Letter to Shareholders

Dear Shareholder:

During a year that experienced growing economic challenges, Plumas Bancorp achieved earnings in 2007 of $4,223,000, or $0.84 per diluted share. This compares to $5,202,000, or $1.02 per diluted share earned during 2006. While earnings have declined for reasons mentioned below, 2007 has also been a time of accomplishment in building for the future.

Our company posted solid results this year, but the recent economic slowdown impacted our ability to repeat the record earnings of 2006. Our industry has faced shrinking yields, a decline in the housing market, decreasing real estate values, increasing loan delinquencies, and issues related to sub-prime mortgages. While I'm pleased to report Plumas Bank has never been involved in sub-prime lending, these industry wide factors have led to a significant drop in stock values within the financial sector; and our stock has followed this industry trend.

Due to the market conditions cited above, our company pursued a course of disciplined loan portfolio management during 2007. This approach resulted in a moderation of loan volume in increasingly uncertain economic times for the longer-term goal of maintaining a quality loan portfolio. We believe our prudent approach is being vindicated in light of large write-downs being reported by others within our industry.

Even though our company is experiencing the effects of our industry's issues in 2007, it was important to incur expenses to launch some initiatives this year to enhance our future growth prospects, as follows:

- **Building a strong commercial real estate loan office in Reno, Nevada:** Opening in late 2006, the positive achievements of this office in 2007 has convinced us to expand our geographic footprint and, subject to regulatory approval, open a full service commercial bank in Nevada. We believe the Reno/Sparks area will be a dynamic marketplace for years to come and we are eager to become a supportive part of the growth, vitality and success of the area.

- **Opening of our Redding, California branch:** This temporary facility opened in June 2007 and will be replaced with a permanent location expected to open during the middle of 2008. We believe the growth prospects for the northern Sacramento Valley are strong for the foreseeable future and want to be an active participant in this vibrant region.

- **Opening of a government guaranteed lending office in Auburn, California:** In addition to the opening of this office, we were awarded admission to the Preferred Lender Program by the Small Business Administration (SBA) in late 2007. Through this partnership with the SBA, we are able to help many more small businesses obtain financing, which in turn helps the local economy.

Challenges also present opportunity. Despite current economic trends, we believe the above expansion plan will provide the growth opportunities needed to enhance and strengthen the franchise value of our company for years to come. Thank you for your support as we continue our expansive direction for Plumas Bancorp.

In closing, we'd like to acknowledge with sadness the passing of founding director Jessie Alice Wellenbrock on October 19, 2007. We will remember Jessie always for her vision and dedication to Plumas Bank and the people it serves.

If you have any comments or questions, please feel free to contact us at 530.283.7305. We appreciate your confidence in Plumas Bancorp.

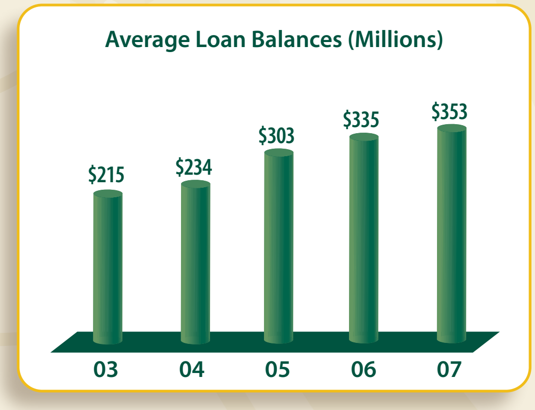
Douglas N. Biddle
President &
Chief Executive Officer

