provide services in exchange for the award, generally the vesting period. See Note #9 for additional information on the Company's stock option plan.

Fair Value Measurement

Fair values is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Current accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurement – Continued

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Bank's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

See Note #13 for more information and disclosures relating to the Bank's fair value measurements.

Reclassification

Certain reclassifications have been made in the 2014 consolidated financial statements to conform to the presentation used in 2015. These classifications are of a normal recurring nature and had no material impact of the Bank's previously reported financial statements.

Adoption of New Accounting Standards

In January 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-04, Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure, a consensus of the FASB Emerging Issues Task Force. This Update provides clarification as to when an in-substance repossession or foreclosure has occurred, i.e., the creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan and, therefore, the loan receivable should be derecognized and the real estate property should be recognized. Under ASU No. 2014-04, a creditor has received physical possession of residential real estate property collateralizing a consumer mortgage loan upon either (1) the creditor obtaining legal title to the property upon completion of a foreclosure or (2) the borrower conveying all interest in the property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or a similar legal agreement. The Update also will require disclosure in annual and interim financial statements of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2014. Adoption of this Update did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Guidance Not Yet Effective

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This Update requires an entity to recognize revenue as performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services. The following steps are applied in the updated guidance: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. These amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. The Company is currently evaluating the effects of ASU 2014-09 on its financial statements and disclosures, if any.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Guidance Not Yet Effective – Continued

On January 5, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. Changes made to the current measurement model primarily affect the accounting for equity securities with readily determinable fair values, where changes in fair value will impact earnings instead of other comprehensive income. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. The Update also changes the presentation and disclosure requirements for financial instruments including a requirement that public business entities use exit price when measuring the fair value of financial instruments measured at amortized cost for disclosure purposes. This Update is generally effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the effects of ASU 2016-01 on its financial statements and disclosures, if any.

On February 25, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, which is generally defined as a lease term of less than 12 months. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under current lease accounting guidance. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2018 for public business entities and one year later for all other entities. The Company is currently evaluating the effects of ASU 2016-02 on its financial statements and disclosures.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #2 - INVESTMENT SECURITIES

Debt and equity securities have been classified in the balances sheets according to management's intent. The following table presents the carrying amount of investment securities and their approximate fair values at December 31, 2015 and 2014.

December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Mortgage-backed securities	$4,183,000	$ 3,000	$(14,000)	$4,172,000
Corporate securities	$12,889,000	$ 5,000	$(70,000)	$12,824,000
Taxable municipal securities	$4,356,000	$ 1,000	$(32,000)	$4,325,000
	$21,428,000	$ 9,000	$(116,000)	$21,321,000
Held-to-Maturity				
U.S. Government and agency securities	$2,894,000	$ 4,000	$(5,000)	$2,893,000

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Mortgage-backed securities	$8,386,000	$ 87,000	$ (13,000)	$8,460,000
Corporate securities	$8,203,000	$ 5,000	$ (36,000)	$8,172,000
	$16,589,000	$ 92,000	$ (49,000)	$16,632,000
Held-to-Maturity				
U.S. Government and agency securities	$4,425,000	$ 12,000	$ (3,000)	$4,434,000

The Company pledged investment securities with a carrying value of approximately $7.1 million as of December 31, 2015 for FHLB borrowings and for other pledging requirements.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #2 - INVESTMENT SECURITIES (Continued)

The amortized cost and estimated fair value of all investment securities as of December 31, 2015 and 2014, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

December 31, 2015	Amortized Cost	Fair Value
Available-for-sale		
Due from one year to five years	$17,245,000	$17,149,000
Due from five to ten years	337,000	337,000
Due from ten years and beyond	3,846,000	3,835,000
	$21,428,000	$21,321,000
Held-to-Maturity		
Due from one year to five years	$2,894,000	$2,893,000

December 31, 2014	Amortized Cost	Fair Value
Available-for-sale		
Due from one year to five years	$8,203,000	$8,172,000
Due from five to ten years	410,000	415,000
Due from ten years and beyond	7,976,000	8,045,000
	$16,589,000	$16,632,000
Held-to-Maturity		
Due from one year to five years	$4,425,000	$4,434,000

As of December 31, 2015, one mortgage-backed debt security with unrealized losses of $2,000 has been in a continuous loss position for more than 12 months with a fair value of $510,000.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #3 - LOANS

The Company's loan portfolio consists primarily of loans to borrowers within San Luis Obispo County and surrounding communities. Although the Company seeks to avoid concentrations of loans to a single industry or based upon a single class of collateral, real estate and real estate associated businesses are among the principal industries in the Company's market area and, as a result, the Company's loan and collateral portfolios are, to some degree, concentrated in those industries.

