

SEARCH PROFILE

DIRECTOR OF INTERNAL AUDIT



SIERRA BANCORP
Parent Company for Bank of the Sierra

Chrisman & Company
an executive search consultancy

Contact information:

Michele Gil

mgil@chrismansearch.com

213.620.1356

Timothy Chrisman

tchrisman@chrismansearch.com

213.620.1357

Rachel Camonayan

rcamonayan@chrismansearch.com

213.620.1571

Chrisman & Company
545 South Figueroa Street, Suite 1119
Los Angeles, CA 90071
Telephone: 213.620.1192

THE CLIENT

Overview

Bank of the Sierra opened in 1978 in Porterville, California, as a single-branch bank with \$1.5 million in capital. The holding company, Sierra Bancorp (NASDAQ: BSRR) was formed in 2001 and operates primarily through Bank of the Sierra, a California state-chartered bank.

With \$3.3 billion in assets as of March 31, 2021, it is the largest independent bank headquartered in the South San Joaquin Valley. Bank of the Sierra is a community-centric regional bank, which delivers a broad range of retail and commercial banking services. The Bank operates 41 branches located in the counties of Tulare, Kern, Kings, Fresno, Los Angeles, Ventura, San Luis Obispo, and Santa Barbara. The Bank also maintains a cyber branch and offers specialized credit services through Agricultural, SBA, and loan centers. Bank of the Sierra holds a Bauer Financial 5-star rating, an honor only awarded to the strongest financial institutions in the country.

History

Since its opening, Bank of the Sierra has grown primarily through organic development. Acquisitions have been strategic and include Sierra National Bank in 2000, Santa Clara Valley Bank in 2014, Coast National Bank in 2016, and Ojai Community Bank in 2017. The other direct subsidiaries are Sierra Statutory Trust II and Sierra Capital Trust III, formed in 2004 and 2006, respectively, solely to facilitate the issuance of capital trust pass-through securities (“TRUPS”).

Culture

The culture of Bank of the Sierra is driven by its values of teamwork, integrity, and exceptional service. Employees work collaboratively to proactively solve problems, exceed customer expectations, and produce superior results. The Bank is proud to serve its communities and delivers consistent and reliable service to its customers. The Bank encourages its employees to be passionate about their job with the goal of taking every opportunity to improve.

Mission Statement

To be responsible stewards for our shareholders by targeting top-quartile financial returns, while promoting a culture of fiscal discipline, ingenuity, and integrity.

Brand Promise

We will help make every community we're a part of better.

7 Key Strategies

1. *Keep Thinking* – Anticipate and meet needs with a broad range of solutions.
2. *Keep Serving* – Provide quality service on a timely, competitive basis.
3. *Keep Learning* – Be passionate about being the right person on the team.
4. *Keep Growing* – Encourage creativity and maximize every opportunity to improve.
5. *Keep Giving* – Serve our communities through involvement and reinvestment.
6. *Keep Striving* – Be disciplined; aim for excellence.
7. *Keep Smiling* – Enjoy the journey and have fun along the way.

Financial Overview

Income Statement (\$000) for 2020

| | |
|-------------------------|-----------|
| Net Interest Income | \$104,835 |
| Loan Loss Provision | \$8,550 |
| Noninterest Income | \$26,150 |
| Noninterest Expense | \$75,912 |
| Net Income Before Taxes | \$46,523 |
| Provision for Taxes | \$11,079 |
| Net Income | \$35,444 |

Balance Sheet (\$000) for 2020

| | |
|----------------------------|-------------|
| Net Loans | \$2,442,226 |
| Investment Securities | \$543,974 |
| Intangible Assets | \$31,664 |
| Other Liabilities | \$252,240 |
| Total Shareholders' Equity | \$343,896 |
| Shares Outstanding | 15,388,423 |