Daniel E. West
Chairman of the Board

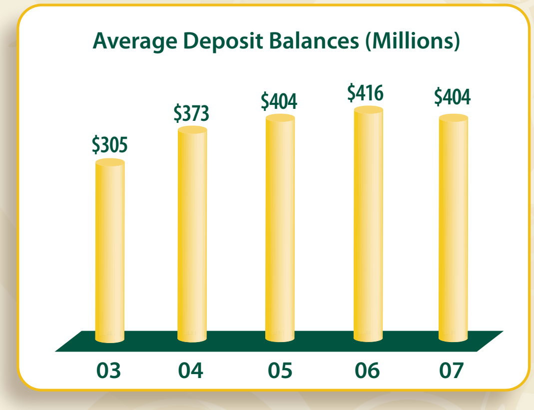
Financial Highlights

	2003	2004	2005	2006	2007
	At or for the year ended December 31, (dollars in thousands except per share information)				
Statement of Income					
Interest income	$ 18,549	$ 20,110	$ 25,497	$ 29,483	$ 30,284
Interest expense	3,013	2,914	4,793	6,954	8,536
Net interest income	15,536	17,196	20,704	22,529	21,748
Provision for loan losses	750	750	1,100	1,000	800
Noninterest income	3,639	5,099	5,073	5,159	5,448
Noninterest expense	13,126	15,898	17,549	18,290	19,671
Provision for income taxes	2,018	2,001	2,600	3,196	2,502
Net income	$ 3,281	$ 3,646	$ 4,528	$ 5,202	4,223
Balance sheet (end of period)					
Total assets	$ 390,262	$ 417,346	$ 472,803	$ 473,239	$ 453,115
Total loans	$ 217,957	$ 266,913	$ 321,646	$ 354,712	$ 352,949
Allowance for loan losses	$ 2,524	$ 2,722	$ 3,256	$ 3,917	$ 4,211
Total deposits	$ 355,842	$ 378,567	$ 426,560	$ 402,176	$ 391,940
Total shareholders' equity	$ 25,749	$ 27,891	$ 31,137	$ 35,852	$ 37,139
Balance sheet (period average)					
Total assets	$ 339,160	$ 409,335	$ 452,225	$ 468,988	$ 464,974
Total loans	$ 214,736	$ 233,759	$ 302,596	$ 335,226	$ 353,384
Total deposits	$ 304,840	$ 373,267	$ 403,818	$ 415,700	$ 403,772
Total shareholders' equity	$ 24,558	$ 26,829	$ 29,548	$ 33,682	$ 37,041
Capital ratios					
Leverage ratio	8.4%	7.6%	8.5%	9.5%	10.0%
Tier 1 risk-based capital	10.4%	10.1%	10.3%	10.9%	11.6%
Total risk-based capital	11.3%	10.9%	11.1%	11.8%	12.7%
Asset quality ratios					
Nonperforming loans/total loans	0.40%	0.45%	0.52%	0.29%	0.75%
Nonperforming assets/total assets	0.22%	0.30%	0.36%	0.22%	0.70%
Allowance for loan losses/total loans	1.16%	1.02%	1.01%	1.10%	1.19%
Net loan charge-offs	$ 657	$ 552	$ 566	$ 339	$ 506
Performance ratios					
Return on average assets	0.97%	0.89%	1.00%	1.11%	0.91%
Return on average equity	13.3%	13.5%	15.2%	15.4%	11.4%
Net interest margin	5.20%	4.77%	5.06%	5.32%	5.18%
Loans to Deposits	61.3%	70.5%	75.4%	88.2%	90.1%
Efficiency ratio	68.5%	71.3%	68.1%	66.1%	72.3%
Per share information					
Basic earnings	$ 0.68	$ 0.75	$ 0.92	$ 1.04	$ 0.85
Diluted earnings	$ 0.66	$ 0.73	$ 0.89	$ 1.02	$ 0.84
Cash dividends	$ 0.16	$ 0.19	$ 0.22	$ 0.26	$ 0.30
Dividend payout ratio	23.7%	25.1%	23.9%	25.0%	35.3%
Book value	$ 5.29	$ 5.69	$ 6.26	$ 7.14	$ 7.63
Common shares outstanding at period end	4,863,040	4,901,197	4,976,654	5,023,205	4,869,130