The Company also originates SBA loans and other governmental guaranteed loans which it periodically sells to governmental agencies and institutional investors. Revenues generated from the origination of loans guaranteed by the Small Business Administration under its various programs and sale of the guaranteed portions of those loans contribute to the Company's income. Funding for these SBA programs depends on annual appropriations by the U.S. Congress.

At December 31, 2015 and 2014, the Company was servicing approximately $16,314,000 and $17,130,000 respectively, in loans previously sold. The gain on sale of SBA and other loans was $293,000 and $426,000 for the years ended December 31, 2015 and 2014, respectively.

The following tables presents the activity in the allowance for loan losses and the loan losses for the year 2015 and 2014 and the recorded investment in loans and impairment method as of December 31, 2015 and 2014 by portfolio segment:

December 31, 2015	Real Estate - Construction & Land	Real Estate - Other	Commercial	Consumer	Total

	Development				
Allowance for Loan Losses:					
Beginning of Year	$ 57,000	$782,000	$900,000	$10,000	$1,749,000
Provisions (benefit)	178,000	(327,000)	(350,000)	(1,000)	(500,000)
Charge-offs	(3,000)	-	(18,000)	(1,000)	(22,000)
Recoveries	-	20,000	159,000	11,000	190,000
End of Year	$ 232,000	$475,000	$691,000	$19,000	$1,417,000
Reserves:					
Specific	$ -	$-	$16,000	$6,000	$22,000
General	232,000	475,000	675,000	13,000	1,395,000
	$ 232,000	$475,000	$691,000	$19,000	$1,417,000
Loans Evaluated for Impairment:					
Individually	$ 103,000	$-	$170,000	$6,000	$279,000
Collectively	13,354,000	58,551,000	21,769,000	185,000	93,859,000
	$ 13,457,000	$58,551,000	$21,939,000	$191,000	$94,138,000

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #3 - LOANS - Continued

December 31, 2014	Real Estate - Construction & Land Development	Real Estate - Other	Commercial	Consumer	Total
Allowance for Loan Losses:					
Beginning of Year	$ 128,000	$877,000	$612,000	$4,000	$1,621,000
Provisions (benefit)	(71,000)	(310,000)	(127,000)	8,000	(500,000)
Charge-offs	-	(60,000)	(52,000)	(8,000)	(120,000)
Recoveries	-	275,000	467,000	6,000	748,000
End of Year	$ 57,000	$782,000	$900,000	$10,000	$1,749,000
Reserves:					
Specific	$ -	$-	$2,000	$10,000	$12,000
General	57,000	782,000	898,000	-	$1,737,000
	$ 57,000	$782,000	$900,000	$10,000	$1,749,000
Loans Evaluated for Impairment:					
Individually	$ 458,000	$1,000	$249,000	$10,000	$718,000
Collectively	7,222,000	48,387,000	18,544,000	245,000	74,398,000
	$ 7,680,000	$48,388,000	$18,793,000	$255,000	$75,116,000

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Company uses the following definitions for risk ratings:

Pass: Loans classified as pass include loans not meeting the risk rating definitions below.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: An asset classified Doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #3 - LOANS - Continued

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows as of December 31, 2015 and 2014:

December 31, 2015	Pass	Special Mention	Substandard	Doubtful	Total
Real estate - construction and land development	$12,365,000	$-	$1,092,000	$-	$13,457,000
Real estate - other:					
1-4 family residential	5,205,000	-	-	-	5,205,000
Multifamily residential	343,000	-	-	-	343,000
Commercial real estate and other	52,316,000	287,000	400,000	-	53,003,000
Commercial	21,627,000	86,000	175,000	51,000	21,939,000
Consumer	185,000	-	-	6,000	191,000
	$92,041,000	$373,000	$1,667,000	$57,000	$94,138,000

