

**AUDIT & RISK COMMITTEE CHARTER
OF
PLUMAS BANCORP AND PLUMAS BANK**

**ARTICLE 1
DUTIES AND RESPONSIBILITIES**

Section 1.1 General Purpose. The Audit & Risk Committee (Committee) of Plumas Bancorp (“Bancorp”) and Plumas Bank (“Bank”) (collectively, the “Company”), is a committee of the Board of Directors of Bancorp and the Bank (collectively “Board”). The primary purpose of the Committee is to act on behalf of the Board in fulfilling the Board’s oversight responsibilities with respect to:

- (a) The Company’s corporate accounting and reporting practices and the quality and integrity of the Company’s financial reporting and disclosure processes;
- (b) The Company’s compliance with legal and regulatory requirements;
- (c) The qualifications, independence, performance and hiring of external auditors, including the certified public accountants engaged as the Company’s outside Independent Auditor;
- (d) The Company’s internal control processes
- (e) The performance of the Company’s internal audit function; and
- (f) The Company’s risk management policies and procedures.

The policy of the Committee, in discharging these obligations, shall be to maintain and foster an open avenue of communication between the Committee, external auditors, Company’s senior management and internal auditor.

Section 1.2 Reporting to Board; Board Responsibility. The Committee shall report regularly to the Board. Bank or Bancorp (as appropriate) shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the external auditors and any advisors to the Committee as well as the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee shall have the authority, to the extent it deems necessary, to retain special legal, accounting or other consultants to advise the Committee, to be paid at the expense of the Bank or Bancorp (as appropriate), without the prior permission or approval of the Board or of the management of the Company. The Committee’s functions and procedures should remain flexible to effectively address changes in the Company’s operating environment. To implement the Committee’s purpose and policy, the Committee shall be charged with the functions and processes as delineated in this Section 1, to the extent the Committee deems necessary or appropriate, with the understanding, however, that the Committee may supplement or (except as otherwise required by law or the applicable rules of the Securities and Exchange Commission and Nasdaq) deviate from these activities as appropriate under the circumstances.

It shall be the responsibility of management to prepare the Company’s financial statements and periodic reports and the responsibility of the Independent Auditors to audit those financial statements. These functions shall not be the responsibility of the Committee, nor shall it be the Committee’s responsibility to ensure that the financial statements or periodic reports are

complete and accurate, conform to generally accepted accounting principles or otherwise comply with applicable laws.

Section 1.3 Oversight of the Independent Auditor. An “Independent Auditor” is any certified public accountants performing or participating in providing financial attestation services to the Company and/or its affiliates, and any accounting firm, including a corporation, proprietorship, partnership or other business comprised of Independent Auditors providing financial attestation services to the Company and/or its affiliates. The Independent Auditor shall report directly to and be overseen by the Committee.

- (a) The Committee shall evaluate the performance of the Independent Auditor, to assess their qualifications and determine whether to retain or to terminate the existing Independent Auditor. Appointment and engagement of new Independent Auditors shall be subject to any applicable shareholder approvals.
- (b) All audit and permissible non-audit related services of the Independent Auditor, including fees to be paid for such services, shall be pre-approved by the Committee. Management may engage the Independent Auditor for non-audit, review or attestation services without the Committee’s pre-approval provided all of the following conditions are met: (i) the aggregate amount of all such services accounts for no more than 5% of the total paid to the Independent Auditor during the fiscal year in which the services are provided; (ii) such services were recognized by the Company to be non-audit services at the time of engagement; and (iii) such services are promptly brought to the attention of the Committee and approved prior to the completion of the annual audit by the Committee (or one or more members delegated pursuant to the following sentence). The Committee may delegate its authority to grant pre-approvals to one or more members of the Committee, provided that the decisions of any Committee member to whom authority is delegated to grant pre-approvals is presented to the full Committee at its next scheduled meeting.
- (c) The Committee shall discuss with the Independent Auditor all communications required by standards of the Public Company Accounting Oversight Board, including the matters required to be discussed by Auditing Standard No. 16, Communications with Committees, and Rule 2-07, Communication with Committees, of Regulation S-X, and with and without management present, discuss and review the results of the Independent Auditor’s examination of the financial statements. Some of the key matters the Independent Auditor will address include: (1) the responsibilities of the Independent Auditor; (2) material issues raised by the Independent Auditor’s most recent review; (3) steps taken to deal with the material issues raised in the review; and (4) all relationships between the Independent Auditor, and the Company and/or its affiliates, consistent with Independence Standards. The Committee will consider and discuss with the Independent Auditor any disclosed relationships or services that could affect the Independent Auditor’s objectivity and independence and assess and otherwise take appropriate action to oversee the independence of the Independent Auditor.
- (d) The Committee shall ensure the rotation of the lead audit partner and the “concurring or reviewing partner” every five years. The Committee will also consider whether a rotation in the Independent Auditor is warranted and/or necessary.
- (e) The Committee shall meet with the Independent Auditor prior to the commencement of an audit to discuss the scope, planning and staffing of the audit.

