PIONEER BANCORP, INC.

2009 ANNUAL REPORT

FINANCIAL HIGHLIGHTS (Unaudited)

(In thousands, except per share amounts)	2009/2008 Change	**2009**	2008	2007	2006	2005
FOR THE YEAR						
Interest and dividend income	- 11%	$ **26,617**	$ 29,809	$ 29,379	$ 27,751	$ 23,659
Interest expense	- 32%	**7,768**	11,426	14,671	13,317	9,818
Net interest income	+ 3%	**18,849**	18,383	14,708	14,434	13,841
Loan loss provision	+ 170%	**3,364**	1,246	320	201	167
Noninterest income	+ 96%	**11,575**	5,893	5,944	5,438	5,220
Noninterest expense	+ 7%	**17,660**	16,476	14,286	13,446	12,155
Net income (1)	+ 139%	**9,750**	4,088	3,824	3,995	4,211
PER SHARE						
Earnings (1)	+ 138%	**10.43**	4.38	4.06	4.19	4.40
Distributions (2)	+ 470%	**4.73**	0.83	1.10	1.10	1.22
Year-end book value	+ 20%	**58.78**	48.79	45.32	40.89	37.62
AT YEAR-END						
Assets	+ 3%	**568,737**	551,344	537,802	522,846	499,776
Net loans	- 10%	**270,450**	300,147	311,045	303,002	282,014
Securities	+ 17%	**230,089**	197,043	180,741	169,000	168,657
Loans serviced for others	+ 11%	**533,762**	482,095	437,597	401,675	375,635
Deposits	- 1%	**360,609**	365,418	359,100	349,731	345,449
Borrowings	+ 12%	**141,115**	125,984	123,046	120,351	106,462
Stockholders' equity	+ 21%	**54,942**	45,532	42,369	38,848	35,946
PERFORMANCE RATIOS						
Return on average assets (1)		**1.74%**	0.75%	0.72%	0.78%	0.87%
Return on average stockholders' equity (1)		**19.41%**	9.30%	9.42%	10.68%	11.98%
Efficiency ratio		**58.05%**	67.87%	69.17%	67.67%	63.76%
Net interest margin		**3.63%**	3.52%	2.97%	2.95%	3.02%
CAPITAL RATIOS						
Equity to assets		**9.7%**	8.3%	7.9%	7.4%	7.2%
Core capital		**8.8%**	7.9%	7.7%	7.4%	7.3%
Tier 1 risk-based capital		**18.4%**	16.1%	15.4%	15.4%	16.5%
Total risk-based capital		**18.9%**	16.7%	15.7%	15.6%	16.8%
SELECTED INFORMATION						
Average common shares *(in thousands)*		**934**	934	941	954	958
Distribution payout ratio (2)		**45.34%**	18.96%	26.99%	26.23%	27.71%
Full-time equivalent employees		**210**	195	189	196	189
Customer service facilities						
Full service facilities		**7**	7	7	7	6
Banking branches		**6**	5	5	5	5
Loan production offices		**3**	1	1	1	2
ATMs		**16**	14	14	14	12

(1) On January 1, 2009, the Company elected to be taxed under Subchapter S of the Internal Revenue Code.
(2) During 2009, the Company paid Subchapter S Distributions to Stockholders, qualified dividends were paid in previous years.

PIONEER BANCORP, INC.

P.O. Box 130 • Roswell, New Mexico 88202-0130 • (575) 624-5200

Dear Pioneer Bancorp Stockholder:

We are pleased to report that while some banks were struggling to survive during 2009, Pioneer Bancorp, Inc. had an exceptionally strong year. As you are aware, effective January 1, 2009, Pioneer elected to be taxed under Subchapter S of the Internal Revenue Code. Upon this election, our deferred tax assets and liabilities were reversed through the income statement resulting in a $350 thousand tax benefit including a small tax refund. We believe the election to Subchapter S will keep Pioneer a locally-owned independent Bank for the foreseeable future. We thank you again for your willingness to remain a Pioneer stockholder.

As a result of Pioneer's Subchapter S election and strong performance, net income increased $5,662,000, or 139%, to $9,750,000 for the year ended December 31, 2009 from $4,088,000 for the year ended December 31, 2008. Total assets increased $17.4 million, or 3.2%, to $568.7 million at December 31, 2009 from $551.3 million at December 31, 2008. Deposits decreased $4.8 million, or 1.3%, to $360.6 million at December 31, 2009 from $365.4 million at December 31, 2008. Stockholder's equity increased $9.4 million, or 20.7%, to $54.9 million at December 31, 2009 from $45.5 million at December 31, 2008. Book value per share increased $9.99, or 20.5%, to $58.78 at December 31, 2009 from $48.79 at December 31, 2008.

As featured on the front cover of this year's report, in December 2009, Pioneer completed construction and occupied our new corporate headquarters located at 3000 North Main Street in Roswell. In addition, renovations of our banking facility in Hobbs, New Mexico were completed. Looking forward to 2010, we continue to believe that we are well positioned to weather the current economic situation and to take full advantage of opportunities as the economy begins to recover. In December 2009, Pioneer Mortgage Company added two residential mortgage loan origination branches in Colorado, doing business as Liberty Home Financial. Low interest rates due to accommodative Federal Reserve policy resulted in strong mortgage production and the widest interest margin in our history. When the Federal Reserve determines that monetary policy should be tightened, the corresponding rise in interest rates will reduce Pioneer's interest margin and mortgage production.

Please plan to attend the annual meeting of stockholders, which will be held on April 20, 2010 at our new corporate headquarters. On behalf of the Board of Directors, Officers and Employees of Pioneer, we thank you for your continued trust and support. Although the operating environment continues to be challenging, we believe 2010 will be another good year for Pioneer. Please help us to continue to grow by "telling a friend" about Pioneer. As always, we value and appreciate your feedback and suggestions. Please feel free to call or come by any of our offices at any time.

Sincerely,
PIONEER BANCORP, INC.

Jon E. Hitchcock
President and CEO

Roswell, New Mexico
March 19, 2010

An Old Friend with New Ideas

Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Pioneer Bancorp, Inc.
Roswell, New Mexico

We have audited the accompanying consolidated balance sheets of Pioneer Bancorp, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pioneer Bancorp, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and results of operations of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
February 26, 2010

PIONEER BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2009 and 2008

(In thousands, except share amounts)

	2009	2008
ASSETS		
Cash and cash equivalents (Note B)	$ 11,463	$ 18,466
Securities available-for-sale (Note C)	230,089	197,043
Loans held for sale, net (Note D)	17,217	15,129
Loans, net (Note D)	253,233	285,018
Federal Home Loan Bank, stock	6,595	6,622
Premises and equipment, net (Note F)	31,311	18,997
Mortgage servicing rights, net (Note G)	4,363	2,513
Foreclosed assets (Note E)	4,294	-
Accrued interest receivable	2,034	2,380
Other assets	8,138	5,176
Total assets	$ 568,737	$ 551,344
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits (Note H)	$ 360,609	$ 365,418
FHLB advances and other borrowings (Note I)	141,115	125,984
Official checks	2,063	4,703
Advance payments for taxes and insurance	1,867	1,820
Accrued interest payable	357	552
Accounts payable and other liabilities	7,784	7,335
Total liabilities	513,795	505,812
Commitments and contingencies (Note K)		
Stockholders' equity (Note L)		
Capital stock, $1 par value; shares authorized: 2,000,000; shares issued: 1,008,923	1,009	1,009
Treasury stock (2009 - 74,209 shares; 2008 - 75,670 shares)	(2,481)	(2,550)
Additional paid-in capital	86	-
Retained earnings	52,260	46,931
Accumulated other comprehensive income/(loss)	4,068	142
Total stockholders' equity	54,942	45,532
Total liabilities and stockholders' equity	$ 568,737	$ 551,344