December 31, 2014	Pass	Special Mention	Substandard	Doubtful	Total
Real estate - construction and land development	$7,222,000	$-	$458,000	$-	$7,680,000
Real estate - other:					
1-4 family residential	6,626,000	100,000	1,000	-	6,727,000
Multifamily residential	365,000	-	-	-	365,000
Commercial real estate and other	40,351,000	22,000	923,000	-	41,296,000
Commercial	18,255,000	37,000	407,000	94,000	18,793,000
Consumer	245,000	-	-	10,000	255,000
	$73,064,000	$159,000	$1,789,000	$104,000	$75,116,000

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #3 - LOANS - Continued

Past due and nonaccrual loans were as follows as of December 31, 2015 and 2014:

	Still Accruing		
	30-89 Days	Over 90 Days	
December 31, 2015	Past Due	Past Due	Nonaccrual
Real estate - construction and land development	$691,000	$ -	$ 103,000
Commercial	-	-	170,000
Consumer	-	-	6,000
	$691,000	$ -	$ 279,000

	Still Accruing		
	30-89 Days	Over 90 Days	
December 31, 2014	Past Due	Past Due	Nonaccrual
Real estate - construction and land development	$-	$ -	$ 458,000
Real estate - other:			
1-4 family residential	-	-	1,000
Commercial real estate and other	184,000	-	-
Commercial	86,000	7,000	230,000
	$270,000	$ 7,000	$ 689,000

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #3 - LOANS - Continued

Information relating to individually impaired loans is presented by class as of December 31, 2015 and 2014.

December 31, 2015	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
With No Related Allowance Recorded:					
Real estate - construction and land development	$110,000	$ 103,000	$ -	$ 103,000	$ -
Commercial	108,000	-	-	-	5,000
	$218,000	$ 103,000	$ -	$ 103,000	$ 5,000

	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an Allowance Recorded:					
Commercial	$191,000	$ 170,000	$ 16,000	$ 220,000	$ 5,000
Consumer	7,000	6,000	6,000	8,000	1,000
	$198,000	$ 176,000	$ 22,000	$ 228,000	$ 6,000

December 31, 2014	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
With No Related Allowance Recorded:					
Real estate - construction and land development	$465,000	$ 458,000	$ -	$ 471,000	$ 14,000
Real estate - other:					
1-4 family residential	112,000	1,000	-	8,000	5,000
Commercial	262,000	224,000	-	294,000	9,000
	$839,000	$ 683,000	$ -	$ 773,000	$ 28,000

	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an Allowance Recorded:					
Commercial	$ 27,000	$ 25,000	$ 2,000	$ 12,000	$ 2,000
Consumer	10,000	10,000	10,000	10,000	-
	$ 37,000	$ 35,000	$ 12,000	$ 22,000	$ 2,000

Interest income included above recognized on the cash basis amounted to $11,000 and $30,000 in 2015 and 2014, respectively.

The Bank has allocated $22,000 and $12,000 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2015 and 2014. The Bank did not lend additional amounts to customers with outstanding loans that are classified as troubled debt restructurings as of either December 31, 2015 or 2014.

F-21

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #3 - LOANS - Continued

Modifications involving a reduction of the stated interest rate of the loan were for periods ranging up to five years. Modifications involving an extension of the maturity date were for periods ranging up to fourteen years. Modifications involving temporary forbearance of principal or interest were for periods up to six months.

No loans were modified as troubled debt restructurings in 2015. The following table presents loans by class modified as troubled debt restructurings that occurred during the year ended December 31, 2014.

December 31, 2014	Number of Loans	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Commercial	2	$ 44,000	$ 44,000

The troubled debt restructurings described above did not increase the allowance for loan losses during the years ended December 31, 2015 and 2014. None of the loans noted above defaulted within12 months of the date of modification to troubled debt restructurings.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #4 - PREMISES AND EQUIPMENT

A summary of premises and equipment as of December 31, 2015 and 2014 follows:

	2015	2014
Land	$2,100,000	$2,668,000
Building	2,567,000	3,201,000
Leasehold improvements	178,000	178,000
Furniture, fixtures and equipment	1,527,000	1,455,000
	6,372,000	7,502,000
Less: Accumulated depreciation and amortization	(1,955,000)	(2,216,000)
	$4,417,000	$5,286,000

The Company has entered into leases for its branches and operating facilities, which expire at various dates through 2017. These leases include provisions for periodic variable rent increases as well as payment by the lessee of certain operating expenses. Rental expense relating to these leases was approximately $139,000 in 2015 and $128,000 in 2014.