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- (f) The Committee shall advise, as applicable, senior management or the Corporate Governance Committee of the Board of Directors regarding the propriety of prospective employment by the Company of individuals formerly employed by the Independent Auditor.
- (g) The Committee shall evaluate the cooperation received by the Independent Auditor during their audit examination, including any significant difficulties with the audit or any restrictions on the scope of their activities or access to required records, data and information.
- (h) The Committee shall review with the Independent Auditor and manage any conflicts or disagreements between management and the Independent Auditor regarding financial reporting, accounting practices or policies and shall be responsible for resolving any conflicts regarding financial reporting.
- (i) The Committee shall confer with the Independent Auditor and with senior management regarding the scope, adequacy and effectiveness of internal auditing and financial reporting controls in effect, and any special steps taken in the event of material control deficiencies.
- (j) The Committee shall consider and review with management, the Independent Auditor, outside counsel, as appropriate, and, in the judgment of the Committee, such special counsel, separate accounting firm and other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.

Section 1.4 Oversight of Risk Management

- (a) The Committee shall discuss with management, and, as appropriate, the Independent Auditor, the Company's major financial and other risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- (b) The Committee shall review audit and risk review reports ("Reports") and/or recommendations prepared by the external auditors and review management's responses to the Reports and/or recommendations.
- (c) The Committee shall discuss material legal matters potentially affecting the Company and/or its affiliates and to the extent it deems necessary, retain special legal counsel.
- (d) The Committee, in coordination with the Director's Loan Committee, shall review and approve the adequacy of the quarterly allowances for loan and lease losses.
- (e) The Committee shall review with the Independent Auditor any management or internal control letter issued or, to the extent practicable, proposed to be issued by the Independent Auditor and management's response, if any, to such letter.
- (f) The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (g) The Committee shall review the results of management's efforts to monitor compliance with the Company's programs and policies designed to ensure adherence to applicable

laws and regulations, as well as to its Code of Ethical Conduct, including review and approval of insider and affiliated-party transactions.

- (h) The Committee shall prepare the report required by the rules of the Securities and Exchange Commission to be included in Bancorp's annual proxy statement.
- (i) The Committee shall review and assess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.

Section 1.5 Oversight of the Internal Auditor

- a) The Committee shall have direct responsibility for the appointment and supervision of the Internal Auditor. They will be responsible for the performance reviews and determining compensation for the Internal Auditor. However, they may delegate day to day administrative supervision to the Company's CEO.
- b) The Committee shall review, modify and approve the annual audit plan and the risk assessment to assure the comprehensive coverage of significant risk areas.
- c) The Committee shall review audit and risk review reports ("Reports") and/or recommendations prepared by the Internal Auditor and review management's responses to the Reports and/or recommendations.
- d) The Committee will review quarterly the progress of the Internal Auditor against the approved Audit Plan any deviations from plan, as well as any required/requested changes.
- d) In the event that the Internal Auditor is unable to continue audit service, the Audit Committee shall expand the scope of its outside internal audit firm to ensure that the internal audit function is adequately staffed until a qualified successor is appointed.

Section 1.6 Oversight of the Integrity of the Financial Statements.

- (a) Upon completion of the audit, the Committee shall review and discuss with the Independent Auditor and management the annual audited financial statements and make related recommendations in connection with Bancorp's 10-K filings.
- (b) The Committee shall review and discuss with the Independent Auditor and management the quarterly financial statements prior to Bancorp's 10-Q filings, and any other matters required to be communicated to the Committee by the Independent Auditor. The Chair of the Committee may represent the entire Committee for purposes of this discussion.
- (c) The Committee shall review with management and the Independent Auditor significant issues that arise regarding accounting principles and financial statement presentation, including the adoption of new, or material changes to existing, critical accounting policies or to the application of those policies, the potential effect of alternative accounting polices available under GAAP, the potential impact of regulatory and accounting initiatives and any other significant reporting issues and judgments made in connection with the preparation of Bancorp' financial statements.
- (d) The Committee, periodically, shall meet in separate sessions with the Independent Auditor, the Internal Auditor or equivalent, and senior management to discuss any matters that the Committee, the Independent Auditor, the Internal Auditor, external loan auditors or senior management believe should be discussed privately with the Committee.