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2009 and 2008
(In thousands, except share amounts)

	2009	2008
Interest and dividend income		
Loans	$ 17,602	$ 20,503
Mortgage securities	8,616	8,949
Investment securities and other	399	357
	26,617	29,809
Interest expense		
Deposits	4,177	6,799
FHLB advances and other borrowings	3,591	4,627
	7,768	11,426
Net interest income	18,849	18,383
Loan loss provision	3,364	1,246
Net interest income after loan loss provision	15,485	17,137
Noninterest income		
Deposit account fees	4,461	3,556
Gain on sale of loans, net (Note D)	1,609	1,541
Loan administration and service fees	378	1,043
Change in mortgage servicing rights impairment allowance (Note G)	1,978	(2,610)
Gain on sale of securities, net (Note C)	2,910	2,153
Other	239	210
	11,575	5,893
Noninterest expense		
Compensation and employee benefits (Note N)	9,184	8,908
Equipment	1,633	1,506
Data processing	1,509	1,584
Occupancy	1,237	1,097
Stationery, printing, and office supplies	513	517
Professional and supervisory	575	731
Federal deposit insurance	852	162
Postage and transportation	437	416
Advertising and public relations	982	978
Telephone	173	164
Other	565	413
	17,660	16,476
Income before income tax expense	9,400	6,554

(Continued)

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2009 and 2008
(In thousands, except share amounts)

	2009	2008
Income before income tax expense	9,400	6,554
Income tax expense (Note J)	(350)	2,466
Net income	$ 9,750	$ 4,088
Weighted-average number of capital stock shares outstanding:		
Basic	934,416	933,566
Diluted	936,723	933,566
Earnings per share:		
Basic	$ 10.43	$ 4.38
Diluted	10.41	4.38

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2009 and 2008
(In thousands, except share amounts)

	Capital Stock $1 Par	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2008	$ 1,009	$ (2,480)	$ 112	$ 43,844	$ (116)	$ 42,369
Adjustment to initially apply pension guidance, net of tax	-	-	-	-	(1,085)	(1,085)
Adjustment for adoption of life insurance guidance	-	-	-	(200)	-	(200)
Comprehensive income						
Net income	-	-	-	4,088	-	4,088
Change in unrealized gain (loss) on securities available-for-sale, net of tax	-	-	-	-	1,225	1,225
Adjustment to pension liability, net of tax	-	-	-	-	118	118
Total comprehensive income						5,431
Purchase of treasury stock (3,034 shares)	-	(136)	-	-	-	(136)
Exercise of stock options (1,460 shares)	-	66	-	-	-	66
Stock-based compensation	-	-	89	-	-	89
Stock repurchased in reorganization (199,139 shares)(Note A)	-	(9,459)	-	-	-	(9,459)
Stock sales, less issuance costs of $227 (199,139 shares)(Note A)	-	9,459	(201)	(26)	-	9,232
Dividends - $0.83 per share	-	-	-	(775)	-	(775)
Balance, December 31, 2008	1,009	(2,550)	-	46,931	142	45,532
Comprehensive income						
Net income	-	-	-	9,750	-	9,750
Change in unrealized gain (loss) on securities available-for-sale	-	-	-	-	4,309	4,309
Adjustment to pension liability	-	-	-	-	(383)	(383)
Total comprehensive income						13,676
Sale of treasury stock (1,161 shares)	-	55	-	-	-	55
Exercise of stock options (300 shares)	-	14	-	-	-	14
Stock-based compensation	-	-	86	-	-	86
Distributions - $4.73 per share	-	-	-	(4,421)	-	(4,421)
Balance, December 31, 2009	$ 1,009	$ (2,481)	$ 86	$ 52,260	$ 4,068	$ 54,942

See accompanying notes to consolidated financial statements.

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008
(In thousands, except share amounts)

	2009	2008
Cash flows from operating activities		
Net income	$ 9,750	$ 4,088
Adjustments to reconcile net income to net cash from operating activities		
Amortization (accretion) of:		
Mortgage servicing rights	1,991	1,079
Premiums and discounts on investments and mortgage securities, net	(95)	(138)
Provision for loan losses	3,364	1,246
Deferred income tax expense	(342)	(2,401)
Change in mortgage servicing rights impairment allowance	(1,978)	2,610
Net (gain) loss on sales and disposals of:		
Loans	(1,609)	(1,541)
Premises and equipment	29	9
Foreclosed assets	(51)	(9)
Securities available-for-sale	(2,910)	(2,153)
Foreclosed assets direct write-down expense	26	-
Stock-based compensation expense	86	89
Federal Home Loan Bank stock dividends	(15)	(172)
Depreciation of premises and equipment	1,366	1,195
Origination of mortgage loans held for sale	(22,424)	(32,896)
Proceeds from sales of loans held for sale	20,082	34,727
Changes in operating assets and liabilities		
Accrued interest receivable	346	377
Other assets	(2,962)	(795)
Official checks	(2,640)	375
Accrued interest payable	(195)	(65)
Accounts payable and other liabilities, net of distributions declared, not paid	(239)	3,406
Net cash from operating activities	1,580	9,031
Cash flows from investing activities		
Loan originations and principal payments on loans, net	4,848	6,411
Proceeds from sales of loans held for investment	18,213	-
Securities available-for-sale		
Purchases	(258,910)	(189,339)
Sales	159,144	130,773
Maturities, prepayments and calls	73,689	44,850
Additions to premises and equipment, net	(13,709)	(3,937)
Net sales (purchases) of FHLB stock	42	(829)
Proceeds from sales of foreclosed assets	1,091	1,543
Net cash from investing activities	(15,592)	(10,528)

(Continued)

PIONEER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

(In thousands, except share amounts)

	2009	2008
Cash flows from financing activities		
Net change in deposits	$ (4,809)	$ 6,318
Additions to FHLB advances and other borrowings	28,631	38,000
Payments on FHLB advances and other borrowings	(13,500)	(35,062)
Net change in advance payments for taxes and insurance	47	(176)
Net proceeds from issuance of common stock, less payment for stock in reorganization	-	(227)
Sale (purchase) of treasury shares	55	(136)
Proceeds from exercise of stock options	14	66
Payments of cash distributions	(3,429)	(1,028)
Net cash from financing activities	7,009	7,755
Net change in cash and cash equivalents	(7,003)	6,258
Cash and cash equivalents at beginning of year	18,466	12,208
Cash and cash equivalents at end of year	$ 11,463	$ 18,466
Supplemental cash flow information		
Cash paid during the year for:		
Interest	$ 7,963	$ 11,491
Income taxes, net of refunds	1,181	3,904
Supplemental noncash disclosures		
Distributions declared, not paid	$ 1,253	$ 261
Loan securitizations transferred to AFS securities	141,967	93,349
Transfer from loans to foreclosed assets	5,360	1,552

See accompanying notes to consolidated financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization, Nature of Operations, and Principles of Consolidation: Pioneer Bancorp, Inc. (the Bancorp) was formed January 13, 2003 and is a Nevada corporation chartered as a thrift holding company. The Bancorp holds all of the issued and outstanding shares of Pioneer Bank (the Bank). The Bank is a federal savings bank operating in Southern New Mexico and West Texas. Deposits in the Bank are insured by the Federal Deposit Insurance Corporation (the FDIC). The Bank has one subsidiary, Pioneer Mortgage Company (PMC), which is involved in residential construction and mortgage lending in West Texas and mortgage lending in Colorado d/b/a Liberty Home Financial. PMC has one subsidiary, PPM, Inc., which is currently inactive. These consolidated financial statements include these entities, collectively referred to as “the Company”.

