

DRAFT

WESTERN SIERRA BANCORP CORPORATE GOVERNANCE GUIDELINES

The Western Sierra Bancorp Board of Directors (the “Board”) represents the shareholders’ interest in perpetuating a successful business, including optimizing long term financial returns, and is responsible for determining that Western Sierra Bancorp (“Bancorp”) and its principal operating subsidiaries (the “Banks”), are each managed in such a way to ensure this result. This is an active, not a passive, responsibility. The Board has the responsibility to ensure that at all times Management is capably executing its responsibilities by regularly monitoring the effectiveness of Management in carrying out the policies and strategies adopted by the Board.

In addition to fulfilling its obligations for increased shareholder value, the Board recognizes that it has certain responsibilities to the Banks’ customers, employees, suppliers and to the communities where it operates, all of whom are essential to a successful business. All of these responsibilities, however, are founded upon the successful perpetuation of the business.

The Board is also responsible for monitoring the establishment and enforcement of procedures designed to ensure that the Bancorp's management and employees operate in a legal and ethically responsible manner.

The Board has adopted the following Corporate Governance Guidelines (the “Guidelines”) to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of the Bancorp and its shareholders. The Guidelines should be applied in a manner consistent with all applicable laws and regulations, stock exchange rules and the Bancorp’s Articles of Incorporation and Bylaws, each as amended and in effect from time to time. The Guidelines provide a framework for the conduct of the Board’s business. The Governance Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of these Guidelines and recommend any proposed changes to the Board for approval. The Board may modify or make exceptions to the Guidelines from time to time in its discretion and consistent with its duties and responsibilities to the Bancorp and its shareholders.

A. DIRECTOR RESPONSIBILITIES

1. Oversee Management of the Bancorp

The principal responsibility of the directors is to oversee the management of the Bancorp and, in so doing, serve the best interests of the Bancorp and its shareholders. This responsibility includes:

- Reviewing and approving fundamental operating, financial and other corporate plans, strategies and objectives.
- Monitoring and evaluating the performance of the Bancorp and its executive management and taking appropriate action, including removal, when warranted.
- Evaluating the Bancorp’s compensation programs on a regular basis and determining the compensation of its Chief Executive Officer.
- Requiring, approving and implementing executive management succession plans.
- Establishing a corporate environment that promotes timely and effective disclosure, fiscal accountability, high ethical standards and compliance with all applicable laws and regulations.

- Reviewing and approving material transactions and commitments not entered into in the ordinary course of business.
- Developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities.
- Providing advice and assistance to Management.
- Evaluating the overall effectiveness of the Board and its committees.

2. Exercise Business Judgment

In discharging their fiduciary duties of care, loyalty and candor, directors are expected to exercise their independent business judgment to act in what they reasonably believe to be in the best interests of the Bancorp and its shareholders, on the basis of fully informed and meaningful deliberations.

3. Understand the Bancorp and its Business

Directors have an obligation to become and remain informed about the Bancorp and its business, including the following:

- The principal operational and financial objectives, strategies and plans of the Bancorp.
- The results of operations and financial condition of the Bancorp and of significant subsidiaries and business segments.
- The factors that determine the Bancorp's success.
- The risks and problems that affect the Bancorp's business and prospects.

4. Establish Effective Systems

Directors are responsible for determining that effective systems are in place for the periodic and timely reporting to the Board on important matters concerning the Bancorp, including the following:

- Current business and financial performance, the degree of achievement of approved objectives and the need to address forward-planning issues.
- Future business prospects and forecasts, including actions, facilities, personnel and financial resources required to achieve forecasted results.
- Financial statements, with appropriate segment or divisional breakdowns.
- Adoption, implementation and monitoring of effective compliance programs to assure the Bancorp's compliance with law and corporate policies.
- Material litigation and governmental and regulatory matters.

5. Reliance on Management and Advisors

The directors are entitled to rely on the Bancorp's senior executives and any outside advisors, auditors and legal counsel of the Bancorp or of the Board or any committee thereof, except to the extent that any such person's integrity, honesty or competence is in doubt.

B. BOARD COMPOSITION

1. Selection of Chairman and Chief Executive Officer

The Board may select the Chairman of the Board and the Chief Executive Officer in any way that appears to the Board to be best for the Bancorp at any given point in time.