Summarized metrics for the Bank include the following:

| | 2017 | 2018 | 2019 | 2020 | 3/31/2021 YTD |
|--|-----------|-----------|-----------|-----------|------------------|
| <i>Balance Sheet Highlights</i> | | | | | |
| Total Assets | 2,340,180 | 2,522,387 | 2,593,396 | 3,219,575 | 3,326,563 |
| Total Loans & Leases | 1,560,594 | 1,734,531 | 1,765,461 | 2,459,964 | 2,284,751 |
| Total Deposits | 1,993,295 | 2,118,678 | 2,172,937 | 2,636,606 | 2,866,249 |
| <i>Performance Measures</i> | | | | | |
| Bank Net Income | 19,761 | 31,570 | 38,069 | 37,405 | 11,535 |
| ROA (%) | 0.94 | 1.30 | 1.48 | 1.26 | 1.41 |
| ROE (%) | 7.89 | 10.76 | 11.75 | 10.62 | 12.49 |
| Yield/ Cost Spread (%) | 4.24 | 4.62 | 4.73 | 4.05 | 3.88 |
| Efficiency Ratio (FTE) (%) | 65.12 | 59.73 | 55.42 | 55.54 | 54.93 |
| <i>Capitalization</i> | | | | | |
| Bank Equity Capital | 285,629 | 305,493 | 339,449 | 381,014 | 371,532 |
| Tier 1 Capital | 691,712 | 791,987 | 301,963 | 318,194 | 326,592 |
| Risk Based Capital Ratio (%) | 14.51 | 14.25 | 15.25 | N/A | N/A |
| Tier 1 Risk-based Ratio (%) | 14.51 | 14.25 | 14.75 | N/A | N/A |
| Leverage Ratio (%) | 11.14 | 11.39 | 11.73 | 10.12 | 10.36 |
| <i>Loan Composition (%)</i> | | | | | |
| Real Estate Loans/ Loans | 52.49 | 57.67 | 54.10 | 58.82 | 56.04 |
| Total C&I Loans/ Loans | 5.70 | 5.04 | 4.35 | 6.40 | 5.43 |
| Total Construction Loans/ Loans | 5.65 | 8.46 | 7.59 | 3.73 | 2.61 |
| Other Loans/ Loans | 6.02 | 3.74 | 7.46 | 9.61 | 5.69 |
| <i>Deposit Composition (%)</i> | | | | | |
| Noninterest-bearing Deposits/ Deposits | 27.36 | 26.36 | 26.82 | 29.68 | 31.04 |
| Transaction Accounts/Deposits | 21.73 | 20.45 | 13.43 | 50.44 | 54.20 |
| MMDAs+Savings/Deposits | 47.44 | 43.32 | 50.52 | 15.52 | 16.59 |
| <i>Asset Quality (%)</i> | | | | | |
| Total Noncurrent Loans/ Loans | 0.27 | 0.30 | 0.33 | 0.31 | 0.38 |

For more information, please visit www.bankofthesierra.com and www.fdic.gov Certificate #22597.

Near-Term Objectives

- Continue long history as a leading community bank in the South San Joaquin Valley.
- Continue to develop infrastructure to support growth and operating efficiency.
- Utilize capital strength to pursue selected targeted acquisitions. These will be based on return-on-investment opportunities and goals to expand geographic disbursement.
- Anticipate the needs of the customers and develop creative solutions to meet these needs.
- Maintain pattern of controlled growth focusing on strong customer service and community relations.

THE POSITION

The Director of Internal Audit will oversee the entire internal audit function of the Company and reports to and supports the Audit Committee of the Board of Directors. (Administratively reports to the CEO.) On an ongoing basis, this senior-level audit professional will plan and execute operational, financial and enterprise risk audits; identify opportunities to improve operating efficiencies; and recommend improvements to the system of internal controls. In addition, this individual will coordinate outsourced audits on areas where additional expertise may be needed including information technology, compliance, and loan reviews.