Pioneer Bank provides financial services through seven full customer service facilities, six banking branches, three loan production offices, and a network of sixteen ATMs. The Bank engages in mortgage banking activities and, as such, acquires, sells and services one-to-four family residential mortgage loans. The Bank’s primary deposit products are checking, savings, and term certificate accounts, and the Bank’s primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one industry or customer. However, the customers’ ability to repay their loans is dependent on the real estate and general economic conditions in the Bank’s lending area.

In 2008, the stockholders approved a plan to reorganize the Company in order to qualify for Subchapter S taxation. In the reorganization, the Company repurchased the capital stock owned by non-qualified stockholders, as defined in the proxy statement/private placement memorandum. Stock option holders who were non-qualified stockholders, received a cash payment of $12.90 per share for their outstanding options. The Company also offered for sale to existing qualified stockholders, an opportunity to purchase the capital stock acquired in this reorganization. The reorganization was completed prior to December 31, 2008. In 2009, the Company filed an election to be taxed as an S corporation effective January 1, 2009.

Transaction costs of $339 thousand associated with the stock repurchase were expensed in 2008, and transaction costs of $227 thousand associated with the stock issuance were netted with the proceeds in equity.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ. The allowance for loan losses, loan servicing rights, and fair values of financial instruments are particularly subject to change.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with maturities under 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits in other financial institutions, and federal funds purchased and repurchase agreements. Interest-bearing deposits in other financial institutions mature within one year and are carried at cost.

Restrictions on Cash: Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Securities: Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Equity securities with readily determinable fair values are classified as available-for-sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers the length of time and extent that fair value has been less than cost, the financial condition and near term prospects of the issuer, and whether the Company has the intent to sell the security or will more likely than not be required to sell the security before its anticipated recovery in fair value.

Securitizations and Loans Held for Sale: The Company securitizes, sells and services mortgage loans. Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. When these loans are sold individually to third party investors, gains or losses are recognized in gain on sale of loans.

In addition, the Company will securitize mortgage loans originated and intended for sale into mortgage-backed securities through the Government National Mortgage Association (GNMA) or the Federal National Mortgage Association (FNMA) mortgage-backed securities programs. These securitized loan pools are classified as available-for-sale securities. At the time of securitization no gain or loss is recognized. Generally, securitized loan pools are sold to third party investors. Gains and losses from the sale of securitized mortgage loans are recognized in gain on sale of securities.

Mortgage loans held for sale and securitized loan pools are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Banking Derivatives: Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as derivatives. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest rate on the loan is locked. The Company enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into, in order to hedge the change in interest rates resulting from its commitments to fund the loans. Changes in the fair values of these derivatives are included in net gains on sales of loans and are not material.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of purchase premiums and discounts, deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. In addition, certain regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for adequacy. Such agencies may require the Bank to change the allowance based on their judgment about information available to them at the time of their examination.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general component covers non-classified loans and is based on historical loss experience adjusted for current factors.

A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Federal Home Loan Bank (FHLB) Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 5 to 39 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from 3 to 12 years. Leasehold improvements are amortized over the life of the asset or the term of the lease, whichever is shorter. Repairs and maintenance not extending the useful life of the asset are expensed.

Long-Term Assets: Premises and equipment, core deposit and other intangible assets, and other long-term assets are reviewed for impairment when events indicate their carrying amounts may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Servicing Rights: Servicing rights are recognized separately when they are acquired through sales of loans. When mortgage loans are sold, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. The Company compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as loan administration and service fees, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Net servicing fees totaled $378 thousand and $1.0 million for the years ended December 31, 2009 and 2008. Late fees and ancillary fees related to loan servicing are not material.

<u>Transfers of Financial Assets</u>: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

<u>Foreclosed Assets</u>: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a write-down is recorded through expense. Operating costs after acquisition are expensed.

<u>Treasury Stock</u>: Treasury stock is carried at cost. No treasury stock was purchased during the year ended December 31, 2009. During the year ended December 31, 2008, the Company purchased 3,034 shares of treasury stock. The average price of the treasury stock purchased was $44.79 in 2008.

<u>Company Owned Life Insurance</u>: The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

<u>Retirement Plans</u>: Defined benefit pension plan expense is the net of service and interest cost and amortization of gains and losses not immediately recognized. Employee 401(k) plan expense is the amount of matching contributions.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation: Compensation cost is recognized for stock options issued to employees based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options. Compensation cost is recognized over the required service period, generally defined as the vesting period.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Income Taxes: The Bancorp files a consolidated income tax return with its subsidiary, Pioneer Bank, and its subsidiary, Pioneer Mortgage Company. Effective on January 1, 2009, the Company elected to be taxed under Subchapter S of the Internal Revenue Code. Upon election, deferred tax assets and liabilities were reversed through the consolidated statement of income. The Company's future taxable income will be reported on its individual shareholders' tax returns.

In 2008, income tax expense was the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities were the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates.

The Company adopted *Accounting for Uncertainty in Income Taxes* as of January 1, 2008. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no affect on the Company's financial statements.

Earnings Per Share: Earnings per share of capital stock has been computed on the basis of the weighted-average number of shares of capital stock outstanding. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the holding company which will limit the ability of the holding company to pay distributions to shareholders.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale and changes in the funded status of the defined benefit plan which are also recognized as separate components of equity.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note M. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation.

Adoption of New Accounting Standards:

The FASB issued guidance that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance also establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The guidance was effective beginning in 2008. The FASB delayed the effective date of this fair value guidance to 2009 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis. These consolidated financial statements contain the applicable disclosures required by this new guidance.

The FASB issued guidance that amends and expands the disclosure requirements for derivative instruments and hedging activities. The guidance requires qualitative disclosure about objectives and strategies for using derivative and hedging instruments, quantitative disclosures about fair value amounts of the instruments and gains and losses on such instruments, as well as disclosures about credit-risk features in derivative agreements. The guidance was effective for year-end 2009. The required disclosures are presented in these consolidated financial statements.

The FASB issued guidance which requires the effects of events that occur subsequent to the balance sheet date be evaluated through the date the financial statements are either issued or available to be issued. Companies should disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. Companies are required to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the balance-sheet date (recognized subsequent events). Companies are also prohibited from reflecting in their financial statements the effects of subsequent events that provide evidence about conditions that arose after the balance-sheet date (nonrecognized subsequent events), but requires information about those events to be disclosed if the financial statements would otherwise be misleading. This guidance was effective year-end 2009 with prospective application. The Company has evaluated subsequent events for recognition and disclosure through February 26, 2010, which is the date the financial statements were available to be issued.

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The FASB issued guidance on an employer's disclosures about plan assets of a defined benefit pension or other post-retirement plan. These additional disclosures include disclosure of investment policies and fair value disclosures of plan assets, including fair value hierarchy. The guidance also includes a technical amendment that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. This guidance was effective for year-end 2009. Upon initial application, provisions of the guidance are not required for earlier periods that are presented for comparative purposes. The new disclosures have been presented in these consolidated financial statements.