The offices of Chairman of the Board and Chief Executive Officer shall be separate and the Chairman of the Board shall be selected from the independent directors, unless otherwise determined by a majority of the Board of Directors.

2. Size of the Board

The Bylaws of the Bancorp provide that the number of directors on the Board shall be between 8 and 15. The Board presently has 10 members, and periodically reviews the appropriate size of the Board in accordance with the Bancorp's Bylaws and needs, including transition periods for new directors in anticipation of planned director retirements and potential additions or reductions appropriate to a merger or acquisition.

3. Mix of Inside and Outside Directors

There shall always be a majority of independent directors on the Board. At the present time, the only member of Management on the Board is the Chief Executive Officer. However, the Board would consider members of Management, in addition to the Chief Executive Officer, as directors if and at such times it seems appropriate.

4. Board Definition of What Constitutes Independence for Outside Directors

The Bancorp complies with the Nasdaq National Market Issuer requirements for independent directors (Nasdaq Stock Market Rule 4200). Ownership of a significant amount of the Bancorp's stock, by itself, does not disqualify a director as an independent director.

5. Board Membership Criteria

The Governance and Nominating Committee is responsible for reviewing with the Board from time to time the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment should include issues of diversity, age, independence of judgment, skills, geographic representation, business development potential and understanding of banking and finance in the context of an assessment of the perceived needs of the Board at that point in time. Board members are expected to rigorously prepare for, attend, and participate in all Board and applicable committee meetings. Each Board member is expected to devote the time needed, and to meet as frequently as necessary, to discharge his or her responsibilities properly and therefore to ensure that other existing and planned future commitments do not materially interfere with the member's service as an outstanding director. It is the belief of the Board that directors can more effectively represent the interests of shareholders if they are also shareholders, and that this alignment occurs when directors have a significant investment in the shares of the Bancorp. Thus, each director is further expected to maintain a significant investment (as defined from time to time by the Board upon the recommendation of the Governance Committee) in common stock of the Bancorp following a reasonable phase-in period for new directors.

6. Selection of New Director Candidates

The ultimate responsibility for the election of directors resides in the shareholders, and it is the responsibility of the Board to recommend new director candidates for such election. The Board delegates

the identification, screening and recommendation process involved to the Governance and Nominating Committee for recommendations both for election as directors at the annual meeting of shareholders and of the persons to be elected by the Board to fill any vacancies on the Board. It is expected that the Governance and Nominating Committee will have direct input from the Chairman of the Board and the Chief Executive Officer. Any director may make recommendations to the Committee at any time. Any extension of a formal invitation to join the Board should be by the Chairman of the Board on behalf of the Board. Unauthorized approaches to prospective directors can be premature, embarrassing and harmful. The Board believes that the continuation of a former Chief Executive Officer of the Bancorp on the Board is a matter to be decided in each individual instance by the Board and that, when a Chief Executive Officer resigns from that position, he or she should submit his or her resignation from the Board at the same time. Whether the individual continues to serve on the Board is a matter for discussion at that time with the new Chief Executive Officer and the Board.

The backgrounds and qualifications of the directors considered as a group should provide a significant breadth of experience, knowledge and abilities that shall assist the Board in fulfilling its responsibilities.

The general criteria for nomination as a director are:

- Nominees should have a reputation for integrity, honesty and adherence to high ethical standards.
- Nominees should have demonstrated business acumen, experience and ability to exercise sound judgments in matters that relate to the current and long-term objectives of the Bancorp and should be willing and able to contribute positively to the decision-making process of the Bancorp.
- Nominees should have a commitment to understand the Bancorp and its industry and to regularly attend and participate in meetings of the Board and its committees to which they may be appointed.
- Nominees should have the interest and ability to understand the sometimes conflicting interests of the various constituencies of the Bancorp, which include shareholders, employees, customers, governmental units, creditors and the general public, and to carefully weigh the interests of all stakeholders.
- Nominees should not have, nor appear to have, a conflict of interest that would impair the nominee's ability to represent the interests of all the Bancorp's shareholders and to fulfill the responsibilities of a director.
- Nominees shall not be discriminated against on the basis of race, religion, national origin, sex, disability or any other basis proscribed by law. The value of diversity on the Board should be considered.