The Bank leases a branch location from a rental company which includes a director as a partner. The lease commenced November 1, 2011 and will expire five years after the commencement.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #4 - PREMISES AND EQUIPMENT - Continued

The approximate future minimum annual payments for these leases by year are as follows:

Year	Related Party	Other
2016	$ 46,000	$ 71,000
2017	-	42,000
	$ 46,000	$ 113,000

The minimum rental payments shown above are given for the existing lease obligations and are not a forecast of future rental expense.

The Company leased surplus office space that it owns to various third parties. The Company received lease income of approximately $47,000 in 2015 and $49,000 in 2014 from the building at 545 Higuera in San Luis Obispo that was sold in 2015.

NOTE #5 - DEPOSITS

At December 31, 2015, all time deposits were scheduled to mature in one year, except for $5,430,000 that matures from one to three years.

NOTE #6 - OTHER BORROWING ARRANGEMENTS

As of December 31, 2015, the Company has financing availability of approximately $14.7 million from the Federal Home Loan Bank of San Francisco ("FHLBSF") which was secured by specific loans and investment securities. The amount of funds borrowed from the FHLBSF is determined by the collateral value of the assets pledged to FHLBSF. As of December 31, 2015, the Bank had $10.5 million in loans and $7.1 million of investment securities pledged as collateral to the FHLBSF. As of December 31, 2015, the Bank had no outstanding borrowings with FHLBSF.

As of December 31, 2015, the Company has financing availability of approximately $3.7 million from the Federal Reserve Bank of San Francisco ("FRB"). The amount of funds borrowed from the FRB is determined by the collateral value of the assets pledged to FRB. As of December 31, 2015, the Bank had $8.9 million in loans pledged as collateral to the FRB. As of December 31, 2015 the Bank had no outstanding borrowings with FRB.

As of December 31, 2015, the Company has lines of credit with correspondent banks of $4.5 million. As of December 31, 2015 there were no outstanding balances on these lines of credit.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #7 - JUNIOR SUBORDINATED DEBT SECURITIES AND SENIOR NOTE

On September 20, 2007, the Company issued $7,217,000 of junior subordinated debt securities (the "debt securities") to Coast Bancorp Statutory Trust II, a statutory trust created under the laws of the State of Delaware. These debt securities are subordinated to effectively all borrowings of the Company and are due and payable on September 20, 2037. The debt securities can be redeemed in whole or in part, without penalty, at the option of the Company after five years. The debt securities can also be redeemed at par if certain events occur that impact the tax treatment or the capital treatment of the issuance.

Interest is payable quarterly on these debt securities at a fixed rate of 6.388% per annum for the first five years and thereafter at a variable rate which will reset quarterly at the three-month LIBOR plus 1.5% per annum. As of December 31, 2015, the rate was 2.012%. Pursuant to its right under the indenture agreement, the Company has elected to defer interest payments on the Trust Securities and may continue this election for up to twenty consecutive quarterly periods without defaulting on the instrument. The last quarter that the Company can defer interest is March 15, 2019 payable on June 16, 2019. The Company paid the interest for the first deferral period ended June 15, 2014 of approximately $2.2 million.

The Company also purchased a 3% minority interest in Coast Bancorp Statutory Trust II. The balance of the equity of Coast Bancorp Statutory Trust II is comprised of mandatorily redeemable preferred securities. The Company does not consolidate Coast Bancorp Statutory Trust II into the Company financial statements. As of December 31, 2015, the Company has included the net junior subordinated debt in its Tier 1 Capital for regulatory capital purposes.

On June 11, 2014 the Company issued $2,000,000 of senior secured notes, due June 11, 2016 with interest payable annually, in arrears, at the fixed rate of 10% per annum through June 10, 2015 and thereafter at a fixed rate of 12% per annum. The Company paid the senior secured notes in full on June 5, 2015.