<u>Newly Issued Not Yet Effective Standards</u>:

In June 2009, the FASB amended previous guidance relating to transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. This guidance eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets. This guidance also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. The new authoritative guidance is effective at the start of the fiscal year beginning after November 15, 2009. Early application is not permitted. The Company is currently evaluating the impact of this guidance upon the Company.

(Continued)

(In thousands, except share amounts)

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents, subject to regulatory reserve requirements of $3.0 million and $2.6 million at December 31, 2009 and 2008, consisted of the following:

	2009	2008
Cash and due from banks	$ 11,224	$ 18,182
Interest-bearing deposits	239	284
	$ 11,463	$ 18,466

NOTE C - SECURITIES AVAILABLE-FOR-SALE

The amortized cost and fair value of the available-for-sale securities portfolio and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government-sponsored agencies	$ 60,725	$ 64	$ (137)	$ 60,652
Residential mortgage-backed securities	155,121	5,561	(1)	160,681
Collateralized mortgage obligations	194	1	(1)	194
Private-issue collateralized mortgage obligations	7,629	43	(93)	7,579
Equity securities	1,000	-	(17)	983
Total securities available-for-sale	$ 224,669	$ 5,669	$ (249)	$ 230,089

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Residential mortgage-backed securities	$ 192,992	$ 2,730	$ (850)	$ 194,872
Collateralized mortgage obligations	233	-	(9)	224
Equity securities	2,000	-	(53)	1,947
Total securities available-for-sale	$ 195,225	$ 2,730	$ (912)	$ 197,043

(Continued)

(In thousands, except share amounts)

NOTE C - SECURITIES AVAILABLE-FOR-SALE (Continued)

The following table presents components of gains and losses on sales of available-for-sale securities:

	2009	2008
Gains	$ 3,331	$ 2,716
Losses	(421)	(563)
	$ 2,910	$ 2,153

The amortized cost and fair value of the available-for-sale securities portfolio by contractual maturity are shown below, except for Equity securities which have no maturity. The table below includes mortgage-backed securities maturing at the contractual maturity; however, expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties:

	December 31, 2009	
	Amortized Cost	Fair Value
Maturity		
Within one year	$ -	$ -
One to five years	50,651	50,605
Five to ten years	14,179	14,207
Beyond ten years	158,839	164,294
Total	$ 223,669	$ 229,106

Securities pledged to secure public deposits, repurchase agreements, and the treasury, tax, and loan account at December 31, 2009 and 2008 were approximately $47.0 million and $52.4 million at fair market value.

(Continued)

(In thousands, except share amounts)

NOTE C - SECURITIES AVAILABLE-FOR-SALE (Continued)

Securities with unrealized losses at December 31, 2009 and 2008, aggregated by major security type and length of time that individual securities have been in a continuous unrealized loss position, were as follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2009						
U.S. Government-sponsored agencies	$ 18,763	$ (137)	$ -	$ -	$ 18,763	$ (137)
Residential mortgage-backed securities	425	-	218	(1)	643	(1)
Collateralized mortgage obligations	-	-	60	(1)	60	(1)
Private-issue collateralized mortgage obligations	3,619	(93)	-	-	3,619	(93)
Equity securities	983	(17)	-	-	983	(17)
	$ 23,790	$ (247)	$ 278	$ (2)	$ 24,068	$ (249)

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2008						
Residential mortgage-backed securities	$ 44,027	$ (754)	$ 3,755	$ (96)	$ 47,782	$ (850)
Collateralized mortgage obligations	224	(9)	-	-	224	(9)
Equity securities	-	-	1,947	(53)	1,947	(53)
	$ 44,251	$ (763)	$ 5,702	$ (149)	$ 49,953	$ (912)

Unrealized losses on securities have not been recognized into income because of the high credit quality of the issuers, management does not intend to sell and it is not more likely than not that management would be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates. The fair value is expected to recover as the securities approach maturity or market conditions improve.

(Continued)

(In thousands, except share amounts)

NOTE D - LOANS

Loans consisted of the following:

	2009	2008
Loans held for sale		
Mortgage loans held for sale		
Conventional	$ 7,823	$ 5,893
FHA insured and VA guaranteed	9,361	9,201
Deferred loan costs, net	33	35
Loans held for sale, net	$ 17,217	$ 15,129
Loans		
Mortgage loans held for investment		
Conventional	$ 135,155	$ 138,082
FHA insured and VA guaranteed	28,037	30,679
Commercial	28,781	27,556
Construction and land	37,222	57,878
Deferred loan fees, net	(47)	(52)
Mortgage loans held for investment, net	229,148	254,143
Consumer loans		
Installment and other loans	9,733	11,162
Second mortgages	2,690	4,636
Business	14,383	16,582
Unearned discounts	(38)	(51)
Consumer loans, net	26,768	32,329
Allowance for loan losses	(2,683)	(1,454)
Loans, net	$ 253,233	$ 285,018

Net gains from sales of loans were $1.6 million and $1.5 million in 2009 and 2008.

(Continued)

(In thousands, except share amounts)

NOTE D - LOANS (Continued)

An analysis of the activity in the allowance for loan losses is as follows:

	2009	2008
Balance at beginning of year	$ 1,454	$ 704
Loan loss provision	3,364	1,246
Recoveries	309	320
Charge-offs	(2,444)	(816)
Balance at end of year	$ 2,683	$ 1,454

Impaired loans with no allowance for loan loss allocated were $1.1 million and $501 thousand at December 31, 2009 and 2008. Impaired loans with allocated allowance for loan losses were $252 thousand and $0 at December 31, 2009 and 2008. The amount of allowance allocated was $54 thousand and $0 at December 31, 2009 and 2008. Cash-basis interest income recognized during impairment was not material.

Nonaccrual loans and loans past due 90 days still on accrual were as follows:

	2009	2008
Loans past due over 90 days still on accrual	$ -	$ -
Nonaccrual loans	1,878	1,141

Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The Company had 4 loans totaling $1.1 million whose loan terms have been modified in troubled debt restructurings as of December 31, 2009.

NOTE E - FORECLOSED ASSETS

Foreclosed assets activity was as follows:

	2009	2008
Balance at beginning of year	$ -	$ -
Transfers	5,360	1,552
Write-downs	(26)	-
Proceeds from sales	(1,091)	(1,543)
Gain/(loss) on sale	51	(9)
Balance at end of year	$ 4,294	$ -

Foreclosed assets at year end included 4 parcels of land totaling $2.2 million, 7 duplex condominiums totaling $1.4 million, and 2 single-family residences totaling $683 thousand.

Operating expenses related to foreclosed assets for the years ended December 31, 2009 and 2008 totaled $140 thousand, net of $26 thousand in rental income, and $73 thousand.

(In thousands, except share amounts)

NOTE F - PREMISES AND EQUIPMENT

Year-end premises and equipment consisted of:

	2009	2008
Land	$ 4,694	$ 4,085
Buildings and leasehold improvements	22,779	11,132
Furniture, equipment, and autos	12,143	7,626
Construction in progress	124	3,251
	39,740	26,094
Less accumulated depreciation and amortization	8,429	7,097
Premises and equipment, net	$ 31,311	$ 18,997

Depreciation expense was $1.4 million and $1.2 million for 2009 and 2008.

In 2008, the Company began construction of a new corporate headquarters in Roswell, New Mexico and occupied the building in December 2009. Costs to complete the building included in the preceding schedule were $1.4 million for land, $10.8 million for the building, and $3.8 million for furnishings, equipment, and computer systems.