ARTICLE 2
ORGANIZATION

Section 2.1 Membership. The Committee will consist of no fewer than three (3) members of the Board of the Bancorp who are also board members of the Bank. All members of the Committee shall satisfy the independence and experience requirements of the Securities and Exchange Commission (“SEC”) and the Nasdaq Capital Market (“Nasdaq”) applicable to Committee members as in effect from time to time when and as required by SEC and Nasdaq, shall be able to read and understand fundamental financial statements, including a balance sheet, income statement and statement of cash flows. At least one member of the Committee shall have experience or background that result in that member’s “financial sophistication” within the meaning of such requirements. No members of the Committee may participate in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past 3 years.

Section 2.2 Appointment and Term. The Board will nominate the Chair and other members of the Committee for a term of one year.

Section 2.3 Duties of Chair. The Chair will preside at all meetings of the Committee and perform any duties as may be assigned by the Board from time to time.

Section 2.4 Resignation. Any member of the Committee may resign, effective upon giving written notice to the Chair of the Board unless the notice specifies a later time for the effectiveness of the resignation.

Section 2.5 Vacancies. All vacancies on the Committee, however created, may be filled by the Board, subject to nomination by the Chair of the Board and confirmation of the Corporate Governance Committee. Each member of the Committee so appointed will hold office until the expiration of the appointed term and until a successor is appointed and qualified.

Section 2.6 Regular Meetings. Regular meetings of the Committee will be held at the time and place as the Committee determines. Regular meetings of the Committee will be held at least quarterly, unless not deemed necessary by the Chair of the Committee. Any change in the time or place of a regularly scheduled meeting will require:

- (a) The consent of a majority of the members of the Committee; and
- (b) Five days’ notice by mail or twenty-four hours’ notice received personally, by telephone, e-mail or similar transmission.

Section 2.7 Special Meetings. Special meetings of the Committee may be called at any time by the Chair of the Committee, any two voting members of the Committee, the Chief

Executive or Chief Financial Officer of the Company, or by a majority of the Board. Special meetings may be held upon five days' notice by mail or twenty-four hours' notice received personally, by telephone, electronic mail (e-mail) or similar transmission. Notice of special meetings need not be given to any member who:

- (a) Before or after the meeting, signs (i) a waiver of notice, or (ii) a consent to holding the meeting, or (iii) an approval of the subject minutes; or
- (b) Attends the meeting without protesting the lack of notice to such member.

Section 2.8 Voting. If the Committee is comprised of an even number of directors, one-half of the number of directors will constitute a quorum for the transaction of business. If the Committee is comprised of an odd number of directors, a majority of the Committee members will constitute a quorum for the transaction of business. Every action consented to by a majority of the Committee members present at a meeting (at which a quorum is present) will be regarded as an act of the Committee, unless other consent is required pursuant to this Charter, the Articles of Incorporation or Bylaws of the Company or applicable law.

Section 2.9 Minutes. The Committee will maintain minutes and other relevant records of the meetings and activities of the Committee. The minutes will be available for review by the Committee, the Board, Company's outside independent auditor and any regulatory agency having jurisdiction over the affairs of the Company.

Section 2.10 Presence at Meetings. Members of the Committee may participate in a meeting through use of conference telephone or similar communication equipment, so long as all members participating in the meetings can hear one another. A telephone poll or electronic communication such as e-mail or other similar transmission may be conducted for the purposes of obtaining required approvals between regularly scheduled meetings to facilitate operations. In such cases, the telephone poll or electronic communication may be conducted where all members participating may not hear one another. Use of these alternate meeting methods when all members cannot hear one another will be on an exception basis. Participation in a meeting pursuant to this Section constitutes presence in person at the meeting.

Section 2.11 Amendments. This Charter of the Committee may be amended only by a resolution of the Board.

Section 2.12 Delegation of Authority. This Committee may form and delegate authority to subcommittees when appropriate.