On June 5, 2015 the Company issued a senior secured note for $2,500,000, due June 5, 2018 with interest payable quarterly, in arrears, at the fixed rate of 6% per annum. Under the terms of the note agreement, the sum of $300,000 is held by the lender in a reserve account to pay the interest on the note for the first two years. The principal may be prepaid in whole or in part at any time provided, however, that if any prepayment is made within the first twelve (12) months after the date of the note, then a prepayment fee of one and one-half percent (1.5%) of the principal outstanding is immediately due and payable. The notes are secured by 100% of the common stock of Coast National Bank.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #8 - INCOME TAXES (BENEFITS)

The provision (benefit) for income taxes included in the consolidated statements of operation consists of the following:

	2015	2014
Current:		
Federal	$79,000	$-
State	27,000	2,000
	106,000	2,000
Deferred	(4,424,000)	-
	$(4,318,000)	$2,000

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition. The Company's principal timing differences are from credit loss provision accounting, depreciation and net operating loss carry forward differences.

The following is a summary of the components of the net deferred tax asset accounts recognized in the accompanying balance sheets:

	2015	2014
Deferred tax assets:		
Allowance for credit losses	$583,000	$-
Net operating loss carry forward	4,000,000	5,618,000
Unrealized losses on securities	47,000	-
Other assets	166,000	39,000

	4,796,000	5,657,000
Valuation allowance	-	(5,337,000)
Deferred tax liabilities:		
Premises and equipment due to depreciation difference	(130,000)	(52,000)
Allowance for credit losses	-	(88,000)
Unrealized gains on securities	-	(17,000)
Other liabilities	(195,000)	(180,000)
	(325,000)	(337,000)
Net deferred tax assets (liabilities)	$4,471,000	$(17,000)

Based on an analysis of its present and future taxable earnings, the Company deemed it more likely than not that substantially all of the deferred tax assets would be realized in the future based on its improving profitability, and reversed all of the valuation allowance during 2015. The Company has net operating loss carryforwards of approximately $8.5 million for federal income tax purposes and $15.0 million for California Franchise tax purposes. Federal and California net operating loss carryforwards, to the extent not used will expire in 2034.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #8 - INCOME TAXES (BENEFITS) - Continued

A comparison of the federal statutory income tax rates to the Company’s effective income tax rates follow:

	2015		2014	
	Amount	Rate	Amount	Rate
Statutory federal tax	$829,000	34.0 %	$63,000	34.4 %
State franchise tax, net of federal benefit	180,000	7.4 %	15,000	8.2 %
Valuation allowance	(5,337,000)	(218.9)%	(96,000)	(52.4)%
Other items, net	10,000	0.4 %	20,000	10.9 %
Actual tax expense	$(4,318,000)	(177.1)%	$2,000	1.1 %

There were no penalties or interest expense recorded as of December 31, 2015. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

The Company is subject to federal income tax and California franchise tax. The Company’s federal income tax returns for the years ended December 31, 2011 to 2015 are open to audit by the federal authorities and the Company’s California state tax returns for the years ended December 31, 2010 to 2015 are open to audit by state authorities.

NOTE #9 - STOCK OPTION PLANS

In September 2015, the 2015 Equity Compensation Plan was approved by the shareholders of Coast Bancorp, under which 705,000 shares of the Company's common stock may be issued at not less than 100% of the fair market value at the date the options are granted. Under the terms of the Equity Compensation Plan all employees and directors of the

Company are eligible to receive grants of incentive stock options, nonqualified stock options and restricted stock awards. Non-Employee directors shall be eligible to receive all grants and awards other than incentive stock options under this Plan. Each grant or award and all executory rights or obligations under the related award agreement shall expire on such date (if any) as shall be determined by the Board, but, in the case of options or other rights to acquire shares, not later than ten years after the grant or award date. Vesting restrictions on grants or awards may be time based and/or performance based.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #9 – STOCK OPTION PLANS - Continued

A summary of the status of the Company's stock option plan as of December 31, 2015 and changes during the year ending thereon is presented below:

	2015			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	-	$ -		
Granted	469,000	$ 1.43	10.0	
Exercised	-			
Forfeited or expired	(17,000)	$ 1.43		
Outstanding, end of year	452,000	$ 1.43	9.32	$ 145,000
Options exercisable, end of year	-	$ -	-	$ -

	2014			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	5,000	$ 26.50		
Granted	-			
Exercised	-			
Forfeited or expired	(5,000)	$ 26.50		
Outstanding, end of year	-	$ -		$ -
Options exercisable, end of year	-	$ -	-	$ -

No stock options were exercised during 2015 and the Company recognized $36,000 of stock-based compensation cost. As of December 31, 2015, there was $227,000 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted-average period of approximately 4.3 years.

