



# PLUMAS BANCORP



ADMINISTRATION OFFICE

35 S. Lindan Avenue • Quincy, CA 95971 • 530.283.7305 • Fax 530.283.3557

April, 2009

Dear Shareholder,

As we present the accompanying financial information for 2008, there is no dispute that our country is facing some of the most troubled economic times that we have seen in decades. As a result, the financial performance of Plumas Bancorp was impacted by the economic downturn that deepened as the year went on. We are disappointed with our 2008 performance as it compares to previous years, but we are encouraged by the profitability of our core business net of loan loss provisions. Despite these challenges, we were able to post a modest profit, maintain the high levels of liquidity needed to meet our customers' needs, and continue to focus on and support our local communities. Fortunately, our Company has prudently built capital reserves over the years to withstand such downturns in business that inevitably come with declines in the economic cycle.

Even though the Company's underlying business remains strong, the housing and general economic slowdown has led to an increase in non-performing assets. We are continuing our significant efforts to address asset quality as we work through this period. Given the complex nature of the current economic environment, it will take some time to work through these issues.

On a more positive note, these demanding economic times also offer opportunity. Our new team of seasoned Small Business Administration (SBA) banking professionals is producing solid growth in this specialty area of lending. As planned, this team is taking advantage of opportunities presented by the increasing demand for this type of lending due to the current credit markets. Also, our new Redding branch office is adding numerous banking relationships, demonstrating the vibrancy of this market. Finally, we are well on our way to unveiling a new on-line banking service this summer. This new service will offer expanded internet access in a 24/7 environment.

With this annual report, we also want to give special acknowledgment to an individual who played a vital role in the history and success of Plumas Bancorp. Jerry V. Kehr retired at the end of 2008 as a member of the Board of Directors after almost thirty years of service. We are grateful for the solid leadership he provided over the years as a community-minded businessman that has represented the best of Plumas Bancorp.

In keeping with the current economic climate, you will notice that this report is presented in a more cost-conscious form than in the past. We appreciate your support and confidence in Plumas Bancorp and hope you can join us at our Annual Shareholder meeting on May 20. (See details on the backside of this letter.)

Sincerely,

Douglas N. Biddle  
President and Chief Executive Officer

Daniel E. West  
Chairman of the Board

**Plumas Bancorp Annual Meeting**

May 20, 2009 at 10:30 a.m.  
Plumas Bancorp Credit Administration Office  
32 Central Avenue, Quincy, CA 95971

**Corporate Headquarters & Mailing Address**

Plumas Bancorp & Plumas Bank  
35 S. Lindan Avenue, Quincy, CA 95971  
530.283.7305

**Corporate Website**

[www.plumasbank.com](http://www.plumasbank.com)

**Transfer Agent & Registrar**

Computershare  
1745 Gardena Avenue, Glendale, CA 91204  
800.835.8778

Shareholders who have questions regarding their ownership in Plumas Bancorp may call Andrew Ryback at Plumas Bancorp Administrative Offices at 530.283.7305.

**Stock Market**

Listed on NASDAQ  
Symbol: PLBC

**Independent Auditors**

Perry-Smith LLP  
400 Capitol Mall, Suite 1200, Sacramento, CA 95814

**SEC Reports & Additional Information**

Plumas Bancorp, upon request and without charge, will provide shareholders, security analysts and investors a copy of Form 10-K filed with the Securities and Exchange Commission. To request a copy by mail, please contact our Administrative Offices. To view a pdf version online, please go to our website at [www.plumasbank.com](http://www.plumasbank.com).

**PLUMAS BANCORP**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

(In thousands)

(Unaudited)

	<u>As of December 31,</u>		<b>Dollar Change</b>	<b>Percentage Change</b>
	<b>2008</b>	<b>2007</b>		
<b>ASSETS</b>				
Cash and due from banks	\$18,791	\$ 13,207	\$5,584	42.3%
Federal funds sold	-	-	-	-
Investment securities	38,374	55,292	(16,918)	-30.6%
Loans, net of allowance for loan losses	359,072	349,302	9,770	2.8%
Premises and equipment, net	15,764	14,666	1,098	7.5%
Intangible assets, net	821	1,037	(216)	-20.8%
Bank owned life insurance	9,766	9,428	338	3.6%
Real estate and vehicles acquired through foreclosure	4,277	537	3,740	696.5%
Accrued interest receivable and other assets	10,310	9,646	664	6.9%
Total assets	<u>\$457,175</u>	<u>\$453,115</u>	<u>\$4,060</u>	0.9%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Deposits	\$371,493	\$391,940	\$(20,447)	-5.2%
Short-term borrowings	34,000	7,500	26,500	353.3%
Accrued interest payable and other liabilities	5,935	6,226	(291)	-4.7%
Junior subordinated deferrable interest debentures	10,310	10,310	-	0.0%
Total liabilities	421,738	415,976	5,762	1.4%
Shareholders' equity	35,437	37,139	(1,702)	-4.6%
Total liabilities and shareholders' equity	<u>\$457,175</u>	<u>\$453,115</u>	<u>\$4,060</u>	0.9%