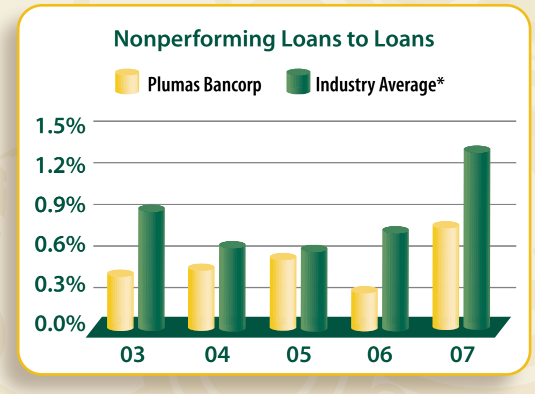
Financial Highlights



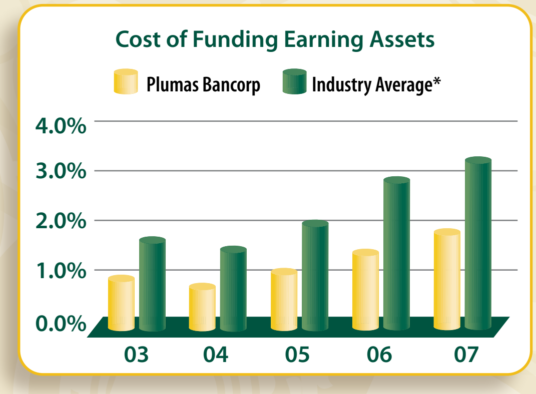
Loan balances have increased in each of the last five years.



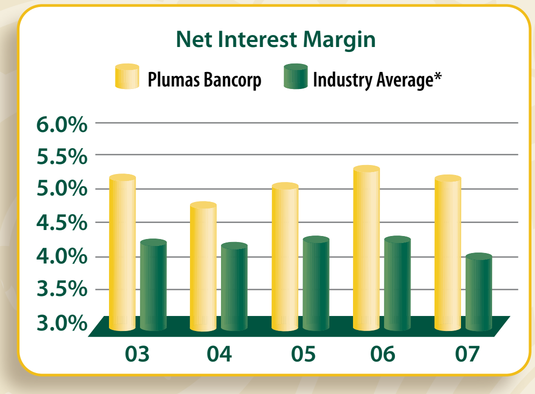
There has been little growth in deposit balances held by FDIC-insured institutions in the Company's traditional service areas. Therefore, the Company has recently begun efforts to expand its geographic footprint into the larger markets of Redding and Reno.



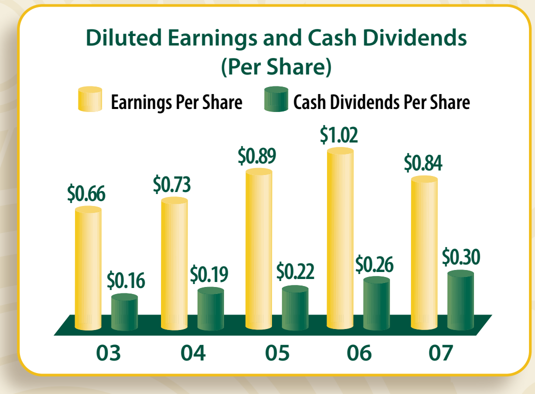
The Company has consistently maintained a lower percentage of nonperforming loans to total loans than the industry average.



One of the Company's key strengths has been its ability to fund its earning assets with low cost deposits. The Company's cost of funding earning assets has consistently outperformed the industry average.



As a direct result of its low cost deposits, the Company's net interest margin has consistently outperformed the industry average.



The Company's trend of growing cash dividends continued in 2007.

*Represents over 700 commercial banks in the U.S. with assets between $300 million and $500 million as provided by the Federal Deposit Insurance Corporation.