7. Application of Criteria to Existing Directors

The renomination of existing directors should not be viewed as automatic, but should be based on continuing qualification under the criteria set forth above. In addition, the Governance Committee shall consider the existing directors' performance on the Board and any committee, which shall include consideration of the extent to which the directors undertook continuing director education and other recommended outside obligations for Board members.

8. New Director Orientation

The Board and Management shall conduct a mandatory orientation program for new directors, which should include a review of business objectives/strategy and critical policies. New directors should attend at least one meeting of all Board committees to acquaint them with the work and operations of each committee. After this rotation, new directors may be assigned to particular committees.

9. Continuing Education

Each director is expected to be involved in continuing director education on an ongoing basis to enable him or her to better perform his or her duties and to recognize and deal appropriately with issues that arise. The Bancorp has a policy to pay all reasonable expenses related to continuing director education.

10. Directors Who Change Their Present Job Responsibility

The Board does not believe that directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, through the Governance, to review the continued appropriateness of Board membership under these circumstances.

11. Term Limits

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, the concept has the disadvantage of losing the contribution of directors who over time have developed increasing insight into the Bancorp and its operations and an institutional memory that benefit the entire membership of the Board as well as Management. As an alternative to term limits, the Governance Committee shall periodically review each director's continuation on the Board. This will allow each director the opportunity to confirm his or her desire to continue as a member of the Board and allow the Bancorp to replace directors who are no longer interested or effective.

12. Retirement Policy

It is the policy of the Board that no director shall be nominated for re-election at an annual meeting of the shareholders, or appointed to fill a vacancy, which event occurs on a date coinciding with or next following his or her 72nd, and further, that inside directors (if any), other than the Chief Executive Officer, who are also employees of the Bancorp retire from the Board at the same time they relinquish their corporate officer title.

13. Board Compensation Review

The Compensation Committee shall conduct an annual review of director compensation. Changes in Board compensation, if any, should come at the suggestion of the Governance Committee, but with full discussion and approval by the Board. The Board believes that directors should be incentivized to focus on long-term shareholder value..

The Bancorp seeks to attract exceptional talent to its Board. Therefore, the Bancorp's policy is to compensate directors at least competitively relative to comparable companies. The Board believes that it is appropriate for the Chairman of the Board and the chairmen and members of the committees to receive additional compensation for their services in those positions that reflect the additional time requirement necessary to fulfill such roles.

The Board believes that each director should acquire through purchase and hold shares of Bancorp stock in an amount that is meaningful and appropriate to such director, with a minimum holding of 5,000 shares (subject to adjustment for any stock splits or dividends subsequent to June 9, 2005). Newly appointed or elected directors shall have one year to fulfill this requirement.

Directors who are also employees of the Bancorp shall receive no additional compensation for Board or committee service.

14. Board Interaction with Institutional Investors, Press, Customers, Etc.

The Board believes that Management speaks for the Bancorp, with the exception that the Chairman of the Board shall speak on behalf of the Bancorp on matters relating to composition of the Board, hiring decisions regarding the Chief Executive Officer and as otherwise directed by the Board. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Bancorp, but it is expected that Board members would do this with the knowledge of Management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of Management. It is strongly recommended that each director shall refer all inquiries from institutional investors, analysts, the press, customers or others to the Chief Executive Officer or the Chief Financial Officer.

15. Annual Performance Evaluation of the Board

The Governance Committee shall oversee an annual self-evaluation of the Board and each committee to determine whether they are functioning effectively. The purpose of these evaluations is to increase the overall effectiveness of the Board, not to target individual Board members. The Committee shall determine the nature of the evaluation, supervise the conduct of the evaluation and prepare an assessment of the Board's performance, to be discussed with the full Board.

C. BOARD MEETINGS

1. Scheduling and Selection of Agenda Items for Board Meetings

Board meetings are scheduled in advance every month. Typically, the meetings are held at the Bancorp's headquarters in Cameron Park, California, but occasionally a meeting is held at another Bancorp facility or other location. Special meetings may be called from time to time as determined by the needs of the business, and may be held in any manner authorized by the Bancorp's Bylaws.

The Chairman of the Board and the Chief Executive Officer, with the assistance of the Secretary of the Bancorp, draft the agenda for each Board meeting and distribute it in advance to the Board.