The Company leases office space for certain branch offices under various operating leases with terms ranging through 2010. Lease payments included in occupancy expense totaled $289 thousand and $262 thousand for the years ended December 31, 2009 and 2008. Because the Company constructed a new corporate headquarters, the lease on administrative offices was not renewed at expiration in January 2010. Future lease payments for branch offices are estimated to be $81 thousand per year.

(In thousands, except share amounts)

NOTE G - MORTGAGE SERVICING RIGHTS AND LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans are:

	2009	2008
Mortgage loans underlying pass-through securities		
GNMA	$ 203,886	$ 147,653
FNMA	201,160	187,016
FHLMC	114	139
	405,160	334,808
Mortgage loan portfolio serviced for		
FNMA	59,377	57,514
FHLMC	3,344	4,022
Other investors	65,881	85,751
	128,602	147,287
	$ 533,762	$ 482,095

Custodial balances on deposit at the Bank, in connection with the foregoing loan servicing, amounted to $12.2 million and $11.2 million at December 31, 2009 and 2008.

An analysis of changes in mortgage servicing rights and the related impairment allowance follows:

	2009	2008
Mortgage servicing rights		
Balance, beginning of year	$ 5,196	$ 4,876
Capitalized	1,863	1,399
Amortization	(1,991)	(1,079)
Balance, end of year	5,068	5,196
Impairment allowance	(705)	(2,683)
Balance, end of year, net of impairment allowance	$ 4,363	$ 2,513
Valuation allowance		
Beginning of year	$ 2,683	$ 73
Additions expensed	-	2,610
Reductions credited to income	(1,978)	-
End of year	$ 705	$ 2,683

(In thousands, except share amounts)

NOTE G - MORTGAGE SERVICING RIGHTS AND LOAN SERVICING (Continued)

The fair value of capitalized mortgage servicing rights was $4.4 million and $2.5 million at year-end 2009 and 2008. Fair value was determined using discount rates ranging from 9.25% to 26.25%, prepayment speeds ranging from 13.99% to 34.63%, depending on the grouping of the specific right, and a weighted-average default rate of 0.60%.

The weighted-average amortization period is 3.72 years. Estimated amortization expense for each of the next five years follows:

2010	$ 1,699
2011	1,280
2012	916
2013	660
2014	479

NOTE H - DEPOSITS

A comparative summary of deposits by remaining term to maturity follows:

	2009	2008
No contractual maturities	$ 198,925	$ 187,782
2009	-	147,978
2010	130,084	14,220
2011	13,058	6,183
2012	5,387	3,824
2013	5,516	5,431
2014	7,639	-
	$ 360,609	$ 365,418

At December 31, 2009 and 2008, approximately $33.4 million and $51.7 million of residential mortgage-backed securities were pledged to secure public unit deposits.

Time deposits of $100,000 or more were $64.7 million and $77.3 million at year-end 2009 and 2008.

(In thousands, except share amounts)

NOTE I - FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

At year-end, advances from the FHLB were as follows:

	2009	2008
Maturities January 2010 through January 2015, at fixed rates from 0.04% to 4.98%, averaging 2.62%	$ 137,300	$ 125,300

Each advance is payable at its maturity date, or on payment of a prepayment penalty for fixed rate advances. The advances were collateralized by $173.1 million and $187.7 million of eligible loans under a blanket lien arrangement at year-end 2009 and 2008. Based on this collateral, the Company's holdings of FHLB stock and securities held in safekeeping, the Company was eligible to borrow an additional $139.3 million at year-end 2009.

Required payments over the next five years are:

2010	$ 55,300
2011	18,000
2012	25,000
2013	31,000
2014	5,000

Other borrowings consist of customer repurchase sweep accounts and the balance in the treasury, tax, and loan account. Balances were $3.8 million and $684 thousand at year-end 2009 and 2008.

(In thousands, except share amounts)

NOTE J - INCOME TAXES

The Company elected to be taxed as an S Corporation effective in 2009, accordingly, on January 1, 2009, the Company eliminated all deferred tax assets and liabilities and recognized $342 thousand of income. Beginning in 2009, the Company is not subject to federal or state tax. The Company may be subject to built-in gains taxes at the maximum corporate rate if certain assets are sold at a gain for a 10-year period following the election.

Total income tax expense/(benefit) in the accompanying consolidated statements of income are:

	2009	2008
Current	$ (8)	$ 4,867
Deferred	-	(2,401)
Effect of change in tax status	(342)	-
	$ (350)	$ 2,466

The differences between total tax expense and the amount computed by applying the applicable U.S. federal statutory income tax rate of 34% to income before income taxes were:

	2009	2008
Computed "expected" tax expense	$ -	$ 2,228
State income taxes	(8)	531
Other	-	(293)
Effect of change in tax status	(342)	-
	$ (350)	$ 2,466

Temporary differences created deferred tax assets and (liabilities) as of December 31, 2009 and 2008:

	2009	2008
Deferred tax assets	$ -	$ 4,439
Deferred tax liabilities	-	(4,034)
	$ -	$ 405

(Continued)

NOTE J - INCOME TAXES (Continued)

The Company's deferred taxes at December 31, 2008 were primarily attributable to the following: the use of accelerated depreciation methods for tax purposes; the excess of the allowance for loan losses for financial reporting purposes over the amount for tax purposes that arose after 1987; the exclusion from taxable income for certain stock dividends; the recognition of unrealized gains and losses on securities for tax purposes; the deduction of loan origination costs for tax purposes; and the deferral of deductions for accrued liabilities under the Company's medical and dental benefit plan, and originated mortgage servicing rights.

NOTE K - COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company may become a party to certain claims and legal actions. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material effect on the consolidated financial condition of the Company.

Also, the Company has various outstanding commitments and contingent assets and liabilities that are not reflected in the accompanying consolidated financial statements. Those financial instruments with off-balance-sheet risk are used to meet the financial needs of the Company's customers and include commitments to extend credit and standby letters of credit. They involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

(Continued)

(In thousands, except share amounts)

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The approximate contract or notional amounts of financial instruments whose contract amounts represent credit risk are:

	2009	2008
Undisbursed lines of credit and loans in process	$ 20,128	$ 27,235
Commitments to originate loans	2,178	3,648
Loans sold with recourse	7	4,245
Standby letters of credit	784	2,418
Commitments to sell mortgages and mortgage-backed securities	6,273	6,132

Commitments to extend credit are agreements to lend to a customer as long as there are no violations of any conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2009, commitments to make loans at fixed rates totaled $43 thousand. The fixed rate commitments had interest rates ranging from 4.90% to 10.15%.

NOTE L - REGULATORY MATTERS

The Bank is subject to certain restrictions on the amount of dividends it may declare without prior regulatory approval. The Bank is also subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios to Total and Tier 1 Capital (as defined by regulation) to Risk-Weighted Assets (as defined) and Core Capital (as defined) to Adjusted Total Assets (as defined). Management believes, as of December 31, 2009 and 2008, that the Bank met all regulatory capital adequacy requirements to which it is subject.