Principal roles for the position include the following:

Manage Risk/Internal Control/Governance

- Completely refresh and implement a comprehensive, top-down risk-based audit program, enhancing organization overall risk management capabilities.
 - Annual integrated audit plan evaluating and documenting adequacy and effectiveness of internal control design and operations through interactive substantive and control testing of records, reports and operating practices.
 - Consult with first-line on best-practices for strong control design and operating effectiveness
- Ensure compliance with all regulatory governance requirements, including Sarbanes/Oxley and FDICIA 112.
- Interact with the Audit Committee, senior management, external auditors, and regulators to ensure examinations, audits and reviews are completed in a thorough and timely manner.
- Identify exposure and solutions to manage risk.
 - Utilize risk assessment to ensure the integrated audit program captures key risks.
 - Stay abreast of guidance impacting audits of publicly traded companies, including the most recent opinions of the Public Company Accounting Oversight Board (PCAOB)
- Educate managers on the use of internal controls/monitoring.
 - Develop and utilize a Summary of Accumulated Deficiencies for review with executive management and the Audit Committee.
 - Work with the first line on timely remediation of high-risk audit findings that may not rise to the level of a key control deficiency.
- Develop reports and provide guidance to the Audit Committee and Executive Management team. Report activity relative to the plan to the Audit Committee and the CEO.

Leverage/Manage Resources

- Evaluate and deploy internal and external resources to ensure audit programs and goals are achieved in the most efficient and cost-effective manner while maintaining the highest level of standards. Resources should be allocated to ensure that the areas of the Bank which pose the highest risk are adequately covered.

- Leverage technology to assess risk and to perform audit work (when practical to do so).
- Build, provide leadership and coaching to an audit staff to raise the level of expertise.

Position the Internal Audit Function to Become Proactive

- Establish an effective two-way communication with members of management and the Audit Committee by holding periodic formal and informal discussions with key stakeholders on their changing strategies, activities, and business challenges.
- Work with external audit to coordinate key controls and the sampling/testing methodologies utilized to increase reliance upon internal audit.
- Provide transparency into the Internal Audit Department's activities to demonstrate that the goals and approach are consistent with the Company's strategies, management's key concerns, and business challenges.
- Have a presence in key meetings that drive the Company's strategic direction and provide proactive consultative feedback on risk, controls and governance over new initiatives and endeavors.

THE CANDIDATE

The ideal candidate will have at least 8 to 10 years of internal audit experience in the financial services industry with expertise in risk-based auditing. Experience should include leadership roles that include a history of successfully recruiting, developing, and retaining senior level auditors. Certification as a CIA or CPA is advantageous. Bachelor's or advanced degree in finance or accounting. Public accounting or public company internal audit experience preferred.

Additional qualifications include:

- Outstanding business acumen: solid understanding of company's business core strategies, risk appetite and risk tolerance.
- Demonstrated success of strategic, systematic, and proactive thinking and timely implementation of internal audit mission, goals, and resources.
- A track record of collaborating with senior management/audit committee to ensure they fulfill their broad responsibilities of effective governance.
- In depth command of technology, outstanding judgment, successful history of willingness and savviness in raising difficult issues with senior management and audit committee-even if such actions prove unpopular.
- Command of public and financial reporting requirements of the SEC and internal control requirements of the Sarbanes-Oxley Act, FDICIA 112, and PCAOB audit standards.
- Excellent written and verbal communication skills and be able to work in a cooperative, collaborative environment.
- Demonstrated ability to grow to grow and develop a professional audit team.
- Experience and skill to critically evaluate the existing audit programs, including sampling and testing methodologies, and implement change.
- Planning and tactical skills to influence change, improve processes, and develop efficiencies within the audit team.

Individual Behavioral Attributes:

- Confident in ability to lead, contribute, and assert viewpoints in discussions at all levels.
- Collaborative with the capacity to convey perspective respectfully and comprehensibly.
- Competency in technical matters and ability to perform and excel under pressure.
- Initiative to be a self-starter who believes in team play but who can work independently.
- Discipline to organize work effectively to meet deadlines.
- Ability to research problems and issues and present recommendations for solutions.
- Appreciation for the impact of his/her actions on others. Ability to address employee issues head-on. Open, fair, and tough minded.
- Solid reputation for integrity, ethics, and honesty.
- Strong work ethic, commitment to responsibilities, and demonstrated ability to speak candidly to management in a tactful manner.
- Strength to work through conflicts and challenges and take prompt and decisive action.
- Ability to identify, analyze, summarize, and derive conclusions.
- Strong oral and written communication skills with all levels of the organization.