No stock options were granted or exercised during 2014 and the Company did not recognize any stock-based compensation cost or any income tax benefits related to stock-based compensation.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #10 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, certain officers, directors, shareholders, and employees of the Company have deposits with the Company. The balance of director and executive officer deposits at December 31, 2015 and 2014 was approximately $1,612,000 and $892,000 respectively.

The Company leased a branch location from a rental company, which includes a director as a partner. Refer to Note #4 – Premises and Equipment, for additional information regarding this lease.

NOTE #11 - COMMITMENTS

In the normal course of business, the Company enters into financial commitments to meet the financing needs of its customers. These financial commitments include commitments to extend credit and standby letters of credit. Those instruments involve to varying degrees, elements of credit and interest rate risk not recognized in the statement of financial position.

The Company's exposure to loan loss in the event of nonperformance on commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for loans reflected in the consolidated financial statements.

As of December 31, 2015 and 2014, the Company had the following outstanding financial commitments whose contractual amount represents credit risk:

	2015	2014
Commitments to extend credit	$26,087,000	$18,884,000
Standby letters of credit	340,000	734,000
	$26,427,000	$19,618,000

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. Standby letters of credit are conditional commitments to guarantee the performance of a Company customer to a third party. Since many of the commitments and standby letters of credit are expected to expire without being drawn upon, the total 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 is based on management's credit evaluation of the customer.

The Company is involved in various matters of litigation, which has arisen in the ordinary course of its business. In the opinion of management, the disposition of such pending litigation will not have a material effect on the Company’s financial statements.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #12 - FAIR VALUE MEASUREMENT

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company

Level 2 – inputs that are observable in the marketplace other than those inputs classified as Level 1

Level 3 – inputs that are unobservable in the marketplace and significant to the valuation

The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation.

The majority of the Company's financial assets and liabilities measured at fair value on a recurring basis include securities available for sale. The Company may be required, from time to time, to measure certain assets and liabilities on a non-recurring basis. Loans held for sale are measured at the lower of cost or fair value. Loans held for sale include the guarantee portion of our saleable SBA loans.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Securities: The fair values of securities available-for-sale and held-to-maturity are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1) or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities' relationship to other benchmark quoted securities resulting in a level 2 classification.

Collateral-Dependent Impaired Loans: A loan is considered impaired when it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Impairment is measured based on the fair value of the underlying collateral or the discounted expected future cash flows. The Company measures impairment on all non-accrual loans for which it has reduced the principal balance to the value of the underlying collateral less the anticipated selling cost. As such, the Company records impaired loans as non-recurring Level 2 when the fair value of the underlying collateral is based on an observable market price or current appraised value. When current market prices are not available or the Company determines that the fair value of the underlying collateral is further impaired below appraised values, the Company records impaired loans as Level 3. At December 31, 2015, the majority of all the Company’s impaired loans were evaluated based on the fair value of their underlying collateral based upon the most recent appraisal available to management.

Other Real Estate Owned: Nonrecurring adjustment to certain commercial and residential real estate properties classified as other real estate owned are measured at fair value, less costs to sell. Fair values are generally based on recent third party appraisals of the property. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

COAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE #12 - FAIR VALUE MEASUREMENT – Continued

Appraisals for other real estate owned are performed by certified general appraisers whose qualifications and licenses have been reviewed and verified by the Bank. Once received, a member of the Bank's credit administration department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value. The Bank also determines what additional adjustments, if any, should be made to the appraisal values on any remaining other real estate owned to arrive at fair value. No significant adjustments to appraised values have been made as a result of this comparison process as of December 31, 2015.

The following table provides the hierarchy and fair value for each major category of assets and liabilities measured at fair value at December 31:

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total
December 31, 2015				
Assets measured at fair value on a recurring basis:				
Securities, available-for-sale	$ -	$ 21,321,000	$ -	$21,321,000
Assets measured at fair value on a non-recurring basis:				
Collateral-dependent impaired loans, net of specific reserves	$ -	$ 257,000	$ -	$257,000
December 31, 2014				
Assets measured at fair value on a recurring basis:				
Securities, available-for-sale	$ -	$ 16,632,000	$ -	$16,632,000