(Continued)

(In thousands, except share amounts)

NOTE L - REGULATORY MATTERS (Continued)

The most recent notifications from the OTS as of December 31, 2009 and 2008 categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum Total Risk-Based, Tier 1 Risk-Based, and Core Capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category. The Bank's actual capital amounts and ratios are also presented in the table:

	Actual		Amount Needed to Be Considered Adequately Capitalized		Amount Needed to Be Considered Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2009						
Total Risk-Based Capital (to risk-weighted assets)	$ 50,683	18.9%	$ 21,423	8.0%	$ 26,779	10.0%
Tier 1 Risk-Based Capital (to risk-weighted assets)	49,352	18.4%	10,711	4.0%	16,067	6.0%
Core Capital (to adjusted total assets)	49,352	8.8%	22,465	4.0%	28,081	5.0%
As of December 31, 2008						
Total Risk-Based Capital (to risk-weighted assets)	$ 44,684	16.7%	$ 21,461	8.0%	$ 26,827	10.0%
Tier 1 Risk-Based Capital (to risk-weighted assets)	43,229	16.1%	10,731	4.0%	16,096	6.0%
Core Capital (to adjusted total assets)	43,229	7.9%	21,970	4.0%	27,462	5.0%

(Continued)

NOTE M - FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Securities available-for-sale: The fair values of securities available-for-sale are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2).

Loans held for sale: Loans held for sale are carried at the lower of cost or fair value, as determined by outstanding commitments, from third party investors.

Impaired loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Servicing rights: The fair value of servicing rights is based on a valuation model that calculates the present value of estimated future net servicing income, a level 2 classification.

Foreclosed assets: Nonrecurring adjustments to certain commercial and residential real estate properties classified as foreclosed assets are measured at the lower of carrying amount or fair value, less costs to sell. Fair values are generally based on third party appraisals of the property, resulting in a Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

(In thousands, except share amounts)

NOTE M - FAIR VALUE (Continued)

Assets and liabilities measured at fair value are summarized below:

	Fair Value Measurements at December 31, 2009 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Assets measured on a recurring basis:				
Securities available-for-sale:				
U.S. Government-sponsored agencies	$ -	$ 60,652	$ -	$ 60,652
Residential mortgage-backed securities	-	160,681	-	160,681
Collateralized mortgage obligations	-	194	-	194
Private-issue collateralized mortgage obligations	-	7,579	-	7,579
Equity securities	983	-	-	983
Assets measured on a non-recurring basis:				
Loans held for sale	-	17,217	-	17,217
Impaired loans	-	-	198	198
Servicing rights	-	4,363	-	4,363
Foreclosed assets	-	-	4,294	4,294

	Fair Value Measurements at December 31, 2008 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value
Assets measured on a recurring basis:				
Securities available-for-sale:				
Residential mortgage-backed securities	$ -	$ 194,872	$ -	$ 194,872
Collateralized mortgage obligations	-	224	-	224
Equity securities	1,947	-	-	1,947
Assets measured on a non-recurring basis:				
Loans held for sale	-	15,129	-	15,129
Servicing rights	-	2,513	-	2,513

(In thousands, except share amounts)

NOTE M - FAIR VALUE (Continued)

Loans held for sale were carried at fair value of $17.2 million at December 31, 2009, which included a $252 thousand valuation for forward sales of mortgage-backed securities, resulting in a credit to income of $191 thousand for the year ending December 31, 2009.

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal amount of $252 thousand, with a valuation allowance of $54 thousand at December 31, 2009, resulting in an additional provision for loan losses of $54 thousand for the year ending December 31, 2009.

Servicing rights, which are carried at lower of cost or fair value, were carried at fair value of $4.4 million, which is made up of the outstanding balance of $5.1 million, net of a valuation allowance of $705 thousand at December 31, 2009, resulting in a reduction of the allowance credited to income of $2.0 million for the year ending December 31, 2009.

Foreclosed assets were carried at fair value less costs to sell of $4.3 million at December 31, 2009, which is net of a $26 thousand direct write-down to expense during 2009.

Carrying amounts and estimated fair value of financial instruments, not previously presented, at year-end were as follows:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	$ 11,463	$ 11,463	$ 18,466	$ 18,466
Loans, net	253,233	257,404	285,018	289,986
FHLB stock	6,595	N/A	6,622	N/A
Accrued interest receivable	2,034	2,034	2,380	2,380
Financial Liabilities				
Deposits	$ 360,609	$ 360,902	$ 365,418	$ 365,783
FHLB advances	141,115	144,115	125,984	128,365
Advance payments for taxes and insurance	1,867	1,867	1,820	1,820
Accrued interest payable	357	357	552	552

The methods and assumptions, not previously presented, used to estimate fair value are described as follows:

The carrying amount is the estimated fair value for cash and cash equivalents, short-term borrowings, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. The fair value of mortgage banking derivatives is not material. The fair value of debt is based on current rates for similar financing. It was not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability. The fair value of commitments is based on current fees or cost that would be charged to enter into or terminate such arrangements. The fair value of commitments is not material.

(In thousands, except share amounts)

NOTE N - RETIREMENT PLANS

The Bank has a qualified 401(k) retirement savings plan for employees. Contributions are optional at the discretion of the Board of Directors. The level of matching contributions as a percentage of eligible employee compensation and plan expenses were as follows for 2009 and 2008:

Year	Match	Compensation	Expense
2009	100%	5.0%	$ 255
2008	100%	5.0%	$ 257

The Company has an unfunded noncontributory defined benefit plan that covers certain senior executive officers. The plan provides defined benefits based on years of service and final average salary. The Company uses December 31 as the measurement date for its plan.

In September 2006, the FASB issued guidance which requires that defined benefit plan obligations be measured as of the date of the employer's fiscal year-end, starting in 2008. In accordance with the adoption provisions, the net periodic benefit cost for the period between the January 1, 2008 measurement date and the 2008 fiscal year-end measurement were allocated proportionately between amounts to be recognized as an adjustment to retained earnings and net periodic benefit cost for the fiscal year. As a result of this adoption, the Company increased the pension liability by $1.8 million, increased deferred income taxes by $700 thousand and credited accumulated other comprehensive income for $1.1 million.

Information about changes in obligations of the defined benefit plan follows:

	2009	2008
Benefit obligation at beginning of year	$ 3,572	$ 1,830
Service cost	33	34
Interest cost	211	214
Plan amendments	-	1,778
Actuarial (gain)/loss	11	(252)
Benefits paid	(49)	(32)
Benefit obligation at end of year	$ 3,778	$ 3,572

Amounts recognized in Accumulated other comprehensive income consist of:

	2009	2008
Net (gain)	$ (220)	$ (252)
Prior service cost	1,453	1,585
Total	$ 1,233	$ 1,333

The estimated net gain and prior service cost for the benefit plan that will be amortized from accumulated other comprehensive income into net periodic benefit costs during the year ending December 31, 2010 are $20 thousand and $132 thousand.

(Continued)

(In thousands, except share amounts)

NOTE N - RETIREMENT PLANS (Continued)

Estimated Future Payments

The following benefit payments, which reflect expected future service, are expected:

2010	$ 49
2011	48
2012	48
2013	68
2014	174
Years 2015-2019	1,629

The weighted-average discount rate used to determine benefit obligations and periodic benefit cost was 5.94% at year-end.

NOTE O - RELATED PARTY TRANSACTIONS

Loans to executive officers, directors, and their affiliates were $2.3 million and $2.1 million at December 31, 2009 and 2008.

Deposits from executive officers, directors, and their affiliates at year-end 2009 and 2008 were $2.2 million and $2.8 million.

NOTE P - STOCK-BASED COMPENSATION

The Company has a stock option plan as described below. Total compensation cost that has been charged against income for that plan was $86 thousand and $89 thousand for 2009 and 2008.