Each Board member is free to suggest the inclusion of items on the agenda and to raise at any Board subjects that are not on the agenda for that meeting.

During at least one meeting each year, the Board shall review the Bancorp's long-term strategic plans and the principal issues that the Bancorp expects to confront in the future.

2. Executive Sessions

The non-management directors will meet in Executive Session at such times as may be called by the Chairman of the Board or at the request of any non-management director. Absent unusual circumstances, these sessions shall be held in conjunction with regular Board meetings. It is the policy of the Board to meet, at the conclusion of each regular Board meeting, with the Chief Executive Officer in Executive Session followed by an Executive Session without the presence of the Chief Executive Officer. The Chairman of the Board shall preside at these meetings.

3. Board Material Distributed in Advance

Information and data that is important to the Board's understanding of the business should be distributed in writing to the Board before the Board meets, and directors should review these materials in advance of the meeting.

As a general rule, materials on specific subjects should be sent to the Board members at least one week (where possible) in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting.

4. Access to Senior Management and Board Presentations

The Board has full and free access to senior management of the Bancorp. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Bancorp and that such contact, if in writing and not in the normal context of communications to Board committee staff, be copied to the Chief Executive and the Chairman of the Board.

The Board encourages Management to schedule managers to be present at Board Meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, or (b) have future potential that Management believes should be given exposure to the Board. In addition,

the Chief Credit Officer, Chief Operating Officer and Chief Financial Officer shall regularly attend Board meetings.

5. Independent Directors' Discussion

The Board's policy is to schedule at least twice a year, in conjunction with a regularly scheduled Board meeting, a separate meeting time for the independent directors in Executive Session. The Chairman of the Board, if an independent director, will assume the responsibility of chairing the regularly scheduled meetings of independent directors and shall bear such further responsibilities which the independent directors as a whole might designate from time to time. In the event the Chairman of the Board is not an independent director, the Chairman of the Governance Committee shall preside.

D. BOARD COMMITTEES

1. Number of Committees

The current five Board committees are the Audit, Compensation, Governance, Investments/ALCO and Executive Committees. There will, from time to time, be occasions on which the Board may want to form a new committee or disband a current committee (which is not required by NASDAQ or SEC rules and regulations) depending upon the circumstances.

Each committee shall have a charter that has been approved by the Board. [NOTE: The charters for the committees listed below may be reviewed by clicking on the following links: <[Audit Committee](#)> <[Compensation Committee](#)> <[Governance Committee](#)>] The Governance Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of each committee's charter in consultation with the committee's chairman, and recommend appropriate changes to the Board.

2. Assignment and Term of Service of Committee Members

The Board is responsible for the appointment of committee members and committee chairmen, upon the recommendation of the Governance Committee after consultation with the Chairman of the Board and the Chief Executive Officer and with consideration of both the desires and qualifications of individual Board members. It is desirable that each committee chairman will have had previous service on the applicable committee. Each voting member of the Audit Committee, the Compensation Committee and the Governance Committee shall be "independent" as defined by the applicable rules of NASDAQ and the SEC.

The Board does not have a practice of automatic rotation of committee chairs and members after a set time period. There are many reasons to maintain an individual director on a specific committee, including continuity and subject matter expertise necessary for an effective committee. However, the Governance and Nominating Committee reviews the strengths and expertise of each director, as well as the current and anticipated needs for each committee and, at times, may recommend rotating members based on committee needs.

3. Frequency and Length of Committee Meetings and Committee Agenda

The chairman of each committee, in consultation with the committee members, the Chairman of the Board and appropriate members of Management, will determine the frequency and length of committee meetings and develop the committee's agenda. All committee members are free to include additional items on an agenda, which shall be distributed to the full Board prior to the committee meeting whenever possible. The meeting minutes of the committees will also be shared with the full Board. Subject to committee discretion in calling an executive session at any time, all Board members are welcome to attend committee meetings.

E. MANAGEMENT REVIEW AND RESPONSIBILITY

1. Formal Evaluation of Chief Executive Officer

The Compensation Committee conducts a performance evaluation annually in connection with the determination of the compensation of the Chief Executive Officer.

2. Succession Planning and Management Development

The Chief Executive Officer shall review with the Governance Committee succession planning and management development, which shall include transitional Board leadership in the event of an unplanned vacancy, on an annual basis. The Chief Executive Officer should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.