**PLUMAS BANCORP**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)  
(Unaudited)

<b>FOR THE YEAR ENDED DECEMBER 31,</b>	<b>2008</b>	<b>2007</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Interest income	\$25,440	\$30,284	\$(4,844)	-16.0%
Interest expense	5,364	8,536	(3,172)	-37.2%
Net interest income before provision for loan losses	20,076	21,748	(1,672)	-7.7%
Provision for loan losses	4,600	800	3,800	475.0%
Net interest income after provision for loan losses	15,476	20,948	(5,472)	-26.1%
Non-interest income	5,091	5,448	(357)	-6.6%
Non-interest expenses	20,475	19,671	804	4.1%
Income before income taxes	92	6,725	(6,633)	-98.6%
Provision (benefit) for income taxes	(212)	2,502	(2,714)	-108.5%
Net income	<u>\$304</u>	<u>\$4,223</u>	<u>\$(3,919)</u>	-92.8%
Basic earnings per share	<u>\$0.06</u>	<u>\$0.85</u>	<u>\$(0.79)</u>	-92.9%
Diluted earnings per share	<u>\$0.06</u>	<u>\$0.84</u>	<u>\$(0.78)</u>	-92.9%
<b>FOR THE THREE MONTHS ENDED DECEMBER 31,</b>	<b>2008</b>	<b>2007</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Interest income	\$5,794	\$7,475	\$(1,681)	-22.5%
Interest expense	1,058	2,079	(1,021)	-49.1%
Net interest income before provision for loan losses	4,736	5,396	(660)	-12.2%
Provision for loan losses	2,910	300	2,610	870.0%
Net interest income after provision for loan losses	1,826	5,096	(3,270)	-64.2%
Non-interest income	1,326	1,453	(127)	-8.7%
Non-interest expenses	5,544	5,238	306	5.8%
Income (loss) before income taxes	(2,392)	1,311	(3,703)	-282.5%
Provision (benefit) for income taxes	(1,034)	447	(1,481)	-331.3%
Net income (loss)	<u>\$(1,358)</u>	<u>\$864</u>	<u>\$(2,222)</u>	-257.2%
Basic earnings (loss) per share	<u>\$(0.28)</u>	<u>\$0.18</u>	<u>\$(0.46)</u>	-255.6%
Diluted earnings (loss) per share	<u>\$(0.28)</u>	<u>\$0.17</u>	<u>\$(0.45)</u>	-264.7%

**PLUMAS BANCORP**  
**SELECTED FINANCIAL INFORMATION**

(In thousands, except per share data)

(Unaudited)

	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>AVERAGE BALANCES FOR THE YEAR ENDED</b>		
Assets	\$447,720	\$464,974
Earning assets	\$402,192	\$419,591
Loans	\$355,416	\$353,384
Deposits	\$382,279	\$403,772
Equity	\$37,343	\$37,041
<b>CREDIT QUALITY DATA</b>		
Allowance for loan losses	\$7,224	\$4,211
Allowance for loan losses as a percentage of total loans	1.97%	1.19%
Nonperforming loans	\$26,741	\$2,632
Nonperforming assets	\$31,018	\$3,169
Nonperforming loans as a percentage of total loans	7.31%	0.75%
Nonperforming assets as a percentage of total assets	6.78%	0.70%
Year-to-date net charge-offs	\$1,587	\$506
Year-to-date net charge-offs as a percentage of average loans	0.45%	0.14%
<b>SHARE AND PER SHARE DATA</b>		
Basic earnings (loss) per share for the quarter	\$(0.28)	\$0.18
Diluted earnings (loss) per share for the quarter	\$(0.28)	\$0.17
Quarterly weighted average shares outstanding	4,780	4,913
Quarterly weighted average diluted shares outstanding	4,787	4,946
Basic earnings per share, year-to-date	\$0.06	\$0.85
Diluted earnings per share, year-to-date	\$0.06	\$0.84
Year-to-date weighted average shares outstanding	4,817	4,963
Year-to-date weighted average diluted shares outstanding	4,835	5,005
Book value per share	\$7.42	\$7.63
Cash dividends paid per share, year-to-date	\$0.24	\$0.30
Total shares outstanding	4,775	4,869
<b>QUARTERLY KEY FINANCIAL RATIOS</b>		
Annualized return (loss) on average equity	(14.5)%	9.1%
Annualized return (loss) on average assets	(1.2)%	0.74%
Net interest margin	4.70%	5.15%
Efficiency ratio	91.5%	76.5%
<b>YEAR END KEY FINANCIAL RATIOS</b>		
Return on average equity	0.8%	11.4%
Return on average assets	0.07%	0.91%
Net interest margin	4.99%	5.18%
Efficiency ratio	81.4%	72.3%
Loan to Deposit Ratio	98.5%	90.1%
Total Risk-Based Capital Ratio	12.2%	12.7%