The Company's 2007 Stock Option Plan, which is stockholder-approved, permits the grant of stock options to its officers, employees, and directors for up to 70 thousand shares of common stock. The Company believes that such awards better align the interests of its employees with those of its stockholders. Option awards are granted with an exercise price equal to the estimated market price of the Company's common stock at the date of grant; those option awards have a vesting period of 5 years and have 10-year contractual terms. The Company's policy will be to use shares held as treasury shares to satisfy expected stock option exercises.

(In thousands, except share amounts)

NOTE P - STOCK-BASED COMPENSATION (Continued)

Currently, the Company has a sufficient number of treasury shares to satisfy expected stock option exercises.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Because the Company's stock is not actively traded, expected volatilities are based on historical volatilities of the SNL Index for all publicly traded thrifts. The Company uses management's estimate of option exercise, post-vesting termination behavior, and the expected term of options granted, which represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

There were no options granted in 2009 or 2008.

A summary of the activity in the stock option plan for 2009 follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at beginning of year	44,940	$ 45	
Granted	-	-	
Exercised	(300)	45	
Forfeited or expired	(800)	45	
Outstanding at end of year	43,840	$ 45	7.4
Vested or expected to vest	43,840	$ 45	7.4
Exercisable at end of year	16,660	$ 45	7.4

(In thousands, except share amounts)

NOTE P - STOCK-BASED COMPENSATION (Continued)

Information related to the stock option plan for the year follows:

	2009	2008
Intrinsic value of options exercised	$ 2	$ -
Cash received from option exercises	14	66
Weighted-average fair value of options granted	-	-
Intrinsic value of options outstanding	219	-

As of December 31, 2009, there was $208 thousand of total unrecognized compensation cost related to nonvested stock options granted under the plan. The cost is expected to be recognized over a weighted-average period of 2.4 years.

NOTE Q - OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) components and related tax effects were as follows:

	2009	2008
Unrealized holding gains (losses) on available-for-sale securities	$ 7,219	$ 4,161
Reclassification adjustment for losses (gains) realized in income	(2,910)	(2,153)
Net unrealized gains (losses)	4,309	2,008
Tax effect	-	(783)
Net-of-tax amount	4,309	1,225
Adjustment to initially apply pension guidance	-	(1,778)
Net gain and prior service cost arising during the year on employee pension plan	(383)	193
Tax effect	-	618
Net-of-tax amount	(383)	(967)
	$ 3,926	$ 258

PIONEER BANCORP, INC.
SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL CONDITION
December 31, 2009
(In thousands, except share amounts)

	Pioneer Bank	Pioneer Mortgage Company (1)	Eliminations	Pioneer Bank Consolidated	Pioneer Bancorp, Inc.	Eliminations	Pioneer Bancorp, Inc. Consolidated
ASSETS							
Cash and cash equivalents	$ 11,463	$ -	$ -	$ 11,463	$ -	$ -	$ 11,463
Securities Available-for-sale	228,804	1,285	-	230,089	-	-	230,089
Loans held for sale, net	17,217	-	-	17,217	-	-	17,217
Loans, net	253,233	-	-	253,233	-	-	253,233
FHLB, stock	6,595	-	-	6,595	-	-	6,595
Investment in subsidiary	4,356	-	(4,356)	-	49,699	(49,699)	-
Intercompany advance	-	3,075	(3,075)	-	2,427	(2,427)	-
Premises and equipment, net	31,296	15	-	31,311	-	-	31,311
Mortgage servicing rights, net	4,363	-	-	4,363	-	-	4,363
Foreclosed assets	4,294	-	-	4,294	-	-	4,294
Accrued interest receivable	2,022	12	-	2,034	-	-	2,034
Other assets	8,137	1	-	8,138	-	-	8,138
Total assets	$ 571,780	$ 4,388	$ (7,431)	$ 568,737	$ 52,126	$ (52,126)	$ 568,737
LIABILITIES							
Deposits	$ 360,609	$ -	$ -	$ 360,609	$ -	$ -	$ 360,609
FHLB advances and other borrowings	141,115	-	-	141,115	-	-	141,115
Official checks	2,063	-	-	2,063	-	-	2,063
Advance payments for taxes and insurance	1,867	-	-	1,867	-	-	1,867
Accrued interest payable	357	-	-	357	-	-	357
Intercompany advance	5,502	-	(3,075)	2,427	-	(2,427)	-
Accounts payable and other liabilities	6,531	-	-	6,531	1,253	-	7,784
Total liabilities	518,044	-	(3,075)	514,969	1,253	(2,427)	513,795
EQUITY							
Capital stock	-	82	(82)	-	1,009	-	1,009
Treasury stock	-	-	-	-	(2,481)	-	(2,481)
Additional paid-in capital	1,295	-	-	1,295	85	(1,294)	86
Retained earnings	48,406	4,273	(4,274)	48,405	52,260	(48,405)	52,260
Accumulated other comprehensive income/(loss)	4,035	33	-	4,068	-	-	4,068
Total stockholders' equity	53,736	4,388	(4,356)	53,768	50,873	(49,699)	54,942
Total liabilities and stockholders' equity	$ 571,780	$ 4,388	$ (7,431)	$ 568,737	$ 52,126	$ (52,126)	$ 568,737

(1) The financial information for PPM, Inc. is included in the accounts of Pioneer Mortgage Company and is considered insignificant for the purposes of this presentation.

PIONEER BANCORP, INC.
SCHEDULE II - CONSOLIDATING STATEMENT OF INCOME
Year ended December 31, 2009
(In thousands, except share amounts)

	Pioneer Bank	Pioneer Mortgage Company (1)	Eliminations	Pioneer Bank Consolidated	Pioneer Bancorp, Inc.	Eliminations	Pioneer Bancorp, Inc. Consolidated
Interest and dividend income							
Loans	$ 17,343	$ 344	$ (85)	$ 17,602	$ -	$ -	$ 17,602
Mortgage securities	8,556	60	-	8,616	-	-	8,616
Investment securities and other	399	-	-	399	-	-	399
Total	26,298	404	(85)	26,617	-	-	26,617
Interest expense							
Deposits	4,177	-	-	4,177	-	-	4,177
FHLB advances and other borrowings	3,591	85	(85)	3,591	-	-	3,591
Total	7,768	85	(85)	7,768	-	-	7,768
Net interest income	18,530	319	-	18,849	-	-	18,849
Loan loss provision	3,364	-	-	3,364	-	-	3,364
Net interest income after loan loss provision	15,166	319	-	15,485	-	-	15,485
Noninterest income							
Deposit account fees	4,461	-	-	4,461	-	-	4,461
Gain on sale of loans, net	1,008	601	-	1,609	-	-	1,609
Loan administration and service fees	223	155	-	378	-	-	378
Change in mortgage servicing rights impairment allowance	1,978	-	-	1,978	-	-	1,978
Equity earnings of subsidiary	645	-	(645)	-	9,780	(9,780)	-
Gain on sale of securities, net	2,910	-	-	2,910	-	-	2,910
Other	254	(5)	-	249	-	(10)	239
Total	11,479	751	(645)	11,585	9,780	(9,790)	11,575
Noninterest expense							
Compensation and employee benefits	8,894	290	-	9,184	-	-	9,184
Equipment	1,604	29	-	1,633	-	-	1,633
Data processing	1,501	8	-	1,509	-	-	1,509
Occupancy	1,204	33	-	1,237	-	-	1,237
Stationery, printing, and office supplies	498	9	-	507	6	-	513
Professional and supervisory	535	30	-	565	20	(10)	575
Federal deposit insurance	852	-	-	852	-	-	852
Postage and transportation	423	14	-	437	-	-	437
Advertising and public relations	959	23	-	982	-	-	982
Telephone	165	8	-	173	-	-	173
Other	546	18	-	564	1	-	565
Total	17,181	462	-	17,643	27	(10)	17,660
Income before income tax expense	9,464	608	(645)	9,427	9,753	(9,780)	9,400
Income tax expense	(316)	(37)	-	(353)	3	-	(350)
Net income	$ 9,780	$ 645	$ (645)	$ 9,780	$ 9,750	$ (9,780)	$ 9,750

(1) The financial information for PPM, Inc. is included in the accounts of Pioneer Mortgage Company and is considered insignificant for the purposes of this presentation.

PIONEER BANCORP, INC.
SELECTED FINANCIAL DATA - UNAUDITED
December 31, 2009
(In thousands, except share amounts)

2009 Compared to 2008

	Average Balance		Average Rate		Interest				
	2009	2008	2009	2008	2009	2008	Interest Variance	Volume	Rate
Interest and dividend income									
Loans	$ 292,677	$ 309,706	6.01%	6.62%	$ 17,602	$ 20,503	$ (2,901)	$ (1,024)	$ (1,877)
Mortgage securities	194,937	191,921	4.42%	4.66%	8,616	8,949	(333)	133	(466)
Securities	24,563	11,159	1.62%	3.20%	399	357	42	218	(176)
Total interest-earning assets	$ 512,177	$ 512,786	5.20%	5.81%	$ 26,617	$ 29,809	$ (3,192)	$ (673)	$ (2,519)
Interest expenses									
Deposits	$ 368,516	$ 354,887	1.13%	1.92%	$ 4,177	$ 6,799	$ (2,622)	$ 154	$ (2,776)
Borrowed funds	127,248	143,097	2.82%	3.23%	3,591	4,627	(1,036)	(447)	(589)
Total interest-bearing liabilities	$ 495,764	$ 497,984	1.57%	2.29%	$ 7,768	$ 11,426	$ (3,658)	$ (293)	$ (3,365)
Net interest spread and income			3.63%	3.52%	$ 18,849	$ 18,383			
Ratio of net interest income to average interest-earning assets					3.68%	3.58%			

2008 Compared to 2007

	Average Balance		Average Rate		Interest				
Interest and dividend income	2008	2007	2008	2007	2008	2007	Interest Variance	Volume	Rate
Loans	$ 309,706	$ 309,310	6.62%	7.04%	$ 20,503	$ 21,764	$ (1,261)	$ 26	$ (1,287)
Mortgage securities	191,921	142,236	4.66%	4.38%	8,949	6,224	2,725	2,317	408
Securities	11,159	29,945	3.20%	4.65%	357	1,391	(1,034)	(601)	(433)
Total interest-earning assets	$ 512,786	$ 481,491	5.81%	6.10%	$ 29,809	$ 29,379	$ 430	$ 1,742	$ (1,312)
Interest expenses									
Deposits	$ 354,887	$ 354,425	1.92%	2.73%	$ 6,799	$ 9,686	$ (2,887)	$ 9	$ (2,896)
Borrowed funds	143,097	114,858	3.23%	4.34%	4,627	4,985	(358)	913	(1,271)
Total interest-bearing liabilities	$ 497,984	$ 469,283	2.29%	3.13%	$ 11,426	$ 14,671	$ (3,245)	$ 922	$ (4,167)
Net interest spread and income			3.52%	2.97%	$ 18,383	$ 14,708			
Ratio of net interest income to average interest-earning assets					3.58%	3.05%			

PIONEER BANCORP, INC.

CORPORATE INFORMATION

General Information

Pioneer Bancorp, Inc. is a thrift holding company organized in the State of Nevada. The Bancorp owns Pioneer Bank which focuses on traditional and mortgage banking. The Bank is a Federal Savings Bank which provides depository services and originates and services residential, commercial, and consumer loans primarily in Southern New Mexico and West Texas. The Bank has one subsidiary, Pioneer Mortgage Company, which is involved in residential construction and mortgage lending in West Texas and Colorado.

CORPORATE OFFICES

Pioneer Bancorp, Inc.
3000 North Main Street
P.O. Box 130
Roswell, NM 88202-0130

INDEPENDENT PUBLIC ACCOUNTANTS

Crowe Horwath LLP
One Mid America Plaza
P.O. Box 3697
Oak Brook, IL 60522-3697

GENERAL COUNSEL

Sanders, Bruin, Coll & Worley, P.A.
701 West Country Club Road
Roswell, NM 88201

REGISTRAR AND TRANSFER AGENT

Pioneer Bancorp, Inc.

ANNUAL MEETING

The annual meeting of shareholders of Pioneer Bancorp, Inc. will be held at 10:30 a.m. on April 20, 2010 at the Corporate Headquarters, 3000 North Main Street, Roswell, New Mexico.

PIONEER BANCORP, INC.

BOARD OF DIRECTORS

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Retired
Bell Gas, Inc.

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Martin B. Cooper, CPA PC

Patricia J. Cooper
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Chairman, President and CEO
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Stephen P. Puntch
Executive Vice President
Pioneer Bank

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President
Ritter Enterprises, Inc.

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Managing Director
Strategic Growth Capital LLC

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Sanders, Bruin, Coll & Worley, PA

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PIONEER BANK

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Kiel A. Hoffman

Market President - Hobbs, NM
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Nancy J. Montgomery
Yvette Ornelas-Almanza
Melody E. Parra
Kyle W. Rind
Sabrina M. Russell
Debra M. Young

PIONEER MORTGAGE COMPANY

Assistant Vice President
Sharon K. McKandles

d/b/a **Liberty Home Financial**

President
David L. Karger

PIONEER BANK

www.pioneerbnk.com

3000 North Main Street, P.O. Box 130, Roswell, New Mexico 88202
306 North Pennsylvania Avenue, Roswell, New Mexico 88201
3301 North Main Street, Roswell, New Mexico 88201
2 St. Mary's Place, Roswell, New Mexico 88203
300 South Sunset Avenue, Roswell, New Mexico 88203
(575) 624-5200

3831 East Lohman Avenue, P.O. Box 609, Las Cruces, New Mexico 88004
705 East University Avenue, Las Cruces, New Mexico 88001
2900 Roadrunner Parkway, Las Cruces, New Mexico 88011
(575) 532-7500

1020 Tenth Street, P.O. Box 1707, Alamogordo, New Mexico 88311
(575) 439-6040

111 North Canal Street, P.O. Box S, Carlsbad, New Mexico 88221
(575) 885-7474

1020 North Turner Street, P.O. Box 177, Hobbs, New Mexico 88241
(575) 391-5800

1095 Mechem Drive, P.O. Box 910, Ruidoso, New Mexico 88355
(575) 258-6500

6068 Gateway East, P.O. Box 972178, El Paso, Texas 79997
(915) 782-2400
www.pioneerelpaso.com

PIONEER MORTGAGE COMPANY

3000 North Garfield Street, Suite 180, Midland, Texas 79705
(432) 570-0777
www.pioneermidland.com

d/b/a **Liberty Home Financial**

1317 Grand Avenue, Suite 216, Glenwood Springs, Colorado 81601
(970) 945-7210

165 South Union Boulevard, Suite 520, Lakewood, Colorado 80228
(303) 996-0539